

THE WALL STREET JOURNAL.

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ASIA EDITION

What's News

Business & Finance

The Henry Hub in Louisiana, which for years has been a benchmark for U.S. contracts, is now helping set prices from Mozambique to Japan. A1

◆ Elliott purchased a slice of debt that would ensure the fund's ability to block Buffett's deal for Oncor. B5

◆ Alibaba's fiscal first-quarter net income and revenue surged, exceeding analysts' expectations. B1

◆ China Unicom withdrew a plan to sell \$11.7 billion in shares to a group of companies including Alibaba and said it would file a revised plan. B1

◆ DRW is acquiring rival RGM Advisors, the latest deal to show how low stock volatility is roiling the world of high-frequency trading firms. B5

◆ For China's Anbang Insurance, South Korea is emerging as a test for its resilience globally as its deals there are fraying. B5

◆ An ex-BofA employee and several others face insider-trading charges over tips about potential deals. B7

◆ Wal-Mart's sales rose in the latest quarter, boosted by an e-commerce surge and strong grocery sales. B2

World-Wide

◆ Trump defended the statues commemorating Confederate leaders and lamented efforts to remove them. A1

◆ Many Europeans remain unemployed with limited job prospects, despite recent growth in the eurozone. A1

◆ Activist Joshua Wong was sentenced to six months in jail, disqualifying him from Chinese elections for five years. A3

◆ South Korea's president said Trump agreed to discuss options with him before taking any action to rein in North Korea. A3

◆ Tensions on the Korean peninsula are raising concerns about South Korea hosting the Olympics. A3

◆ A suspected Islamic State member killed a Palestinian guard near the Gaza Strip, the first deadly bombing by jihadists against Hamas. A4

◆ Saudi Arabia's king has called for private planes to help Qatari pilgrims make the hajj pilgrimage to Mecca this month. A4

◆ Tame inflation has Fed officials split about when interest rates in the U.S. should increase. A5

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Real Estate's French Connection

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Trump Defends Civil War Statues

President's tweets criticize removal of 'beautiful' tributes to Confederate leaders

By MICHAEL C. BENDER AND JON KAMP

ville, Va.

"Sad to see the history and culture of our great country being ripped apart with the removal of our beautiful statues and monuments," Mr. Trump wrote on Twitter on Thursday. "You can't change history, but you can learn from it," he continued.

The debate over the removal of a statue of Robert E. Lee, a top commander of Confederate forces in the Civil War, sparked protests last week in Charlottesville, Va., from white nationalists and neo-Nazis. One man with a

Seoul: U.S. Won't Act Unilaterally

South Korea's president said Trump agreed to discuss options on North Korea before taking action. A3

history of supporting white supremacists allegedly drove a car into counterprotesters on Saturday, killing a 32-year-old woman, Heather Heyer.

The president waited two days to condemn the white supremacist groups, making re-

marks Monday singling out the Ku Klux Klan and other groups for blame.

Mr. Trump spoke again about the violence in a combative news conference Tuesday in which he said "both sides" were at fault. The news conference has caused divisions within his administration, including among his top advisers, and led to immediate rebukes from congressional leaders, including fellow Republicans.

The tweets Thursday echo language Mr. Trump used earlier in the week. During the

news conference, Mr. Trump suggested there was a slippery slope from removing a statue of Lee and scrubbing from history Founding Fathers George Washington and Thomas Jefferson.

The two Virginians, the first and third U.S. presidents, owned slaves. The Confederate generals led armies into battle against the U.S., in defense of states that seceded from the nation Washington and Jefferson founded.

Mr. Trump's tweets on Thursday signal that he is

Please see TRUMP page A5

Van Hits Pedestrians in Barcelona in Apparent Terrorist Attack



BRIEF: People react at the scene of what authorities called a massive crash in the center of Barcelona. Police said it was a terrorist attack. A4

THE NEW EXTREMISM: UNIFIED, TECH-SAVVY, EMBOLDENED

White nationalists amplify their small numbers through the web; the Trump effect

The white nationalist drove from South Carolina. The self-described patriot trekked from Tennessee. The college student espousing white pride flew in from Nevada.

By Dan Frosch,
Cameron McWhirter
and Ben Kesling

The right-wing extremist movement, which until recently was fragmented by division, starved for members and lacking steady leadership, rarely was capable of uniting its forces as it did last weekend. The mayhem in Charlottesville, Va., was a signal that even if not

numerous, these groups are unifying.

Patrick LaPorte IV, 35 years old, a white nationalist from South Carolina who attended the rally, said he was drawn to the event even though there wasn't a single group driving the charge, but rather a loose conglomeration of like-minded people connected on social media. Mr. LaPorte, who brought a mouth guard with him for protection in the event of a brawl, said he isn't bothered when people call him a Nazi, though if he were to label himself he would say he subscribes to "white identity."

In the past, he said, white nationalists might have been scared of showing

their faces. For many, he said, those days are over.

For law-enforcement officials and others who have long tracked the extremist groups that descended on Charlottesville, the attendance of so many disparate elements made the gathering a watershed. While only several hundred people showed up, far fewer than the tens of thousands who have gathered to demonstrate against President Donald Trump or support immigrant and women's rights, it was among the largest gatherings of its kind in decades.

Among the factors driving this new

Please see GROUPS page A6

Who's on First? An 85-Year-Old With Two New Knees

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Softball leagues rally seniors, with special rules; Antiques vs. Chicago Geezers

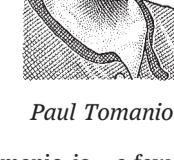
By JAMES R. HAGERTY

SOUTH PARK, Pa.—One Thursday evening this month, Paul Tomanio was growing impatient with his slow-pitch softball teammates in this Pittsburgh suburb. A fly ball had just plowed into the ground between two outfielders, allowing a run to score.

"Somebody should have caught that, right?" muttered Mr. Tomanio, wearing a blue T-shirt with matching bandanna knotted around his neck.

At age 86, Mr. Tomanio is the voice of experience on his senior softball team. His teammates range from late 50s to 80. He isn't particularly impressed with many of them.

"They don't know where to



Paul Tomanio

Please see PLAY page A6

That's the Ticket

'Wolf Warrior 2' has become the highest-grossing film in China, spurring a box-office revival. B1

Top-grossing films in China

Wolf Warrior 2 (China)

4.8 billion yuan*

The Mermaid (China-Hong Kong)

3.4

The Fate of the Furious (U.S.)

2.7

Monster Hunt (China-Hong Kong)

2.4

Furious 7 (U.S.)

2.4

Transformers: Age of Extinction (China-U.S.)

2.0

Kung Fu Yoga (China-India)

1.8

Mojin: The Lost Legend (China)

1.7

Journey to the West: The Demons Strike Back (China-Hong Kong)

1.7

Lost in Hong Kong (China)

1.6

Note: 1 billion yuan = \$149 million

*As of Aug. 16. ^Co-production

Source: EntGroup

THE WALL STREET JOURNAL.

In Spite of Growth, Europeans Lack Jobs

Irene Tsolka has barely worked since earning her civil engineering degree nearly a decade ago. When she finally got a job this summer, it was as a hotel receptionist—and yet she is grateful.

By Jeannette Neumann
in Madrid, Giovanni Legorano in Rome
and Nektaria Stamouli in Lefkada, Greece

"I was close to absolute catastrophe," said the 33-year-old Greek woman. "I guess I have to say I'm lucky."

In many corners of Europe, the recession cost millions their jobs. Despite a recent surge of growth, many remain unemployed with little hope of finding new jobs.

At the end of 2016, nearly half of those in the European Union without work had been jobless for at least a year, compared with 13% in the U.S. And while the U.S. long-term unemployed rate has halved

from its crisis-era peak, in the EU it has barely fallen.

In turn, in some European countries, structural unemployment—a kind of floor below which it is difficult for the jobless rate to fall—is currently at least double that of the U.S., according to economists.

Structural unemployment can result from technological change or laws that make hiring and firing expensive, and can reflect a mismatch between the skills workers have and the skills employers need—or where they need them. It is particularly high in Europe's still-troubled south.

Many of those who do find work are stuck in low-skill and temporary jobs from which they will struggle to emerge.

Despite the gloom, Europe's overall economic picture hasn't been so bright in years.

Please see JOBS page A4

◆ ECB leery of ending vast stimulus program..... A2

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WORLD NEWS

How India's Debt Could Kill Its Growth

A look at the threat facing the world's fastest-growing large economy in six charts

By Daniel Stacey and Kara Dapena

India is taking a series of aggressive steps to reduce the mountain of bad debts weighing down its banks and threatening to derail the world's fastest-growing large economy.

India's parliament last week passed a law empowering its central bank to force some of

the country's largest companies into bankruptcy proceedings.

The move follows last year's overhaul of the bankruptcy code, another attempt to make it faster for creditors to get their money back in a country notorious for drawn-out insolvency proceedings.

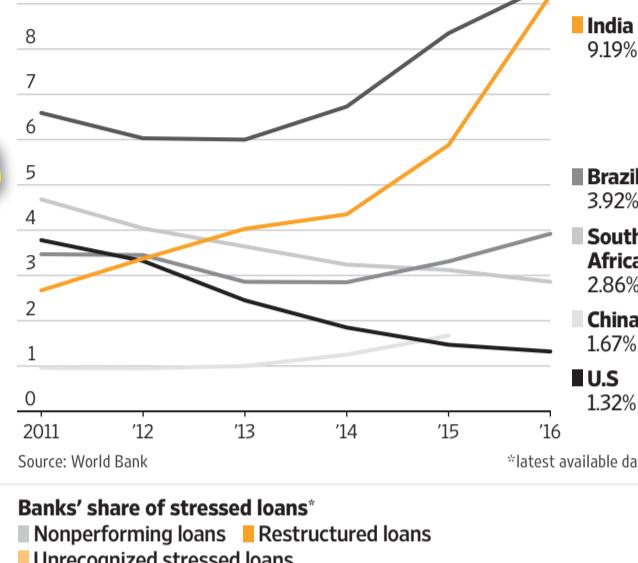
India's efforts come as most of its state banks are struggling with extremely high levels of bad debts, which has dented their ability to make new loans. This, in turn, has pushed down the level of investment to a 13-year low and led economic growth to slow.

Bad loans are piling up

Indian companies borrowed at record levels a decade ago when the economy was booming. But when the 2008 financial crisis hit, many struggled to find the demand they had anticipated, and started falling behind on their loan repayments.

Last year, more than 9% of all bank loans were deemed nonperforming, meaning that repayments were overdue for more than 90 days. That is a significantly higher ratio than in the U.S. or in other so-called Brics—a group that includes the world's largest developing countries—with the exception of Russia.

Nonperforming loans as a percentage of total loans

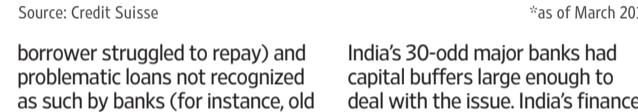


Banks face additional pressure

Compounding the issue, India's state banks—which account for the lion's share of the country's banking sector—may have twice the amount of problematic loans on their books than currently reported, according to Credit Suisse estimates.

The investment bank puts that ratio at above 20%. That number includes restructured loans (loans whose repayment date or amount have been modified because the

Banks' share of stressed loans*



Source: Credit Suisse

borrower struggled to repay) and problematic loans not recognized as such by banks (for instance, old loans that are being repaid with new loans), Credit Suisse said in a report released earlier this year. Credit Suisse said only one of

India's 30-odd major banks had capital buffers large enough to deal with the issue. India's finance ministry earlier this year said the banks' bad-loan problem threatened to "derail India's growth."

that started to change in the 1980s, and trading became a realistic option, Nymex focused on Katy, Texas, a Houston suburb where several intrastate pipelines intersected.

But Nymex executives realized Katy wasn't ready and turned their attention elsewhere.

A team of Texaco executives had been watching the changes in the market, and were trying to come up with a way to make declining assets in southern Louisiana profitable again.

Their solution: Make the Sabine pipeline and the Henry gas plant "the nucleus of deregulation,"

But it wasn't even the first choice when officials with the New York Mercantile Exchange began looking for a place that could form the basis of a new contract that would allow natural gas futures to be traded.

For decades, most natural gas was sold through long-term contracts and was subject to government price controls. As

risk from their business model. These exporters buy all of their natural gas at Henry Hub prices and could stand to lose money if they have to sell it to their customers at oil-linked prices if the margins are unfavorable.

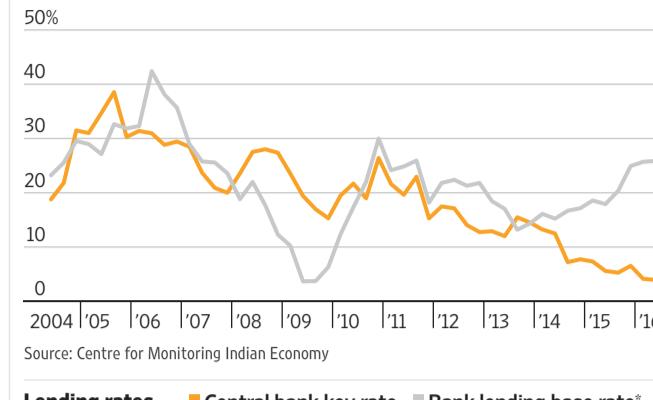
Until recently, natural gas markets remained staunchly regional. But that is changing rapidly. Analysts say the U.S. is set to become the world's swing supplier of LNG as construction is completed on several new terminals that will chill natural gas until it turns to a liquid that can be carried away on tankers.

The actual shipments from those terminals may rise and fall depending on global supply and demand, analysts say. And since cargoes departing from the U.S. Gulf Coast can typically be rerouted and resold on a growing spot market—a relatively new development—that could help pull other regional prices down toward Henry Hub levels and keep them closely aligned.

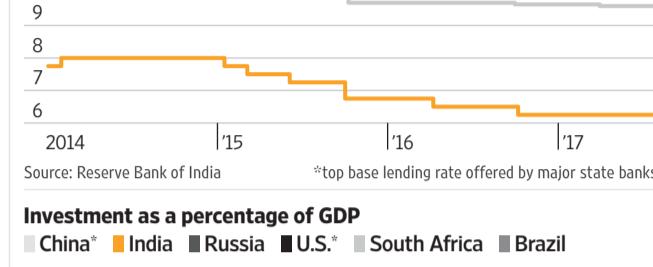
"The economics suggest that U.S. gas prices will act as a natural anchor," said Spencer Dale, chief economist at BP PLC.

Henry Hub entered the global marketplace when Che-

Bank loans, change from a year earlier

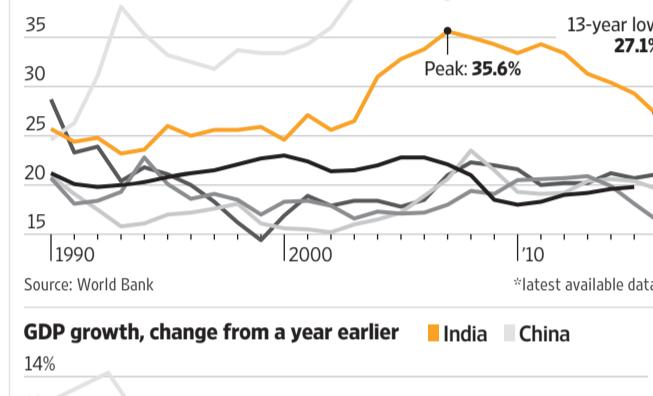


Source: Centre for Monitoring Indian Economy



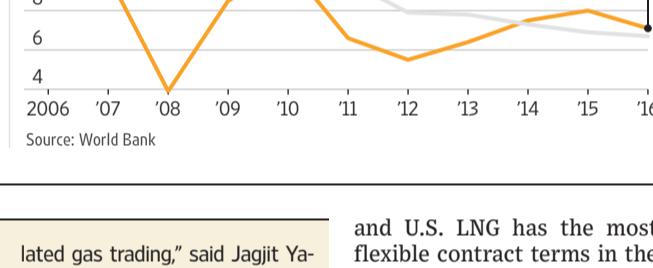
Source: Reserve Bank of India *top base lending rate offered by major state banks

Investment as a percentage of GDP



Source: World Bank *latest available data

GDP growth, change from a year earlier



Source: World Bank *latest available data

Lending growth is grinding to a halt

As bad debt piles up on their books, state banks are less inclined to make new loans. Private banks with better balance sheets have stepped in to lend more, but they represent only a fraction of India's banking sector. Overall, when adjusting for inflation—which averaged 4.5% in the fiscal year ended March—credit growth turned negative in the past financial year, and hit its lowest rate in 23 years, according to India's finance ministry.

Attempt to make loans cheaper is falling flat

India's central bank has tried to help boost lending growth by dropping its key interest rate by 2 percentage points since early 2015, but banks have responded with a measly 0.65-point cut in their base lending rate.

Lending slump is hurting investment

As India's state banks are reluctant to lower rates and lend, even healthy companies can't borrow as much money as they would like to build or buy things.

As a result, corporate investment as a percentage of India's GDP has fallen by more than 7 percentage points in the last five years, reaching a 13-year low last year.

Economic growth is suffering

Lackluster lending and investment have started to drag down the economy. Last year, gross-domestic-product growth slowed by a percentage point to 7.1%, and shrank by another point again in the first quarter of this year, as manufacturing, agriculture and construction all contracted.

and U.S. LNG has the most flexible contract terms in the market," said Jack Fusco, chief executive of Cheniere. "The world is becoming more knowledgeable and comfortable with Henry Hub."

It

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U.S.

LNG

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is

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priced

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Henry

Hub

Anadarko Petroleum Corp. has signed deals to sell LNG from gas discoveries off the coast of Mozambique at Henry Hub prices, according to Mitch Ingram, Anadarko executive vice president.

Though it has become more prominent globally, there are challenges to Henry Hub's growing influence. Falling oil prices have slowed Henry Hub's progress. Even Cheniere has noted the lower price of oil has generated renewed interest in linking LNG contracts back to oil. Asian buyers have become more reluctant to buy LNG at prices linked to Henry Hub, according to analysts.

And since European buyers have options between coal, gas delivered on pipelines, and liquefied gas that arrives on tankers, demand there will also help determine global prices.

The market is much too rigid and sticky at the moment. There are too many bar-

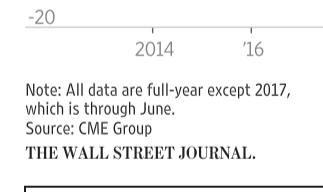
riers," said Liz Bossley, chief executive of the Consilience Energy Advisory Group Ltd.

Still, the growing connection between these hubs is a sign of how the gas market is evolving. The anticipated rise in U.S. exports of liquefied gas will strengthen the links between the U.S. and global gas markets, analysts said.

Analysts at Société Générale expect European gas prices to "show signs of convergence to Henry Hub" by the middle of next year as more LNG from the U.S. floods the market.

Going Global

Annual change in the daily volume of Henry Hub natural-gas futures outside of U.S. hours, a sign of increasing trading abroad



Note: All data are full-year except 2017, which is through June.

Source: CME Group

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WORLD NEWS

Hong Kong Protester Jailed

Court sentences student leader to six months, effectively barring a run for office

By NATASHA KHAN

HONG KONG—A student icon of Hong Kong's pro-democracy movement was effectively disqualified from running for political office for five years after being jailed over protests in 2014 that drew world-wide attention.

The imprisonment of Joshua Wong, who became the skinny, bespectacled teenage face of the 79-day demonstrations demanding freer elections, is the latest move by authorities here to sweep away opponents of Beijing's tightening control over the city. Since the protests, Mr. Wong has co-founded a new political party and has become a focal point for democracy campaigners, especially among the city's youth.

The Court of Appeal sentenced Mr. Wong to six months in prison for taking part in an unlawful assembly in 2014, when protesters scaled security gates to access a square outside government headquarters, sparking what became known as the Occupy protests. Mr. Wong was originally sentenced to community service, which he completed, before the city's Department of Justice filed a rare appeal, arguing that the sentence was too lenient.

Under Hong Kong law, anyone sentenced to three or more months' imprisonment is disqualified from running in any election for five years.

Two other student leaders, Nathan Law and Alex Chow, were sentenced to eight months and seven months in prison, respectively.

Judge Wally Yeung said strong punishment was needed to deter protesters from breaking the law, to ensure social harmony and preserve public order.



Joshua Wong addressed the media outside a Hong Kong court before his sentencing on Thursday.

All three plan to lodge appeals to the Court of Final Appeal, their lawyers said.

Hong Kong authorities are increasingly using the legal system to silence dissent, having successfully disqualified six other pro-democracy legislators in a separate case over oath-taking, damaging the bloc's ability to veto legislation.

The moves pave the way for controversial laws to be enacted on national security, compulsory patriotic education for schoolchildren, and, for the first time, allowing mainland Chinese laws to be enforced in a new train station for a high-speed rail line connecting Hong Kong to the mainland.

"Beijing and the Hong Kong Secretary for Justice are licking their chops at the moment," said Jerome A. Cohen, director of the U.S.-Asia Law Institute at New York University. "Of course they will be 'political prisoners... Their actions were political, and so was the government's prosecution."

Mr. Wong and his two fellow student protest leaders "were convicted not because they exercised their civil liberties but because their relevant

conduct in the protest broke the law," a spokeswoman for the Department of Justice said in an email. "There is absolutely no basis to imply any political motive on the part of the Department of Justice in this case."

Mr. Wong, who turns 21 in October, rocketed to fame in his teens by organizing a 2012 rally that led the government to shelve plans to introduce a pro-China curriculum in Hong Kong schools.

During protests that paralyzed city streets in 2014, Mr. Wong was one of the first to camp out on highways and was a fiery voice at night rallies. That year, he was also on the cover of Time Magazine—the week he turned 18—as "The Face of Protest."

"They can silence protests, remove us from the legislature and lock us up. But they will not win the hearts and minds of Hongkongers," Mr. Wong said on Twitter on Thursday.

There had been speculation that Mr. Wong would run for office after his next birthday when he becomes qualified, said Ho-fung Hung, an associate professor in political economy at Johns Hopkins University.

"If he runs he could easily win, and if the government disqualifies him like it disqualifies many candidates in 2016, that will become an international incident," Mr. Hung said, citing Mr. Wong's iconic status. "So the ideal strategy of the government is to make his sentence as harsh as possible so that he won't be qualified to run from the beginning."

The city's pro-democracy groups have splintered in recent years as Beijing and the city's tightly controlled government has squeezed activists from all sides. Opposition leaders say freedom of speech and other fundamental rights are being eroded in this former British colony.

One risk for Beijing is that detaining Mr. Wong could burnish his credentials as a leader of the city's pro-democracy fight.

Before the sentencing on Thursday, scores of supporters, some in tears, gathered outside the court, chanting: "We are all Joshua Wong.... We are all Hong Kong people."

Korea Looms Over Games

By JONATHAN CHENG

SEOUL, South Korea—The last time South Korea hosted the Olympic Games, in 1988, North Korea was keen for a piece of the action and offered to co-host events. After it was rebuffed, Pyongyang bombed a South Korean jetliner and launched its own rival sports extravaganza.

Now, the Olympics are returning to South Korea—and this time North Korea is looming as an ominous problem months ahead of the Games.

The 2018 Winter Games are set to take place next February in the South Korean ski resort town of Pyeongchang, just 50 miles south of the demilitarized zone, or DMZ—which is actually heavily fortified—that separates the two Koreas. And this time, North Korea's actions are raising concerns months ahead of time, in the form of intensifying nuclear-war rhetoric with the U.S.

The sudden flare-up in tensions on the Korean Peninsula has sparked concerns at the International Olympic Committee, as thousands of athletes, sponsors, supporters and fans prepare to descend on the remote skiing village.

The IOC, in a statement Friday, said that the Pyeongchang Games "continue to be on track, but added that it is 'monitoring the situation on the Korean Peninsula and the region very closely.'



North Korea's delegation at the 2016 Rio de Janeiro Olympics.

Denis Masseglia, president of the France Olympic Committee, told the Associated Press that the situation would be discussed at an upcoming IOC meeting, adding: "There is no reason to be too worried at the moment." He added: "Of course if the tension escalates, we'll need to adapt."

Pyeongchang organizers have touted these Games as the "Peace Olympics." Gangwon Province, where Pyeongchang is located, was the only province divided by the Korean War, and organizers have held events like a "peace walk" of several hundred international students along the DMZ carrying a "peace banner."

Nancy Park, a spokeswoman for the Pyeongchang organizing committee, noted that South Korea had successfully

hosted the 1988 Olympics and the 2002 FIFA World Cup. "It is important to remember that Koreans have lived under this tension of political relations for decades," she said.

Moon Jae-in, South Korea's newly-elected president and the son of North Korean refugees, is a longtime advocate of engagement with Pyongyang. Since taking office in May, he has repeated a constant refrain: The two Koreas should find some way to cooperate at the Olympics.

"Sports have the power of connecting one heart to another," he said last month during his first major policy address on North Korea as president.

"The world will witness peace through the Olympic Games," Mr. Moon said.

Games is a figure-skating duo, Ryom Tae Ok and Kim Ju Sik, who will have to place in the top four at the Nebelhorn Trophy in Germany in September to win a berth at Pyeongchang.

Another possibility, proposed by the South Korean sports minister in June, would be to meld the North and South Korean women's ice hockey teams. That proposal has its own problems. South Korea, which as the Olympic host has an automatic ticket to the eight-team women's finals, ranks ahead of the North Korean team, which it soundly defeated 3-0 in April. Members of South Korea's team have grumbled about the possibility of

having to surrender spots to inferior North Korean players.

There is at least one good reason to root for the North Koreans to qualify, security experts say: The presence of North Korean athletes in Pyeongchang would "almost be like a security guarantee," says Andrew Gilholm, a Seoul-based director of Northeast Asia analysis for Control Risks, a consultancy.

Nancy Park, a spokeswoman for the Pyeongchang organizing committee, said the committee had higher objectives in mind.

"We don't want North Korea here because it'd be safer," she said. "We want as big a celebration as possible."

—Jonathan Cheng

Seoul Says Trump To Discuss Options

By KWANWOO JUN

SEOUL—South Korea's leader said President Donald Trump agreed to discuss options, including a U.S. military strike, with him before taking any action to rein in North Korea's nuclear and missile programs.

President Moon Jae-in's remarks on Thursday came as the latest round of warlike rhetoric over North Korea's weapons tests appeared to ease following Pyongyang's announcement that it would hold off on a threat to launch missiles at the U.S. Pacific territory of Guam.

Mr. Moon, speaking at a news conference marking his 100th day in office, said Mr. Trump would consult with and secure consent from Seoul before acting to resolve the North Korean issue, but Mr. Moon didn't provide details.

"That is a firm agreement between South Korea and the U.S.," the South Korean president said. South Korean officials said Mr. Moon was referring to the outcome of his trip to Washington in late June for a summit with Mr. Trump, but they declined to elaborate.

The remarks were the first time Mr. Moon confirmed that Washington would seek prior South Korean approval before any military action against North Korea. Previously, Mr. Moon had warned that the U.S. would need Seoul's consent for any military action on the Korean Peninsula.

"No one can determine to take military action on the Korean Peninsula without the consent of the Republic of Korea," Mr. Moon said, using his country's formal name. "We cannot lose everything with war again."

The U.S. Embassy in Seoul declined to comment on Mr. Moon's statements.

Gen. Joe Dunford, chairman of the U.S. Joint Chiefs of Staff, who is on a swing through

Asia, said Seoul would be consulted on any military action on the Korean Peninsula.

"I want to make it clear that South Korea is an ally, and everything that we do in the region is in the context of our alliance," he told reporters on Thursday in Beijing. Gen. Dunford declined to address whether South Korea would have veto authority over the U.S. if it chose to take unilateral action.

South Korea's first left-leaning leader in nearly a decade is seeking a more assertive role for Seoul in addressing the North Korean crisis through dialogue, amid concerns that South Korea has been sidelined by bigger powers such as the U.S. and China.

President Moon Jae-in confirmed the U.S. would seek approval for military action.

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North May Have to Sit on the Sidelines

For the Koreas to compete together, or even walk into the opening ceremonies together, North Korean athletes will have to qualify for competition.

While North Korea is competitive at the Summer Olympics and in global soccer, it isn't exactly a winter sports power. It has sent athletes to only eight Winter Games since the Korean War in the early 1950s, and won just two medals—a silver in 1964 and a bronze in 1992.

Its last remaining hope to qualify for the 2018 Winter

Games is a figure-skating duo, Ryom Tae Ok and Kim Ju Sik, who will have to place in the top four at the Nebelhorn Trophy in Germany in September to win a berth at Pyeongchang.

Another possibility, proposed by the South Korean sports minister in June, would be to meld the North and South Korean women's ice hockey teams. That proposal has its own problems. South Korea, which as the Olympic host has an automatic ticket to the eight-team women's finals, ranks ahead of the North Korean team, which it soundly defeated 3-0 in April. Members of South Korea's team have grumbled about the possibility of

having to surrender spots to inferior North Korean players.

There is at least one good reason to root for the North Koreans to qualify, security experts say: The presence of North Korean athletes in Pyeongchang would "almost be like a security guarantee," says Andrew Gilholm, a Seoul-based director of Northeast Asia analysis for Control Risks, a consultancy.

Nancy Park, a spokeswoman for the Pyeongchang organizing committee, said the committee had higher objectives in mind.

"We don't want North Korea here because it'd be safer," she said. "We want as big a celebration as possible."

—Jonathan Cheng

WORLD NEWS

Bomber Hits Hamas in Gaza Strip

Attack comes as Hamas deepens ties with Egypt, cuts them with Islamic State

A suspected Islamic State extremist killed a Palestinian security guard in a suicide attack near a crossing between the Gaza Strip and Egypt, the first deadly bombing by jihadists against Hamas, at a time of shifting allegiances in the Middle East.

By Abu Bakr Bashir in Gaza City and Rory Jones in Tel Aviv

Hamas didn't explicitly blame Islamic State for Thursday's bombing. Officials from the Palestinian militant group, which controls Gaza, described the attacker as a jihadist who had either planned to kill its guards or was caught crossing to join Islamic State in Egypt's neighboring Sinai Peninsula.

The attack comes as Hamas deepens ties with Egypt and cuts them with Islamic State fighters. The shift in allegiance is fueled by its desperate need for funding following aid cuts by the Palestinian Authority and an economic blockade imposed by Sunni Arab states on Qatar, the Persian Gulf nation that provides a large proportion of the international money funneled to Gaza.

Hamas has in recent weeks bolstered its forces on the restive border between Gaza and Sinai, a bid to prevent Islamic State militants from using Gaza as a haven from the Egyptian forces fighting to defeat them.

In return, Egypt has begun providing financial assistance to Hamas.

Hamas's militant wing had



Hamas fighters carry the body of an officer killed in a suicide attack on Hamas forces near the Gaza Strip's border with Egypt.

previously focused on strengthening relations with Islamic State fighters in Sinai, using them to smuggle weapons into Gaza, according to Israeli and Western officials. Hamas offered medical support and weapons training to those fighters.

Hamas's support of Islamic State infuriated Egyptian President Abdel Fattah Al Sisi, who came to power promising to serve as a regional bulwark against terror but has been unable to dislodge the flourishing Islamic State insurgency in his country's north. Some Gazans, including members of the Hamas militant arm, left home and joined the group.

Hamas has also clashed

with Islamist jihadists in Gaza in recent years, and has jailed young men who threatened the group's rule.

Like Hamas, jihadists in the Sinai are Sunni Muslim-led, but Hamas doesn't share the same strict interpretation of Islam and is considered a movement for Palestinian nationhood.

Hamas in recent months pivoted and began seeking help from Egypt as the Palestinian Authority squeezed it financially, spurred by leader Mahmoud Abbas's desire for Hamas to cede control of Gaza to his West Bank-based government.

Mr. Abbas in April slashed wages of Palestinian Authority employees in Gaza, then

refused to subsidize either electricity supplied by Israel—or fuel for Gaza's main power plant. The move increased widespread blackouts and has triggered public antagonism toward Hamas and its inability to provide basic services. It has also proved a boon for extremist groups in Gaza who wish to seize power from Hamas.

Egypt in June agreed to provide fuel for the power plant in Gaza in return for the added border security, and is in talks to permanently opening the Rafah border crossing from Gaza to Sinai and open a key import channel into the strip. Gazans are currently reliant on supplies of food and other goods that enter via Is-

rael.

In a further blow to the militancy, Israel last week also announced progress on a \$800 million over-and-underground barrier that would blunt Hamas's attempts to build tunnels into Israeli territory and launch attacks.

"A combination of circumstances means that Hamas finds itself under huge pressure," said Kobi Michael, a senior researcher at the Tel Aviv-based Institute for National Security Studies, adding that the group was in its weakest "strategic position" of the last decade.

Hamas's warming relationship with Egypt comes amid fears Qatar is under pressure to cut projects in the strip.

Van Rams Barcelona Pedestrians In Attack

By JEANNETTE NEUMANN

MADRID—At least one person was killed when a van plowed into pedestrians in the center of Barcelona on Thursday in what police said was a terrorist attack.

The Catalan regional government confirmed the death and said seven people were taken to a hospital in "serious condition" as of 6 p.m. local time. It said nine others were injured in the incident, which took place at Plaza de Catalunya and Las Ramblas, a promenade popular with both tourists and residents of the city.

The regional Catalan police, the Mossos d'Esquadra, said on its Twitter account that police had activated protocols used in cases of terrorist attacks. A spokesman for the Guardia Civil, a national police force, declined to comment.

Footage from the scene showed people lying on the ground, some in pools of blood. Emergency vehicles surrounded the scene and much of the area was blocked off behind a police cordon.

Gregorio Giménez, a waiter at a restaurant near the scene reached by phone, said staff and patrons had locked themselves inside.

Barcelona, Spain's second-largest city, is one of the country's top destinations and August is a particularly busy month for tourism. The circumstances of the crash weren't clear but road vehicles have become increasingly common as weapons in recent terrorist attacks.

—Jason Douglas and Jon Sindreu contributed to this article.

Saudis Offer to Help Qatar Pilgrims

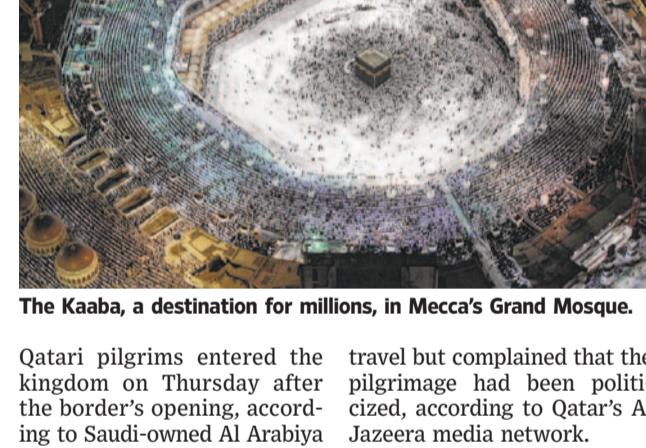
Saudi Arabia's king has ordered private planes to ferry in Qatari pilgrims for the hajj to Mecca this month, as Riyadh tries to contain the diplomatic fallout in the Muslim world of its decision to cut ties with Doha.

By Asa Fitch in Riyadh and Nicolas Parasie in Dubai

An unspecified number of planes belonging to national carrier Saudia will fly Qatari pilgrims at King Salman's expense from the Qatari capital to Jeddah in western Saudi Arabia to take part in the annual hajj, the official Saudi Press Agency said.

In addition, King Salman reopened the Salwa border crossing between Qatar and Saudi Arabia—Qatar's only connection to another country by land—to Qatari pilgrims so that they can drive into Saudi Arabia to take part in the hajj, which all able-bodied Muslims are called upon to do at least once in their lifetimes.

Qatars will also be allowed to enter without obtaining electronic permits usually required for pilgrims. Some 120



The Kaaba, a destination for millions, in Mecca's Grand Mosque.

Qatari pilgrims entered the kingdom on Thursday after the border's opening, according to Saudi-owned Al Arabiya television.

The move was brokered in a meeting in Jeddah between Saudi Crown Prince Mohammed bin Salman and Sheikh Abdullah bin Ali Al-Thani, a member of Qatar's ruling family, according to the Saudi Press Agency.

Qatari Foreign Minister Sheikh Mohammed bin Abdulrahman Al-Thani welcomed the decision to open routes of

travel but complained that the pilgrimage had been politicized, according to Qatar's Al Jazeera media network.

Saudi Arabia's decision is unlikely to help resolve an unprecedented political break between the two countries in June over Qatar's alleged support for Islamist and terrorist groups. Doha denies it supports terrorist organizations.

A Qatari official said Sheikh Abdullah wasn't a government envoy, but rather a private individual who traveled to the kingdom and sought meetings

in connection with personal holdings there.

"We wouldn't send someone nongovernmental," the official said, asking not to be named. "That's not how Qatar works."

Sheikh Abdullah is part of a wing of the royal family that has been out of power since the 1970s. He is a son of Ali bin Abdullah Al-Thani, who was emir of Qatar between 1949 and 1960, according to Saudi-owned media and Gerd Nonneman, a professor of international relations and Gulf studies at Georgetown University's Qatar campus.

Sheikh Abdullah's brother, Ahmad bin Ali Al-Thani, was also the emir until 1972, when he was deposed by his cousin Khalifa bin Hamad Al-Thani, the grandfather of Qatar's current emir.

Mr. Nonneman said Sheikh Abdullah had been living outside Qatar for years and was an obscure figure within the royal family. Sheikh Abdullah couldn't immediately be reached for comment.

Saudi officials didn't respond to requests for comment on Sheikh Abdullah's trip and his connection to the Qatari government.

VENEZUELA Police Raid Home of Ex-Attorney General

Former Venezuelan Attorney General Luisa Ortega, on the run since being fired by President Nicolás Maduro's government for denouncing its slide into authoritarianism, said intelligence police raided her home in retaliation.

Her announcement Wednesday came hours after the man Mr. Maduro's administration named to succeed her, Tarek William Saab, said he would seek an arrest warrant for Ms. Ortega's husband, Congressman Germán Ferrer, accusing him of running a multimillion-dollar extortion ring. There was no response from Mr. Ferrer, whose whereabouts was unknown.

Before Ms. Ortega was fired, she had been spearheading a series of corruption investigations against government officials

—Kejal Vyas

AUSTRALIA Senator Dons Burqa In Parliament

An Australian senator provoked a backlash from lawmakers by wearing a burqa in Parlia-

ment on Thursday as part of her campaign for a national ban on Islamic face covers.

Pauline Hanson, leader of the anti-Muslim, anti-immigration One Nation minor party, sat wearing the black head-to-ankle garment for more than 10 minutes before taking it off as she rose to explain that she wanted such outfits banned on national security grounds.

"There has been a large majority of Australians (who) wish to see the banning of the burqa," said Ms. Hanson, an outspoken fan of President Donald Trump, as senators objected.

Attorney General George Brandis drew applause when he said his government wouldn't ban the burqa, and chastised Ms. Hanson for what he described as a "stunt" that offended Australia's Muslim minority.

"To ridicule that community, to drive it into a corner, to mock its religious garments is an appalling thing to do and I would ask you to reflect on what you have done," Mr. Brandis said.

Opposition Senate leader Penny Wong told Ms. Hanson: "It is one thing to wear religious dress as a sincere act of faith; it is another to wear it as a stunt here in the Senate."

—Associated Press

JOB

Continued from Page One

On Wednesday, the EU raised its measure of eurozone growth during the second quarter to 2.5% annualized from a first estimate of 2.3%, meaning the region has grown for 17 straight quarters.

Solid growth has in turn brought eurozone unemployment to 9.1%, its lowest in eight years. Joblessness in Germany hasn't been so low since reunification. In Spain, unemployment—which hit 27% four years ago—now stands at 17% and is falling. Last week, Portugal said its second-quarter jobless rate dropped to 8.8% from 10.1% the previous quarter.

Amid fanfare about Europe's comeback, the labor-market scars of the recession present a challenge to policy makers and suggest political discontent in the region isn't going away.

The situation in Spain—the poster child of Europe's recovery and a country on track to record its third year of 3%-plus

growth—is a case in point. Though Spain has created around 1.6 million jobs since 2013, the recovery has come at a price. Around 90% of the new jobs are temporary, some lasting only several days, according to government figures.

It is a decadeslong problem in Spain that postcrisis labor reforms have failed to resolve.

A tourism boom in Europe's south this summer—record arrivals in Spain, Greece and Portugal are powering growth there—is at the center of a debate now over the quality of the jobs recovery. Government officials say higher-quality jobs and more permanent contracts will come as the countries' economic recoveries deepen further. Unions and opposition political leaders say change isn't coming fast enough.

In Spain, a quarter of all new jobs are estimated to be in tourism, according to a government agency's analysis. Many are seasonal, low-paying jobs that offer dim long-term prospects.

Greece now counts 341,000 jobs in tourism, up around 30% in four years, with hun-

dreds of thousands of other jobs indirectly tied to the sector. Tourism enabled Ms. Tsolka to find her job on the Ionian island of Lefkada, and has helped cut Greece's unemployment rate to under 22% from around 28% in 2013.

However, Greek employers are increasingly firing older, more experienced full-time staff, replacing them with inexperienced, low-paid seasonal or part-time staff, sector executives said.

But with other jobs scarce,

many Greeks are resigned. "The mentality that was dominant back in the '80s and '90s that we don't want to become Europe's waiters has changed," said Manolis Karamolegos, head of the hoteliers association on the island of Santorini.

Even low-skill jobs are a mirage for legions of Europe's long-term unemployed.

Southern Europe fares the worst. In Italy, nearly 60% of the unemployed—or 1.2 million people—have been out of a job for at least a year, the

highest of any large Western economy, according to the OECD. A third of all Italian adults are inactive.

Some European countries have made progress. For instance, Sweden has one of Europe's lowest rates of long-term unemployment as a result of investment in adult education and training.

Elsewhere, a number of factors are instead conspiring to leave millions without the prospect of ever returning to work. The result: Structural unemployment in Italy could be around 10%, say economists. In Spain it may be stuck at as much as 15%, economist Marcel Jansen estimated, compared with less than 5% in the U.S.

One explanation is a lack of skills.

Also, in Italy, a sclerotic economy isn't producing new jobs in services or higher-tech fields fast enough to offset the loss of labor-intensive manufacturing jobs that were long the bedrock of the Italian economy.

"Italy is simply not producing a sufficient number of jobs," said Stefano Scabbio, president of Northern Europe, Mediterranean & Eastern Eu-

rope for ManpowerGroup Inc.

With the vast majority of private-sector employees working in small enterprises, few get job training that would leave them with marketable skills.

In Spain, some students dropped out of high school or didn't attend university during the country's property boom in the early 2000s, often to pursue jobs in the red-hot construction sector. Today, many of them lack the skills to find steady work.

Silvia Maroto, a 27-year-old Spaniard, has had more than a dozen jobs since graduating from high school a decade ago. For the past three years, she has been an administrative assistant with Spain's postal service in Madrid, working about six months at a time. She would like to take some university courses to improve her job prospects, but the lack of money and a steady schedule make it impossible to juggle classes, she said. Spain's robust economic recovery feels miles away. "I don't have a vision for the future beyond the months when I have work," Ms. Maroto said.



Demonstrators take part in a Madrid march in May addressing unemployment and concerns about education and health services.

LUCA PIERGIOVANNI/EUROPEAN PRESSPHOTO AGENCY

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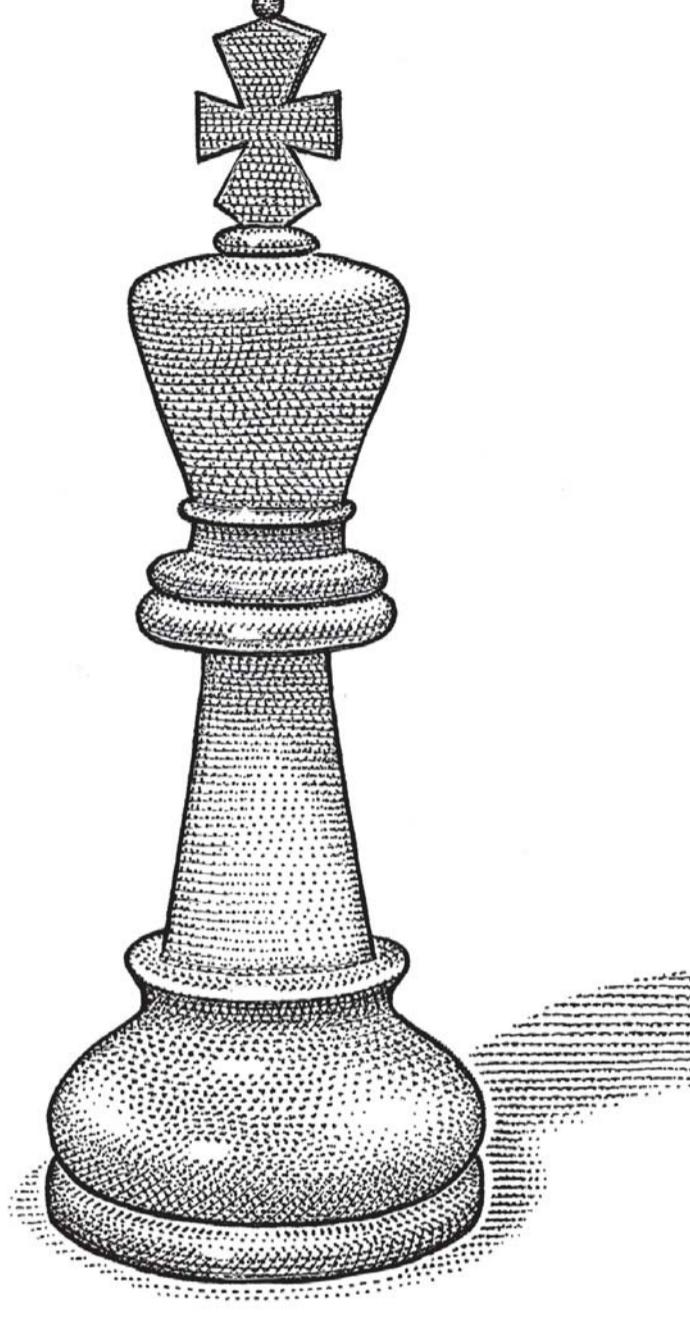
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U.S. NEWS

Trump Attacks Arizona's Junior Senator

President gives support to Jeff Flake's primary opponent, as he takes on others in his party

By NATALIE ANDREWS

President Donald Trump attacked U.S. Sen. Jeff Flake of Arizona on Thursday in a tweet and backed his primary challenger, who supported the president's comments on the racially charged protests in Virginia over the weekend.

"Great to see that Dr. Kelli Ward is running against Flake. Jeff Flake, who is WEAK on borders, crime and a non-factor in Senate. He's toxic!" Mr. Trump tweeted.

The comments by Mr. Trump are the latest in a series of attacks on fellow Republicans, often driven by their criticisms of the president for legislative setbacks.

Mr. Flake's campaign brushed off the attacks. "You don't serve Arizona by cutting backroom deals in Washington, D.C. That's why Senator Flake will always fight for the people of our state," said Will Allison,



PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

President Donald Trump, a Republican, is at odds with a number of lawmakers in his own party.

Mr. Flake's campaign spokesman.

The president's embrace of a challenger to a sitting GOP senator comes at a time when he has been at odds with his party over remarks he has made this week faulting both sides in the Aug. 12 deadly white-nationalist protest in Charlottesville, Va. Mr. Trump is scheduled to

visit Phoenix next week for a rally for his 2020 re-election campaign.

Mr. Flake, who is running for a second term next year, has been openly critical of the president in recent weeks. He published a book this month taking his party to task for embracing nationalism, xenophobia and Mr. Trump's presi-

dency.

"We can't claim to be the party of Lincoln if we equivocate in condemning white supremacy," Mr. Flake tweeted on Wednesday.

A former Arizona state lawmaker, Ms. Ward appeared through her own Twitter account to support the president's statements. In response

to a tweet Mr. Trump sent about the violence in Charlottesville, Ms. Ward tweeted on Saturday: "I agree — stop the hate, violence, & rhetoric on both sides — we need to stand together as Americans!"

Her campaign didn't respond to a request to comment about the president's tweet Thursday morning. A group supporting Ms. Ward said last week that it had received a \$300,000 donation from Robert Mercer, a major donor and ally of Mr. Trump.

Ms. Ward challenged Arizona's senior U.S. senator, John McCain, in the GOP primary in 2016. He beat her 51% to 39%. When Mr. McCain made public he had brain cancer, Ms. Ward presented herself as a successor, saying he owed it to the people of Arizona to step aside.

While the map looks good for Republicans in 2018, Mr. Flake's Senate seat is seen as one of two that is most at risk of the GOP losing, along with Sen. Dean Heller's seat in Nevada.

Republicans hold 52 seats in the Senate. There are 23 Democratic Senate seats up for re-election next year, along with

the two seats held by independents who caucus with the Democrats.

The president also attacked Sen. Lindsey Graham (R., S.C.) on Twitter on Thursday, saying the senator was "publicity seeking" when criticizing the president for his remarks. On Wednesday, Mr. Graham said the president's comments took the nation "a step backward."

Mr. Trump said the senator couldn't forget his 2016 "election trouncing." Mr. Trump defeated Mr. Graham in last year's race for the GOP presidential nomination.

Mr. Graham sent a statement Thursday addressed to Mr. Trump saying in part "because of the manner in which you have handled the Charlottesville tragedy you are now receiving praise from some of the most racist and hate-filled individuals and groups in our country. For the sake of our nation—as our president—please fix this."

Earlier this week, Mr. Trump criticized Mr. McCain and his pivotal vote against the GOP health overhaul.

—Janet Hook contributed to this article.

U.S. WATCH

PENTAGON

Top Officer Disavows Racial Intolerance

The Pentagon's top officer denounced racial intolerance and bigotry, joining other senior military officers who have made similar pronouncements in the wake of violence in Charlottesville, Va., and President Donald Trump's assertion that both sides were to blame for the clashes.

At a news conference Thursday, Chairman of the Joint Chiefs of Staff Gen. Joe Dunford said he was "saddened" by what he read about the events in Charlottesville.

"I can absolutely and unambiguously tell you that there is no place for racism and bigotry in the U.S. military or in the United States as a whole," he said.

Earlier this week, Chief of Naval Operations Adm. John Richardson tweeted that "events in Charlottesville unacceptable & mustn't be tolerated @USNavy forever stands against intolerance & hatred." Other service chiefs soon joined in, including Army Chief of Staff Gen. Mark Milley, Marine Commandant Gen. Bob Neller and Air Force Chief of Staff Gen. David Goldfein.

A woman was killed on Aug. 12 in Charlottesville when a car driven by an alleged white supremacist plowed into a crowd in the midst of clashes between white nationalists and opponents.

—Gordon Lubold

ECONOMY

Industrial Output Rises; Factories Soft

U.S. industrial output picked up modestly in July as a slowdown in vehicle production underscored new softness in the factory sector.

Industrial production—a measure of everything made by factories, mines and utilities—grew 0.2% in July from a month earlier, the Federal Reserve said Thursday.

Mining and utility output climbed steadily, but a slowdown in factory output suggested underlying softness in the economy. Factory output fell 0.1%, the second monthly decline in three months. Production of vehicles and parts fell sharply, outweighing a rise in the production of other goods.

Utility output rose 1.6% last month but is still down 0.6% over the past year.

—Josh Mitchell and Sarah Chaney

Fed Split on Plan for Next Rate Hike

By DAVID HARRISON

New concerns over sagging inflation in the past few months are driving a split at the Federal Reserve about the timing of the next increase in interest rates.

The debate raises the possibility that the Fed could deviate from its plans for a third rate increase this year. Soft inflation has continually bedeviled Fed officials, forcing them to pull back on plans to raise rates multiple times in 2015 and 2016.

Minutes from the Fed's most recent meeting, July 25-26, reveal growing concern among some officials that recent soft inflation numbers could be a sign that something has fundamentally changed in the economy, leading them to suggest holding off on raising rates again for the time being.

But officials also agreed to soon begin the years-long process of shrinking the central bank's securities holdings, perhaps as early as September, according to the minutes released Wednesday following the customary three-week lag.

The Fed "could afford to be patient under current circumstances," they said.

Others, however, worried that the strong labor market could produce a spurt of inflation above 2% that could be difficult to control. This group cautioned that waiting too long to raise rates "could re-

sult in an overshooting of the [Fed's] inflation objective that would likely be costly to reverse," the minutes said.

For now, the position of Fed Chairwoman Janet Yellen and other top Fed leaders hasn't changed. In congressional testimony last month, she dismissed weakening inflation as a temporary phenomenon caused by cheaper cellphone plans and prescription drugs.

But the minutes suggest Ms. Yellen's position has its skeptics within the Fed, and officials have publicly aired their disagreements since the meeting.

On Aug. 11, Dallas Fed President Robert Kaplan said he wanted to see "more evidence" of progress toward the inflation goal before he would support another rate increase, adding that the current 1%-to-1.25% range for the Fed's benchmark short-term interest

rate was "appropriate." He spoke a day after Chicago Fed President Charles Evans urged officials to "be very careful in assessing the future [rate] moves." Both hold a vote on the Fed's policy-making committee this year.

New York Fed President William Dudley said in an interview with the Associated Press this past week that he "would be in favor of doing another rate hike later this year."

The central bank earlier this year appeared poised to finally begin consistently raising rates as the booming labor market and nascent signs of price increases suggested the economy was heating up.

The Fed managed just a single, quarter-percentage-point rate increase in each of the past two years. In June, Fed officials indicated they expected to raise rates a total of three times this year and three next year.

The Fed's preferred inflation gauge, the Commerce Department's personal-consumption-expenditures price index, breached the bank's 2% target in February after undershooting it for almost five years. Since then, however, price pressures have ebbed even though the labor market has continued to power along.

Prices rose 1.4% in June over the previous year, down from 1.5% in May, according to the Fed's preferred inflation gauge.

Meanwhile, employers added a healthy 209,000 jobs in July and the unemployment rate ticked down to 4.3%, matching the lowest level in 16 years.

The minutes also indicated greater consensus around officials' plans to slowly reduce their \$4.5 trillion portfolio of bonds and other assets. They agreed the runoff would happen smoothly without disrupting markets.



U.S. Joint Chiefs of Staff Chairman Gen. Joe Dunford, left, meeting with Chinese President Xi Jinping at the Great Hall of the People in Beijing on Wednesday.

Continued from Page One

doubling down on that position and seeking to keep the issue in the news.

"Robert E. Lee, Stonewall Jackson—who's next, Washington, Jefferson?" the president posted on Twitter. "So foolish!"

The president's comments come as mayors, governors and activists around the U.S. have responded to the violence in Charlottesville by accelerating efforts to remove statues of generals, Confederate flags and other symbols of the South's insurgency during the Civil War. While defenders laud the statues as testaments to Southern bravery and memorials to lost lives, detractors consider them inseparable from the violent movement to fracture the U.S. and keep African-Americans in bondage.

Many of these local decisions have followed acts of violence. In the aftermath of the Charleston, S.C., mass shooting in 2015, for example, Nikki Haley, the state's governor at

the time, helped lead a move to remove a Confederate flag from the state Capitol grounds. Ms. Haley now serves as Mr. Trump's ambassador to the United Nations.

The Charlottesville City Council voted in February to remove the Lee statue. After the clashes in Virginia, Baltimore Mayor Catherine Pugh ordered Confederate-linked monuments to be removed,

dispatching contractors in the middle of the night, she said, to avoid protests. A plaque honoring a Confederate leader was removed from a San Diego park on Wednesday morning, and the mayor of Birmingham, Ala., ordered the covering up of a Confederate memorial to fracture it from view.

The debate was already prominent in Richmond, Va.—

a former capital of the Confederacy—before the violence in Charlottesville. Mayor Levar Stoney formed an advisory group in June to redefine what he called the "false narrative" of the Confederate statues lining the city's grand Monument Avenue.

On Wednesday, the Democrat said the new commission will also examine removing or relocating some, or all, of the statues.

Two great-great grandsons of Confederate Gen. Thomas "Stonewall" Jackson urged the mayor and monument commission to remove the statues in a letter Wednesday.

"Last weekend, Charlottesville showed us unequivocally that Confederate statues offer pre-existing iconography for racists," wrote William Jackson Christian and Warren Edmund Christian.

Mr. Trump said the Confederate symbols should serve as reminders for Americans to learn from history. "The beauty that is being taken out of our cities, towns and parks will be greatly missed and never able to be comparably replaced," he wrote.



Workers removed monuments to Confederate generals from a park in Baltimore this week.

TRUMP

Continued from Page One

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Mr. Trump said the Confederate symbols should serve as reminders for Americans to learn from history. "The beauty that is being taken out of our cities, towns and parks will be greatly missed and never able to be comparably replaced," he wrote.

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IN DEPTH

GROUPS

Continued from Page One
cooperation: a web-driven rebranding of white nationalism that has broadened its reach and allowed groups to work together; a wave of new young leaders that helped bridge old divisions; and Mr. Trump's remarks on immigrants, Muslims and media bias, which have left such groups feeling emboldened.

Michael German, a former Federal Bureau of Investigation agent who worked undercover in white-supremacist and neo-Nazi groups in California and Washington during the 1990s, said back then they were so antagonistic toward each other that anyone joining one group was barred from others.

The weekend rally showed attendees—including white nationalists, neo-Nazis and other groups including self-described defenders of Southern heritage and the First Amendment—were willing to put aside ideological differences to get behind a platform designed to appeal to the Trump administration, which they perceive as sympathetic to their causes, he said.

"What we've seen is that these groups are coming together and are maximizing their opportunity to get their point of view across," he said, "not just to the nation, but to actually influence policy."

Many leaders of the movement backed Mr. Trump during his campaign and continue to back his leadership, and support his disdain for the media. Eli Mosley, director of events for Identity Evropa—a group describing itself as "a generation of awakened Europeans"—and one of the Charlottesville rally's organizers, said Mr. Trump gave groups like his "a megaphone" for their "message and ideas."

"I would say Trump is not one of us, however he does have an implicit sense of white identity," he said. "Maybe he doesn't realize it, but he's distinctly implying it."

The Charlottesville rally, dubbed "Unite the Right," was organized to protest the removal of a statue of Confederate Gen. Robert E. Lee. It quickly descended into violence. A car driven by an Ohio man with a history of sympathizing with Nazis plowed into a crowd, killing a woman and injuring 19 others. Two police officers who were monitoring the rally also died Saturday when their helicopter crashed.

It was the latest expression of an extremism that has flared throughout American history, especially during periods of social, economic and political stress. In the 1910s and 1920s, the revived Ku Klux Klan drew millions. During the Great Depression, the German American Bund, a Nazi organization, drew supporters with attacks on leftists and Jews. Splinter groups of the KKK and other white-nationalist organizations committed violence against civil-rights workers and blacks during the 1950s and 1960s.

By the 1970s, white-nationalist groups were splintered and small, yet still showed a propensity for violence. The 1995 Oklahoma City bombing, in which the main conspirator had been influenced by white-



JOE BUGLEVICZ FOR THE WALL STREET JOURNAL

Doc Smith, who attended the rally despite initial reservations, says: 'Watch the movement explode behind what happened in Charlottesville.'

supremacist and antigovernment ideas, killed 168 people and led to a prolonged FBI crackdown.

Many followers of those groups operated "on the edges of criminality," said Kathleen Blee, a University of Pittsburgh sociologist who has written books about the Ku Klux Klan, so it became easy for law enforcement to turn followers into informants.

The Charlottesville gathering, she said, was "one of the first cases where people from old racist movements, the David Dukes, came together with the new alt-right in a common project. It's remarkable that they could pull together this event." ("Alt-right" is a catch-all phrase for far-right groups that embrace tenets of white supremacy or reject mainstream conservatism.)

Social-media effect

The loose agglomeration has coalesced on social media—Facebook, YouTube, Twitter—and online chat rooms. "I can punch a button and have a message out to 10,000 people immediately," said Preston Wigington, 52, who recently announced a "White Lives Matter" forum on Sept. 11 at Texas A&M University until the university canceled it on Monday.

Mr. Wigington said groups such as his are starting to work closely with similar organizations. Meetings like Charlottesville show there is "an uprising" under way by whites against "displacement and marginalization" caused by "diversity and multiculturalism," he said.

Some newer alt-right groups boast slick websites that have drawn new members. The website for Identity Evropa features photos of young, well-dressed members, essays on white superiority and "boutique" merchandise for sale. The organization is considered a white-supremacist hate group by a range of organizations, including New Jersey's Office of Homeland Security and Preparedness.

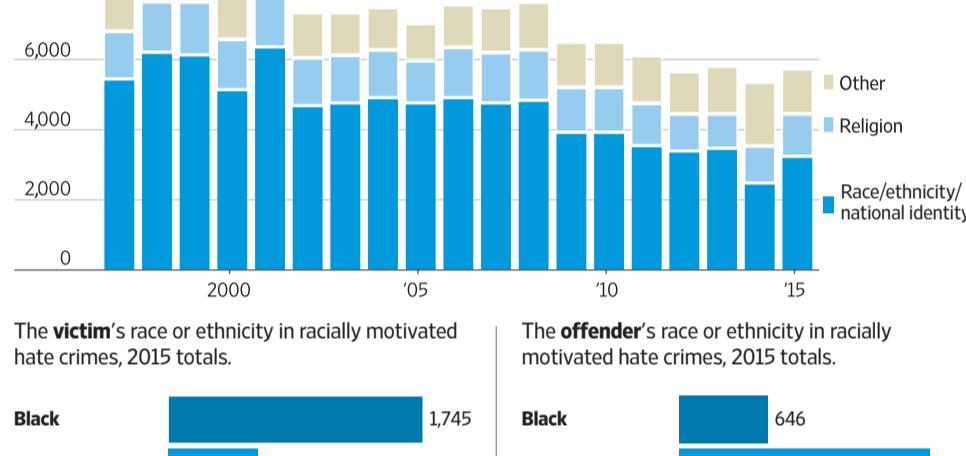
Mr. Mosley of Identity Evropa disputed the hate-group characterization and said such designations are intended to stifle free speech.

The broader movement has developed greater cohesion around younger public leaders including white nationalist

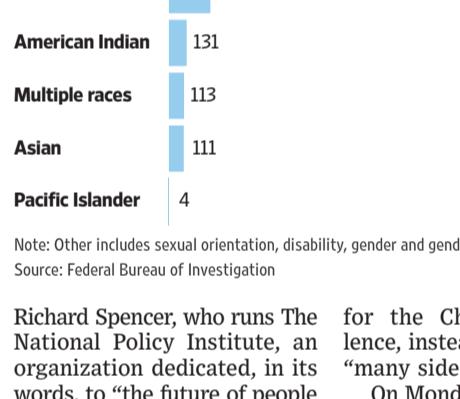
Behind Bias

Hate crimes in the U.S. have declined somewhat since the '90s. Race is still the largest motivator. Most perpetrators are white and most victims are black.

Reported hate crimes, 1997-2015



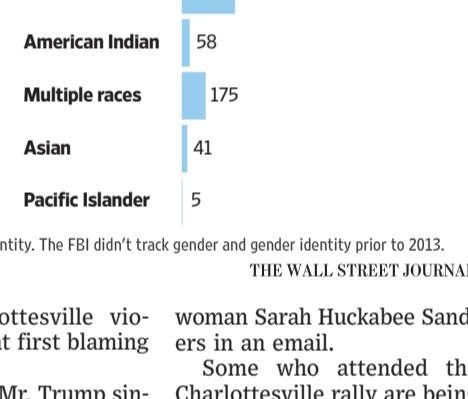
The victim's race or ethnicity in racially motivated hate crimes, 2015 totals.



Note: Other includes sexual orientation, disability, gender and gender identity. The FBI didn't track gender and gender identity prior to 2013.

Source: Federal Bureau of Investigation

The offender's race or ethnicity in racially motivated hate crimes, 2015 totals.



The offender's race or ethnicity in racially motivated hate crimes, 2015 totals.

THE WALL STREET JOURNAL.

Richard Spencer, who runs The National Policy Institute, an organization dedicated, in its words, to "the future of people of European descent in the U.S.," and is considered a founder of the alt-right. Mr. Spencer publicly promotes white-supremacist ideology and has called for a white homeland.

Jared Taylor, editor of the white-nationalist website American Renaissance, said Mr. Trump's influence on the movement had been exaggerated. "This movement was growing with him, without him, and will continue to grow once he's gone," he said. "He was exciting, of course, because some of his policies were congruent with some of the policies we would like to see implemented."

Mr. Trump faced criticism from Republicans and Democrats for not quickly condemning white supremacists. Mr. Trump responded to the criticism by saying he was "excited" of course, because some of his policies were congruent with some of the policies we would like to see implemented."

The White House dismissed white-nationalist claims that Mr. Trump's reticence to immediately issue a condemnation counts as an expression of support. "The president has been clear on this in his condemnation of these groups," said White House spokes-

for the Charlottesville violence, instead at first blaming "many sides."

On Monday, Mr. Trump singled out white-nationalist groups by name for condemnation. On Tuesday, he backtracked, saying again he blamed "both sides" for the violence and defending those who showed up to protest the removal of the Lee statue. Several chief executives resigned from a manufacturing-advisory council to the Trump administration in an apparent protest of his failure to speak out more quickly, and Mr. Trump tweeted on Wednesday he was ending the council.

The White House dismissed white-nationalist claims that Mr. Trump's reticence to immediately issue a condemnation counts as an expression of support. "The president has been clear on this in his condemnation of these groups," said White House spokes-

woman Sarah Huckabee Sanders in an email.

Some who attended the Charlottesville rally are being identified on social media by counterprotesters demanding they be fired from their jobs. The Daily Stormer, a prominent neo-Nazi website, was kicked off hosting platforms GoDaddy and Alphabet Inc.'s Google for hate-speech violations after a social-media blitz by progressive activists against the site.

The movement's size can be difficult to ascertain because membership is secretive and fleeting, meaning there is little detailed information on how many people are actively involved or espouse their beliefs.

A report this year by the Anti-Defamation League found that from 1993 to 2017 extremist right-wing individuals and groups committed 150 terrorist acts, attempted acts, plots and conspiracies in the

U.S. The ADL found 43% of these incidents or conspiracies were by white supremacists, 42% were by antigovernment extremists and 11% were by anti-abortion extremists.

The report found that the number of such incidents rose in the early 1990s, then fell off, only to rise again between 2009 and today.

Some white nationalists who attended the Charlottesville rally said despite the violence that marred the event there is a renewed sense of urgency that their voices be heard. Attendees in interviews said finally there was an administration that seemed to acknowledge their view that immigration was contributing to the country's demise. "We have about a 20-year window that's going to allow for democratic political change," said Mr. LaPorte, the white nationalist from South Carolina.

Jeans, polo shirts

He said the movement's lack of cohesion doesn't matter online. Still, there was some coordination before arrival, he said. Some people came dressed in dark combat fatigues and others, like him, in jeans and polo shirts. At the march, the infamous hoods and robes of Klan rallies or brownshirts of neo-Nazis were hard to find, with many dressing like Mr. LaPorte. Even those who wore extremist garb often eschewed more well-known symbols such as swastikas and instead wore pins that read "88," a number that serves as shorthand for Heil Hitler.

Older Southern-pride proponents with scraggly beards and militants dressed in black with pants tucked into combat boots rallied alongside young, clean-shaven men with neat haircuts, and at least one whose blazer sported a pocket square.

In one photo, a smartly dressed young man is seen hoisting a torch, his mouth agape as he shouts while marching through the city. Peter Cvjetanovic, a 20-year-old student at the University of Nevada, Reno, said in an interview he was the man in the picture.

He said he joined Identity Evropa a month earlier. He flew to Virginia, he said, "to honor and respect white heritage in all its good and all its bad."

Doc Smith, who sells beef jerky in Clarksville, Tenn., at first wasn't sure he wanted to attend last week's gathering in Charlottesville, because he thought marching alongside neo-Nazis would reflect badly on the organization he belongs to, a self-described patriot group called the Hiwaymen.

On Friday morning, Mr. Smith, 50 years old, who has traveled the country to protest the removal of Confederate monuments, put that thought aside and climbed into his pickup truck for the nine-hour drive to Virginia. When he returned home on Sunday, despite his sadness over the death of a young woman, he felt the movement would be inspired. His Facebook page is a story line of videos and updates from Charlottesville.

"Watch the movement explode behind what happened in Charlottesville," he said. "The next time we come back, there may be thousands."

—Scott Calvert contributed to this article.

PLAY

Continued from Page One
team called the Antiques, whose rivals include the Chicago Geezers.

There are some senior women's softball leagues, but at these older age levels, men vastly outnumber women, organizers say.

Hugh Brotherton, an 85-year-old in Englewood, Fla., who has had both knees replaced, plays softball several times a week, sometimes with 50-year-olds. "I'm older than the fathers of many of these guys," he said.

It's a bittersweet experience for the older players, mixing the joy of feeling 12 years old again with the sorrow of fading abilities. The widening age gap also presents a challenge for softball leagues across the country: how to keep the game fair when the very old are playing with fairly spry sluggers in their 50s—league minimums can be age 50, 55, 60 or sometimes higher.

An estimated 393,000 Americans over 55 regularly

play slow-pitch softball, according to the Sports & Fitness Industry Association. It isn't clear how many are over 70, but league managers around the country say the 70-plus set is a fast-growing segment.

That reflects demographics. There were 13.9 million men aged 70 or over in the U.S. in 2016, up 17% from 2011, according to census estimates. Dr. James Kirkland, director of Mayo Clinic's Kogod Center on Aging, credits medical care that allows more people to survive heart attacks, cancer and strokes.

At a late-September Las Vegas tournament organized by Senior Softball-USA, six teams of men 83 and above are expected to compete in their own bracket. Two decades ago, the tournament's highest age bracket was 70-plus.

As more old men hang on, the skills gap grows. Some still run briskly. Others can barely shuffle to first base.

Managers in the South Hills Senior Softball league, where Mr. Tomanio plays, have been squabbling all summer about rules for using pinch runners.

Some managers think only players with a serious disability should qualify for a pinch runner. Others send in a speedier replacement for anyone considered a slowpoke.

"Guys try to take advantage, you know human nature," said Doug Houston, the league's commissioner. The league has changed its pinch-running rules twice this year to deter excessive use of pinch runners. The latest version: No more than three members of a team may use surrogate runners.

In the South Hills league, all

batters must make their way at least to first base before yielding to a pinch runner. Some other leagues now allow the least-mobile players to hit the ball and let someone else run to first.

Many leagues help older players by allowing them an automatic stroll to first base if they manage to hit the ball out of the infield. Some leagues also allow as many as five people to play outfield, so none has to chase a ball very far.

Then there's the matter of making sure everyone is a

genuine senior.

In the Cleveland suburbs, the Huff-N-Puffers league last year discovered at the end of the season that its champion team had surreptitiously fielded two players a year or two below the league's 60-year-old threshold. All team members were stripped of their championship jackets, and the league now requires a photo ID to prove age.

John Teron, the league president, said nothing like that had happened in more than three decades of play: "Why would you want to join the senior league if you're not senior?"

In Pittsburgh, Mr. Tomanio is happy to be still competitive as he nears his 87th birthday

BOOKS

'Millions of the cheaply killed / Have trod the path in darkness.' —Osip Mandelstam



RED ROSIE A 1944 Soviet poster reading 'Victory is close at hand! More help to the front!'

Memory, Myth and Mother Russia

Soviet women fought beside men in World War II, but postwar chauvinism swept aside their sacrifices

The Unwomanly Face of War

Svetlana Alexievich
Houghton Mifflin Harcourt, 331 pages, \$30

CATHERINE MERRIDALE

CHALLENGING, painful book the first that Svetlana Alexievich, the future Nobel laureate, was able to get past the Soviet Union's censors. In the mid-1970s, as a young journalist, she set out to retell the stories of women who had fought in the Great Patriotic War of 1941-45. With no support from her employer and nothing but criticism from the state, she crisscrossed Ukraine, Russia and her native Belarus in search of veterans prepared to talk. The task was exhausting, physically and emotionally, but by the time she had a manuscript, a polyphonic assemblage of voices interwoven with her own reflections, approval for a Russian version took more years.

The new edition of "The Unwomanly Face of War," translated by Richard Pevear and Larissa Volokhonsky, opens with the author's thoughts as she looks back on that long time. It also includes extracts from passages the censors removed. The book's idea seems simple. "30 years ago its honesty was unusual."

The Soviet state controlled the narrative of Russia's war, insisting on a series of official myths. The censors told the people that their cause had been a sacred one, a struggle waged by blameless, self-sacrificing heroes defending the motherland. To question that idea was heresy, to mention weaknesses or failings, from doubt and cowardice to suffering and rape, amounted to treason of the nation's dead.

Most veterans not only bowed to convention but revelled in it. "A dreadful wound would look grand," Alexievich comments, "and the incomprehensible and obscure in a man being wounded would be instantly explained."

These fables were much more than clichéd lies. Like a bizarre form of folk art, standardized tropes helped people to cope with monstrous memories, the kind that can't be easily forgotten.

Ms. Alexievich opted to investigate the women's war, so she was starting with convention from the very start. Personally, too, Ms. Alexievich was perfectly placed to tell the official tale. Her birthplace, today's Ivano-Frankivsk, was

Soviet insurgency by nationalist partisans, a war still unresolved when she was born in 1948. Her father had served on the Soviet side. Later, when her family returned to Belarus, she lived among other unacknowledged ghosts, the Jews whose murder at the hands of occupying Nazis had involved collusion by some locals who were still alive. The myth of victory in a redemptive war must have rung hollow in the streets of Minsk.

For all that, it took years and many miles of traveling to find and capture all the testimonies here. Ms. Alexievich never tries to simplify: This is no moral fable. She struggles with the women's silences, their canny fear they may say too much. As the spools of her tape recorder turn between the teachings and the photographs, she waits. "I was so young when I left for the front," a doughty veteran begins to say. "I even grew during the war." It took great stamina to listen. "The tape recorder records the words," the author muses, but "when a person speaks, something more takes place than what remains on paper. I keep regretting that I cannot 'record' eyes, hands."

That may be true, but we still end up feeling that we have been sitting at her side. With her, we hear the memories of partisans, guerrilla fighters trapped behind the lines. Their land, like Belarus, was occupied in the first months. "The Germans rode into the village," remembers one, "on big black motorcycles.... They laughed all the time. They guffawed! My heart stopped at the thought that they were here, on our land, and laughing. I only dreamed of revenge."

Soon everything around these women was on fire, including churches with whole populations locked inside. "To this day," another adds, "the scream of a child who is thrown down a well still rings in my ears.... And to see a young fellow cut up with a saw.... After that, when you go on a mission, your heart seeks only one thing: to kill them, kill as many as possible, annihilate them in the crudest way."

Women from unoccupied towns to the east were called to the front as nurses, doctors or radio and telegraph operators. Some willingly remained there, perhaps to avenge a dead father or sweetheart. But there was little sweetness in their world. "Heavy combat.... That is a horror," a medical assistant remembered. "They break each other's bones. There's howling, shouting. Moaning. And that crunching!... The crunching of bones.... You hear a skull

attack it's better not to look at faces.... They themselves cannot raise their eyes to each other."

Part of the women's reticence in these interviews came from disgust. "I saw so many cut-off arms and legs," a sergeant major nurse explained. "It was even hard to believe that somewhere whole men existed."

With scrupulous respect for the service these women gave, Ms. Alexievich identifies each by specialism and rank. But she imposes neither pattern nor hierarchy. "I write not the history of war," she insists, "but the history of feelings. I am a historian of the soul."

The censor clearly hated souls.

"We don't need your little history,"

she was informed. "We need the big

winning her Nobel Prize, "it is a huge common grave and a bloodbath."

The unique style that won that prize is on display throughout this book. Ms. Alexievich's gentle, open-hearted writing is perfect for conveying shattered memories and tortured lives. But it creates a hypnotic trance of its own, and we should not overlook its problems.

Confabulation is one of these. By giving credit to each testimony—her approach leaves little choice—the author denies us the opportunity to ask wider questions. The memory of trauma is notoriously insecure. Some people lock the horror in the deepest darkness of their minds, others recall no more than glimpses, flashbacks, cinematic stills.

More than enforced lies, fables of a noble war helped some women cope with monstrous memories.

history. The history of the Victory." That admonition must have seemed absurd to someone who had listened to real pain and anger, terror and remorse. "There is only one path," Ms. Alexievich concludes. "To understand through love."

As mission statements go, it sounds eccentric, almost mad, but it describes how she works. Refusing to pass judgment, crediting all, she listens, suffers and brings to life. She finds the task more difficult than writing a mere chronicle. "In this seemingly small and easily observable territory—the space of one human soul," she concludes, "everything is... less comprehensible, less predictable than in history."

The censor let her print her book, but passages were cut. Though Russia's forests had run with blood, he could not stomach images of women coping without sanitary pads (although it was the state's own fault there were none in the kitbags). He struck out anything that might offend a prudish Soviet

patriarch: a mother drowning her own baby to prevent its crying out, a partisan assuaging hunger by consuming human flesh. "We didn't shoot [prisoners]," another censored testimony runs. "We stuck them with ramrods like pigs, we cut them to pieces.... I waited for a long time for the moment when their eyes would begin to burst from pain."

Such stifled memories would

shape the Soviet consciousness Ms. Alexievich understands so well. "If you look back at the whole of our history, both Soviet and post-

In the 1990s, when I interviewed hundreds of Soviet veterans myself, the supposedly first-person testimony I was recording sometimes turned out to have been borrowed from war films or popular fiction. The narrators were not lying; they had simply corralled their own shapeless, terrifying memories into a more manageable frame. By the time I met them—admittedly a decade later than Ms. Alexievich did—some could no longer recognize the difference between their own lived nightmares and a prefigured tale.

The choice of women as respondents may have mitigated this, but time and politics play tricks with every human soul. The traditional war hero was certainly a male, but women were also exposed to the mesmeric influence of myth. Indeed, after the war they were encouraged to embellish it, donning uniforms to speak in schools and appearing at public remembrance ceremonies.

In time, most ironed out the awkward details. As I learned, truth takes many forms after a lifetime of such lies. On one occasion, I dared to ask a grand old lady why she'd spun me an outrageous yarn, and why she'd asked me to her home at all. "I just wanted someone to visit," she explained. "Can't you see? I've had a new parquet floor laid!"

In Ms. Alexievich's book, the choice of what to credit is hers alone. She leaves us to guess exactly how many women fought, and what they saw but could not speak

viet army's record of mass rape, Prussia, for instance, nor of the endemic venereal disease.

There is a further problem in the women's picture of themselves. When Ms. Alexievich collected stories, 30 years after the war, deeply sexist Soviet culture emphasized the special qualities of females. The author accepts a story of a wedding dress made of bandages, of gallant kisses, of small hands. "I smiled all through the war," a former surgeon fides, "because a woman should bring light.... [Her] strongest medicine is love." But light and loneliness were rarities during the war. Before it, too, the peasant culture from which many women came was not conducive to hand-kissing or floaty skirts.

Anachronism is always a problem for oral historians. Ms. Alexievich back-projects a Brezhnev-era culture of sexism. In reality, most of her subjects had grown up with blood, mud and muscle as they shifted heavy loads of rock, drove pigs and cattle, eradicated heavy plants. Postwar, surviving women often worked with animals, pulling ploughs because there were no horses left. Women in villages lived without men. These women may have dreamed of bringing light, but that was a privilege reserved for the town-based minority.

Ms. Alexievich's war book is shattering, then, but besides the touch of rose-tint it is patently nostalgic. The mood will draw all listeners in, hypnotized by the vanishing world. As they talked, the women were recalling the best years of their lives, their youth. No one could wish to relive Stalin's era, but they were yearning for a common cause and courage, thrifty lost virtues. It was that year when the Soviet Union collapsed that inspired Ms. Alexievich to write her masterpiece, "Second Hand Time."

But that left me to wonder: it was that I, too, felt so homesick as I finished "The Unwomanly Face of War." It was published when the Cold War was just coming to an end. Glasnost had arrived, and it seemed good times surely lay ahead. The horror of a Stalingrad, of shelling, shots and dead bodies, seemed to belong to Europe.

I miss that certainty today. We should resolve to read this alongside the world news reports.

Ms. Merridale is the author of "Lenin on the Train" and "Ivan's War," an oral history of the Soviet Union's war in Afghanistan.

BOOKS

'What we call the beginning is often the end / And to make an end is to make a beginning, / The end is where we start from.' —T.S. Eliot

1922 and All That

The World Broke in Two

By Bill Goldstein

Holt, 351 pages, \$30

BY MICAH MATTIX

WHEN DID MODERN literature begin? Was it in 1897, with the publication of Stéphane Mallarmé's long experimental poem "Un Coup de dés," as R. Howard Bloch argued in last year's "One Toss of the Dice"? Or was it 1910? ("On or about December 1910," Virginia Woolf once wrote, "human character changed.") Perhaps it was 1913, with the publication of the first volume of Marcel Proust's "A la recherche du temps perdu."

In "The World Broke in Two: Virginia Woolf, T.S. Eliot, D.H. Lawrence, E.M. Forster, and the Year That Changed Literature," Bill Goldstein picks 1922. Part group biography, part literary criticism, the book gets its title from Willa Cather's remark that "the world broke in two in 1922 or thereabouts," separating a new kind of writing—internal, experimental and sexually frank—from the old.

For Mr. Goldstein, a literary journalist based in New York, the year was significant not only for the publication of James Joyce's "Ulysses" and the first English translation of Proust, but also for the creative breakthroughs made by his four writers. Each began the year in crisis, and while Eliot was the only one to publish a landmark work ("The Waste Land") during the next 12 months, the others experienced, Mr. Goldstein argues, a "spark of vision" that would light the way toward more innovative work.

Both Woolf and Forster started 1922 depressed and writing little. The previous year Woolf had been sick the entire summer, suffering from insomnia, headaches and "frets." She had improved in the fall, but by January was sick again, this time with the flu, and was looking back on her previous work with disappointment. "I have made up my mind," she wrote in February, "I'm not going to be popular . . . I'm to write what I like," and critics are "to say what they like. My only interest as a writer lies, I begin to see, in some queer individuality."

The remark would prove prescient. Inspired by what Mr. Goldstein describes as Proust's use of "memory and experience to illustrate a character's state of mind," Woolf began idiosyncratically adapting his techniques in the short story that would become the first part of her 1925 novel "Mrs. Dalloway."

Forster, too, was impressed by Proust, whom he had discussed at length with Woolf. "Would that I had the knack of unrolling such an em-



NATIONAL PORTRAIT GALLERY LONDON

WE MODERNS T.S. Eliot and Virginia Woolf, photographed by Lady Ottoline Morrell. The society hostess frequently entertained Eliot, Woolf, Forster and Lawrence.

broidered ribbon," he wrote in his diary shortly after returning from a second trip to India in early 1922. He hadn't worked on what would become "A Passage to India" since 1913. When he visited the Woolfs in March, Virginia recorded that she and her husband, Leonard, thought he was "depressed to the point of inanition": "To come back to Weybridge . . . to an ugly house a mile from the station, an old, fussy exacting mother . . . without a novel, & with no power to write one—this is dismal, I expect, at the age of 43."

Yet, within two months, that power did arrive. In April, he decided to burn the erotic stories he had been writing

because, he said, "they clogged [him] artistically," and in May, he returned to his Indian novel with "careful & uninspired additions . . . influenced by Proust." These aren't exactly the diary jottings of an artist who has regained his confidence, but the small progress gave him a resolve that his life "should contain one success." He would finish "A Passage to India" at the beginning of 1924.

It is the linked portraits of Forster and Woolf, two friends who each, to their own ends, found a way forward in their work through the example of Proust, that form the most persuasive and valuable part of Mr. Goldstein's book. The chapters on Eliot and Law-

rence are somewhat less successful.

Mr. Goldstein's treatment of Eliot is largely a rehearsal of the well-known story of the publication of "The Waste Land," the definitive account of which is found in Robert Crawford's recent "Young Eliot." By the end of 1921, Eliot had completed the poem, which he had worked on for several years, in Lausanne, Switzerland, where he was recuperating from a nervous breakdown. In January, Eliot stopped in Paris to show the poem to Ezra Pound, who would help him edit it over the next few months. Although Mr. Goldstein gives a tantalizing account of a June 1922 dinner at Hogarth House after

which Eliot "sang," "charted" and "rhythmed" his poem for the Woolfs, he has little to say about what, if any, influence "The Waste Land" had on Woolf's writing.

D.H. Lawrence is the odd man out in this quartet, and Mr. Goldstein's claim that things changed radically for him in 1922 doesn't convince. While Mr. Goldstein touts Lawrence's highly personal novel "Kangaroo," which he wrote during a three-month visit to Australia in that year, he has little to say about how any of the literary innovations of 1922 contributed to this or to his later, more important works.

Four English writers rocked by the newness of Joyce's 'Ulysses' and the techniques of Proust.

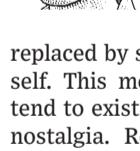
More than anything else, what separates the works of these writers from what had come before, Mr. Goldstein argues, is their sense of "dislocation in time and consciousness" following the Great War and their attempt to capture "the texture and vitality of a new landscape of the mind." Perhaps. What the book does show convincingly—and somewhat unexpectedly given Mr. Goldstein's focus on the "creative struggles" of these talented but fragile writers—is how important the help of friends and family was in supporting them. Leonard Woolf cared for his wife during her frequent bouts of illness and repeatedly encouraged Forster to return to "A Passage to India." Pound worked tirelessly on Eliot's behalf to bring "The Waste Land" to light, and Lawrence's wife, Frieda, provided the volatile writer with the stability he needed to do his work.

"Thereabouts" would sound terrible in a book title, but it's the right word to use when dating modernism, or any literary period for that matter. Changes in literary taste are messy, and dates somewhat arbitrary, drawn from historical events or keyed to the publication of a single work. Still, "The World Broke in Two" makes a convincing case that things were changing for Woolf and Forster, at least, even if those changes wouldn't be visible in their work for several years. This, combined with the publication of "Ulysses," "The Waste Land" and Proust in translation, make 1922 as good of a year as any for the beginning of this thing we call modern literature.

Mr. Mattix is an associate professor of English at Regent University and a contributing editor at the *Weekly Standard*.

FICTION CHRONICLE: SAM SACKS

An Atlantis Called Manhattan



TO LIVE IN a city as changeable as New York is to live in a place that is always on the cusp of disappearing and being replaced by some new version of itself. This means that its denizens tend to exist in a state of perpetual nostalgia. Renowned city blogger Jeremiah Moss opens his recent book "Vanishing New York," a full-throated lament for the city's bygone charms, by writing, "One of the great

A brilliant re-creation of a disappeared New York of cheap rents, club kids and Bret Easton Ellis.

tragedies of my life was that I had the misfortune to arrive in New York City at the beginning of its end." He's speaking of 1993, the halcyon year just before the twin scourges of Giuliani and gentrification started to squeeze out the thriving counterculture of radicals and misfits.

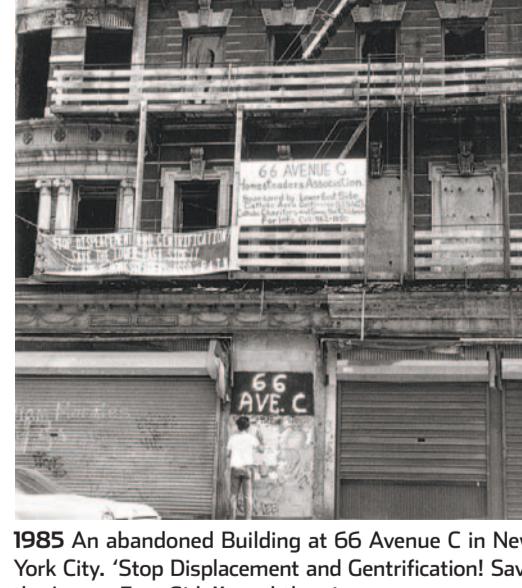
Appearing as both a companion and a rejoinder to Mr. Moss's book is Jarett Kobek's brilliant "The Future Won't Be Long" (Viking, 399 pages, \$27), which is set mostly in Lower Manhattan between 1986 and 1996. This novel takes a far darker view of that prelapsarian age, depicting the chaos and cruelty that invariably attended the wild parties

and protests. It delivers a killshot to the urge to romanticize the past. "Everyone in New York complains about how the city was better ten years ago," one character says. "Or some indeterminate period before their own arrival, whichever comes first. But it's never better, not really. It's always the same."

"The Future Won't Be Long" is a prequel to Mr. Kobek's self-published 2016 Silicon Valley satire "I Hate the Internet." It's about Baby, a gay orphaned farm boy who comes to New York from Wisconsin. On his first day there, after his bag is stolen in an East Village flophouse, he meets Adeline, a student at Parsons School of Design, who has just been humiliated by her junkie boyfriend. Baby is vulnerable, inexperienced and prone to fistfights. Adeline, a Pasadena blueblood, is trying to break her dependency on her mother's money. As if to ridicule her posh background, she speaks like a midcentury Hollywood starlet. ("Why, Baby, I'm a positive fraud. My accent is as affected as yours. It's sheer insecurity, darling.") They bond immediately and she invites him to move into her dorm room.

As Mr. Kobek follows the evolution of their friendship, he revives the grubby touchstones of the lost city. The chapters, alternating be-

tween the perspectives of Baby and Adeline, visit a pornographic movie house on Third Avenue; the Jones Diner, famous for its \$1.50 cheeseburger deluxe; the homeless shantytown in Tompkins Square Park; the



1985 An abandoned Building at 66 Avenue C in New York City. 'Stop Displacement and Gentrification! Save the Lower East Side!' read the signs.

Tower Records at Broadway and Fourth Street. Baby succumbs to the underworld of nightclubs, becoming a fixture at the Limelight and the Palladium and ingesting every fashionable drug that ever made the rounds in Manhattan. Eighties "nihilist" phenom Bret Easton Ellis is duly brought on for a cameo and ruth-

lessly mocked, as is Brooklyn Heights poohbah Norman Mailer.

Writing with encyclopedic authority and striking equilibrium, Mr. Kobek punctuates the glamour of these cultural signifiers by threading his narrative with grisly real-life crimes. Baby and Adeline rub shoulders with Daniel Rakowitz, the Tompkins Square vagrant who butchered his girlfriend and served her in a soup, and with the notorious club promoter Michael Alig, who took part in the murder and mutilation of his drug dealer. In the midst of ongoing transformations, horror is one of the only things that can be relied upon. "If life is a cycle," Baby says, "then it's the worst things that repeat."

But there's one other constant in the novel, and that's the friendship that Baby and Adeline sustain through their succession of boyfriends and jobs and mental breakdowns. Mr. Kobek sensitively traces the convoluted paths they take toward forging their careers—Adeline becomes an illustrator, Baby a writer of high-concept science fiction—and even, in Adeline's case, toward starting a family. The disappearance of the city where they came of age coincides with the end of their misspent youth. You can't stop time's passage, this absorbing novel reminds us. You can only find someone to love to help you survive it.

Sophocles' "Antigone" provides the template for Kamila Shamsie's "Home Fire" (Riverhead, 276 pages, \$26), which centers on three British siblings, Isma, Aneeka and Parvaiz, whose deadbeat father abandoned them to pursue jihad in Afghanistan and then died en route to the prison in Guantanamo. Lacking a strong paternal influence, Parvaiz is beguiled by the lofty promises of an Islamic State recruiter who delivers the young man to Syria. Though he quickly discovers that he doesn't have the stomach for terrorism, his return is blocked by the British government's aggressive home secretary, Karamat Lone. The plot thickens when Aneeka takes up with Lone's pampered son, Eamonn—an Anglicization of his Muslim name, Ayman—scandalizing the politico and turning him against his son.

Ms. Shamsie develops crosscutting lines of loyalty to family, faith and public duty. Isma and Aneeka are divided on the question of whether their responsibility is to report their wayward brother to officials or try to covertly secure his return. Lone, the book's most complex and intriguing figure, has won the acceptance of the suspicious populace through unforgiving crackdowns of his fellow Muslims. ("I hate the Muslims who make people hate Muslims," he explains.) Alas, Ms. Shamsie disperses much of the tension in these conflicts by fragmenting the story among different points of view. "Home Fire" is thoughtful and thought-provoking, but too piecemeal to build to a satisfying tragedy.

BOOKS

'The most effective way to destroy people is to deny and obliterate their own understanding of their history.' —George Orwell

Europe's Scramble for Africa

Empires in the Sun

By Lawrence James

Pegasus, 391 pages, \$28.95

BY CAROLINE ELKINS

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

Williams's thesis was revolutionary in 1944. Despite the eloquence of the empire's many defenders, one of His Majesty's subjects had irrevocably shattered Britain's myth of altruism. And despite decades of reconstructive efforts, its pieces have never been fully reassembled.

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

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

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

Mr. James's subtitle, "The Struggle for the Mastery of Africa," tips his historical hand. "War had always been endemic in Africa," the author avers, as had an Islamism "untroubled by slavery." In contrast, "Britain was the



A WORLD RENT ASUNDER The French and the British tear Africa apart.

friend of the weak and the oppressed and a nation deeply aware of its collective Christian duty."

Putting aside these inaccuracies, what gives one pause is Mr. James's claim that he has "tried to avoid retrospective morality and its present-day repercussions." It is his historical argument for British superiority—moral, political and economic—that frames "Empires in the Sun."

In Mr. James's world, not only was Britain the standard bearer of all things modern, so too was it light years ahead of its European rivals, particularly the French.

Where writers choose to begin and end their stories tell us a great deal. The book's opening with France's sacking of Algiers in 1830 is an unorthodox point of entry for a history of Europe's African exploits. It signals, however, one of the author's overarching themes: "The events in Algiers and the reactions of Frenchmen set the pattern and tone for over a hundred years of European conquest in Africa."

To be fair, Mr. James does suggest that Britons, too, got their hands dirty, but the infelicities are framed within the moral rectitude of the mid-Victorians and their humanitarianism. Gen-

eral Kitchener is largely given a pass, particularly at Omdurman; and Alfred Milner's creation of a web of labor exploitation in southern Africa—the disruptive effects echo down to the present day—is left unmentioned.

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

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

In fact, after four years in the dock and two courtroom defeats, the British government, in 2013, paid out £20 million in a settlement to more than 5,000 former detainees. The charge was systematic torture; moreover,

Foreign Secretary William Hague read a statement of "sincere regret" into the parliamentary record, a point Mr. James omits. In contrast to Mau Mau, he gives us a long chapter on France's deployment of similar, systematized methods of violence while decolonizing from Algeria.

An unfashionable argument for the moral, political and economic superiority of the British among the colonial powers.

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

On this topic Mr. James gives us little new other than a lyrical account of British superiority in Africa. This is understood through a Whiggish prism of Africa's shortcomings and leadership failures. Language is everything, and Africans are consistently charac-

terized as "egotistical" compared with British paragons of "bravery" and "faith" such as David Livingstone and General Gordon. Still, insofar as Mr. James provides an example of how history, politics and national identity can be wedded to both the art of forgetting and the craft of storytelling, "Empires in the Sun" is exemplary.

Ultimately, it's the historical events that Mr. James omits or shortens that offer much to think about. The question of industrial capitalism, and with it the twinned birth of liberalism and imperialism, provide a window into a complicated ideological position that can, at once, liberate and sustain inequalities.

Liberalism and imperialism are two sides of the same capitalist coin. It's in unpacking this all-embracing conundrum that understanding Africa under colonial and postcolonial rule becomes ever more important to our grasp of the world as it exists today.

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

The Race Across the Water

Steam Titans

By William M. Fowler Jr.

Bloomsbury, 358 pages, \$30

BY CHARLES R. MORRIS

STEAM POWER WAS the magic elixir of the Industrial Revolution. By the turn of the 19th century, giant coal-fed steam engines powered England's mines and mills, and canny inventors were expanding steam's ambit to travel by water and rail. British industrialists regarded steam power as an imperial preserve and were badly disconcerted when they were bested by the Americans in a contest to provide the fastest steam passenger service across the Atlantic. "Steam Titans," by William Fowler, a longtime chronicler of maritime history, offers a vigorous account of the rivalry.

The standard bearer for the American side was Edward Collins, a resourceful merchant and sea captain who had proved himself in the pirate-ridden Caribbean trade. Returning to New York to take over his father's shipping firm, he created a fleet of sail-driven "packet ships" carrying mail and other goods between New Orleans and New York. Then, in 1836, he launched a large and beautifully appointed ship, the Shakespeare, on the New York to Liverpool route, aiming to carry both passengers and commercial cargo.

The timing was near-perfect, playing to England's demand for cotton as well as to a swelling appetite on both sides of the Atlantic for international travel. The Shakespeare was quickly followed by three similar ships, along with the firm's novel promise to maintain strict schedules. Collins used theatrical names for his ships—the Garrick, for

instance, joined the Shakespeare—so the press dubbed his operation the "Dramatic Line."

Sniffing opportunity, Samuel Cunard, a wealthy Canadian merchant and investor, secured a lucrative contract from Britain's royal mail in 1839 to provide regular service from Liverpool to Halifax, Nova Scotia, with a terminus in Boston. By contract, though, Cunard committed himself to providing service with steamships, for their speed and smoother passages. For his engines,

Since the U.S. and U.K. steamship lines ran the same route, a speed contest was inevitable—as was a contest for commercial success.

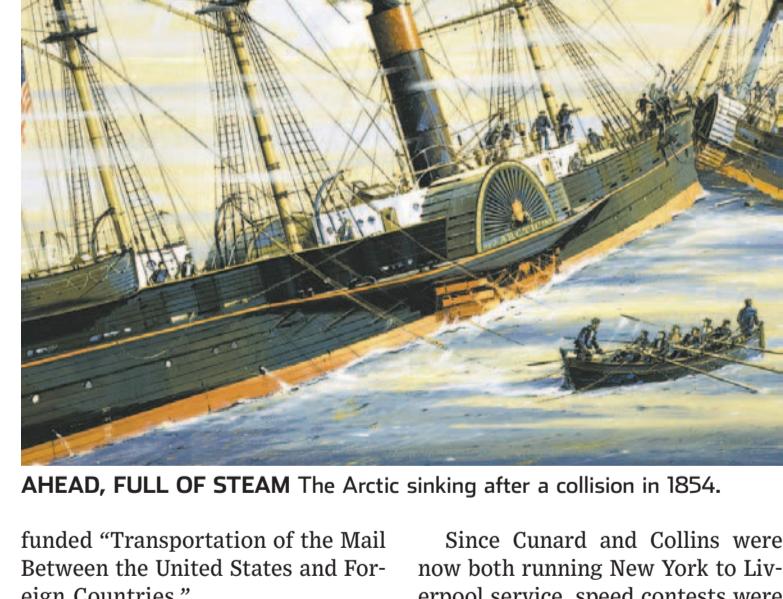
he contracted with Robert Napier, arguably the top naval steam-engine manufacturer.

By 1842 Cunard had put four large steamships into service that halved the average times of sailing ships. Boston rallied behind him in the hope of toppling New York from its position as the country's premier commercial city.

For Collins, Cunard's entry into the lists, with steamships instead of sail, looked like a lethal challenge. He had long hoped to convert his operations to steam, but the costs were daunting. The power for sailing vessels was free. But ocean-going steamships required massive steam engines, 24-hour coal heating and machinists to deal with frequent breakdowns, on top of full sail rigging and rigging crews to conserve fuel and take over when the engine went down.

Inevitably, Collins, like Cunard, turned to government for help. In Washington, Henry Clay and other public-works stalwarts in Congress took up the cudgels, money furiously changed hands and Collins got his subsidy from the U.S. Post Office, part of an 1845 bill that

made a spectacular showing. They were among the largest afloat, and their engines had the largest piston dimensions. No others were so lavishly furnished and provisioned. The dining saloons were "large, airy and beautiful," as Mr. Fowler writes, the tables groaning with unlimited food.



AHEAD, FULL OF STEAM The Arctic sinking after a collision in 1854.

funded "Transportation of the Mail Between the United States and Foreign Countries."

Collins promised to match Cunard's twice-a-month service with the same four-ship rotation. Cunard's steam-powered ships had been performing splendidly for roughly three years. Still, he did not break even until he returned to Parliament in 1846 and secured an increased subsidy to finance another four-ship schedule terminating in New York rather than in Boston.

Collins didn't get his four ships on the water until 1850, after a long battle to get his subsidy through Congress. Once up and running, however, the Collins steamships

since Cunard and Collins were now both running New York to Liverpool service, speed contests were inevitable. Collins's ships decisively outpaced Cunard's again and again. But time was running against Collins in another way. His operational losses forced him back to Congress for more subsidy, which he got—but it was a close thing. The lavishness of the Collins services undercut his case. Cunard provided commodious, but not lavish, services at much lower cost.

Tragedy struck when one of Collins's premier ships, the Arctic, sank after a collision in the fog. The colliding ship's iron prow, Mr. Fowler writes, "sliced through Arctic's

wooden hull at the waterline, splintering the thick pine planks."

The Arctic found itself listing badly. "On deck the passengers and crew watched the water lapping up toward them as they cornered themselves on the port quarter." One passenger who survived remembered seeing "the deep seated thoughtful look of despair on their faces."

Members of Collins's family were lost in the disaster, including his wife, as were family members of his leading investors. The next year, another of the Collins ships was lost at sea with barely a trace, probably from an encounter with ice. With only two remaining ships, on top of a drastic reduction in subsidy, the Collins lines were forced into bankruptcy in 1858. Cunard's thrift and caution had won the day.

With "Steam Titans," Mr. Fowler has crafted an enjoyable book, with enough technical detail and colorful tales to appeal to the casual weekend sailor and skilled mariner alike. The only cavil might be that he does not, toward the end of his tale, make enough of the strides in British naval technology in the 1850s. The Crimean War (1853-56) persuaded the Admiralty to shift wholesale to coal-conserving, screw-driven ships with compartmentalized iron hulls. These were much more resistant to ice and other accidents, and Cunard rapidly shifted his fleet to the same designs.

By then, the United States had turned its manufacturing capacities to opening the "West," the resource-rich lands between the Appalachians and the Mississippi River, leaving the ocean to the British for most of the next century, until America emerged as the world hyperpower.

Mr. Morris's latest book is "A Rabble of Dead Money: The Great Crash and the Global Depression: 1929-1939."

OPINION

REVIEW & OUTLOOK

Hong Kong's Political Prisoners

China's crackdown on Hong Kong's opposition escalated Thursday as a court jailed three student pro-democracy leaders. By imprisoning the three popular figures, the government is blocking them from running in the next legislative by-elections and it marks another step in the slow but relentless strangulation of Hong Kong's freedoms.

Joshua Wong, Nathan Law and Alex Chow received sentences of six to eight months for leading hundreds of thousands of protesters who occupied the city's downtown for 75 days in late 2014. Hong Kongers were angry that Beijing reneged on its promise to allow the city to elect its chief executive by universal suffrage. Instead of allowing an open system of nominations, Chinese authorities wanted to pick a lineup of candidates based on their loyalty to the central government.

For their role in the civil disobedience, the student leaders were sentenced last year to community service and a suspended jail term by a lower court. They completed their punishments and the case seemed to be closed. But then this year the government appealed to the High Court for tougher sentences, including jail time.

This is part of a wider effort to marginalize the opposition after September's legislative election. Beijing was alarmed that opposition candidates, including some who called for greater autonomy for the city, won 58% of the popular vote and secured 30 of the 70 seats. The opposition had the votes and the mandate to filibuster legislation and pressure the gov-

ernment for more democracy.

In May, China's third-ranking Politburo Member, Zhang Dejiang, said in a speech that Beijing was determined to consolidate its control over Hong Kong. First the National People's Congress reinterpreted the city's constitution, the Basic Law, to disqualify six opposition legislators, with eight more at risk of losing their seats.

With the opposition now lacking the votes to filibuster, pro-Beijing lawmakers changed the legislature's rules to prevent future blocking of new laws. One Chinese official hailed these decisions as "the rainbow after the storm."

Mr. Zhang also reiterated Beijing's stand that the judiciary is subordinate to the executive branch and judges should "learn the Basic Law." Other officials criticized Hong Kong's use of foreign judges, who are supposedly too sympathetic to separatist elements.

Chinese officials have stepped up pressure for the city to pass antisubversion laws that would make advocating greater autonomy a crime. That would make it easier to suppress opposition politicians and their supporters.

Hong Kong now has its first political prisoners, and if Beijing has its way they will be followed by many more. That will force the city's residents into a stark choice of whether to continue fighting for the rights China promised when it guaranteed 50 years of Hong Kong autonomy or accept that the former British colony's special status is fading into history.

Britain's Brexit Flights of Fancy

Theresa May's government has finally started offering some specifics—sort of—about its hopes and plans for Britain's relationship with the European Union after Brexit. The main lesson is that Britain has a lot more work to do if Brexit is going to succeed.

On Tuesday London suggested that Britain remain within a new customs union with the EU for a transitional period after Brexit takes effect in 2019, while developing "seamless" trade on a permanent basis within a few years. On Wednesday London expressed its hope that it can create what would amount to an invisible border between Northern Ireland and the Irish Republic after Brexit.

Neither position paper amounts to much. The customs proposal is unrealistic, although at least it's creative when it comes to the trade-facilitation problems that dog most modern trade negotiations. In order to eliminate a border between the U.K. and the rest of the EU, London offers to enforce EU tariffs and safety standards at the British border for goods destined for the EU market, including components in global supply chains.

Whether London could develop a suitable "tracking mechanism" to enforce this without strangling businesses in red tape is unknown. Following two different sets of trade rules in the same country would also complicate matters for British businesses.

The Northern Ireland plan is too vague to be actionable. London is correct that the U.K. and Ireland can sidestep most post-Brexit migration challenges because they're already in a Common Travel Area separate from the EU's Schengen zone.

But on trade the paper runs aground. London says it doesn't want a hard border between Northern Ireland and the Irish Republic, which will remain within the EU single market. But it can't say how either side could enforce customs rules or

Why not imagine a more liberal economy instead of better red tape?

other trade-related regulations such as agricultural safety standards, other than to advocate imaginative "technology-based solutions."

The main lesson for London from this exercise is that the U.K. will have to think bigger than technocratic wrangling on trade if Mrs. May is going to make a success of Brexit.

The hang-up now is the never-ending series of problems that arise in bilateral or multilateral trade negotiations. Both sides first argue in principle over which trade barriers to raise and lower, and then they struggle to find some workable way for businesses to comply with a new trade deal. Brexit frees Britain to negotiate its own trade deals with the EU, the U.S., Australia, India and others. It doesn't exempt Britain from these basic negotiating challenges.

One solution would be for Britain to lift itself above the fray by unilaterally disarming on trade protectionism. Adopting the Hong Kong and Singapore policy of near-total free trade with all comers would be an economic boon for British households and businesses, and it would free London from having to negotiate many of the matters that already are bogging it down.

This strategy would be particularly successful if accompanied by domestic reforms, such as further liberalization of the energy market, tax cuts for consumption and personal income, and overhauls of fisc-draining entitlements such as the National Health Service. The boost to investment would be Britain's best chance to overcome the ill effects of whatever trade obstacles the EU will construct after Brexit.

Sound fanciful? Perhaps it is. But as London and Brussels unveil their negotiating positions, it's becoming clear that an easy trade solution—short of abandoning Brexit—is also fanciful. Britain might as well devote its imaginative energy to a goal worthier than customs-processing websites.

Blame-Sharing on ObamaCare

The oracles at the Congressional Budget Office this week descended from Delphi to predict 20% premium increases if the Trump Administration ends illegal ObamaCare subsidies for insurers, and Democrats are happy to agree. Yet a careful reading of the report reveals some surprising results that are far less ominous and for consumers mostly benign.

CBO and the Joint Committee on Taxation analyze what would happen if the Trump Administration cut off "cost-sharing" subsidies, which are government payments to insurers that defray deductibles and copays for certain people below 250% of the poverty line. These individuals earn south of about \$30,000 a year, or \$60,000 for a family of four, and have essentially been forced to purchase insurance they cannot afford.

Congress has in recent years declined to appropriate funding for the payments, though the Obama Administration wrote checks anyway. A federal judge last year ruled this violates the Constitution, and the case is on appeal. President Trump earlier this summer threatened to stop the payments, though on Wednesday his Administration said it would make them for August. Insurers are warning of double-digit premium increases, and Democrats are trying to shift the blame for those rising prices and fewer insurance choices to Republicans who didn't vote for the Affordable Care Act.

CBO's report this week finds that the exchange's silver plans—the consumer plans are called bronze, silver and gold—would see 20% premium increases in 2018. Yet the report notes that most of this will be absorbed by tax credits that by statute increase with premiums. In other words, insurers who are telling Republicans to hand over the money or risk the GOP majority will get paid in any case.

CBO says the higher subsidies mean that the increased spending on tax credits will add \$194

billion to the deficit through 2026, though a truck could fit through the caveats. Ending the subsidies would add \$6 billion to the deficit next year, which regrettably is a rounding error in Washington. The figure increases in later years—\$26 billion in 2023—assuming no changes in policy over the next decade. But when has that happened? By then who knows what health-care bill President Zuckerberg will have signed.

By the way, CBO says that choking off the payments would produce no significant change in the number of insured individuals, at least not any time soon. Remember that the ostensible goal of the law's subsidies and penalties was to increase the number insured. Also notable: The report predicts that more flight from the exchanges could lead to no insurance options for a fraction of individuals, though over time that could change. In short: No one knows.

Even more surprising, analyst Charles Blahous says the report shows that killing the subsidies could lower costs for some consumers, especially the near-elderly, whose premiums would rise very little while they would be able to afford gold plans that are worth more.

One lesson of all this is that Republicans in Congress needn't panic and rush into a bad deal with Senate Democrats that would continue the payments. The GOP understandably wants to avoid being blamed for failing ObamaCare exchanges in next year's midterm elections, but the insurance market won't implode if the subsidies end. Republicans should insist on significant insurance market reforms and more flexibility for states in any deal.

There's no evidence from CBO or anywhere that continuing the subsidies will stop ObamaCare's trend toward higher costs and fewer choices. The GOP should use this moment to scrap some of the law's mandates—and make improvements at the margin that would benefit the American public.

The Age of Anti-Politics



WONDER
LAND
By Daniel
Henninger

Charlottesville was a warning. The warning is that America's politics is steadily disconnecting from reality. Our politics is starting to seem psychotic.

Generally people get into politics to accomplish something concrete or achievable—the passage of a piece of legislation or of identifiable public policies whose purpose is to make things better. In a word, progress.

The right and the left have disagreed for centuries on what works, but they at least shared a belief that the point of their political activity was to accomplish something real.

Charlottesville was a political riot. Is Charlottesville the future?

Some may say the Charlottesville riot was the lunatic fringe of the right and left, with no particular relevance to what falls in between. But I think Charlottesville may be a prototype of a politics that is drifting away from traditional norms of behavior and purpose.

Street protest has become the politics du jour. Groups form constantly in the streets to chant slogans. America's campuses live amid perpetual protest.

The protests no doubt are based in belief or sentiment of some sort, but it is more often than not difficult to recognize any political goal normally associated with conservatism, liberalism or progressivism. Much of it looks like acting out or pleas for attention.

In January the weekend that Donald Trump was inaugurated, I watched a group of protesters sit down and block traffic at a main intersection in Santa Barbara, Calif. It seemed like a play date. The cops watched like bemused adults.

Charlottesville wasn't a play date. It was a pitched battle between two organized mobs—the white nationalist groups on the right and the badly underreported Antifa, or "antifascist," groups on the hard-as-stone left. Stories about Antifa's organized violence are trickling out now, but there is no conceivable journalistic defense for having waited so long to inform the public about this dangerous movement.

The phenomenon that enables politics without purpose is the internet. It is the group-organizing tool for psychologically disassociated young people on the left and on the right, like James Alex Fields Jr., who allegedly drove his car into a crowd, killing Heather Heyer. She won't be the last casualty.

Fields makes me think of the lone-wolf jihadists in America and Europe who explode out of the general population in a homicidal rage. These are people who sit endlessly in front of a computer screen, brainwashing themselves with online propaganda until they snap to make a "political statement." The internet—websites, social media, message

boards—is elevating political paranoia and delegitimizing normal politics.

Earlier this week, Britain's head of counterterrorism policing, Mark Rowley, described the new reality: "What we're wrestling with today is something which is more of a cultish movement where they are putting out propaganda and saying 'anybody and everybody, act in our name and you're part of our terrorist campaign.'"

But, the argument goes, these behavioral extremes have no relevance to or effect on the rest of public life. I'm not so sure. There have been a series of events lately that suggest the most basic requirements of intellectual or political seriousness are losing ground inside institutions that once provided ballast against the extremes.

Charlottesville may be a prototype of a politics drifting away from normalcy.

The Google firing of James Damore was one of these big events. Its meaning was that the goal of diversity, whatever its original intent, has become mostly a totem. Mr. Damore was the little boy in the folk tale "The Emperor's New Clothes," who shouts, "But he doesn't have anything on!" Google's emperors banished James Damore for unmasking their diversity conceit.

Also certain to enter the era's annals of anti-politics is the Republican party's health-care meltdown.

All the endless hours that pour into political organizing, fundraising and campaigning are meant to win elections and then exercise political power. After winning control of Congress in the 2016 election, Republicans degenerated into what was essentially a traffic-blocking protest—against their own majority!

A young person new to politics and paying attention to what the Republicans did with ObamaCare reform, or to the Democrats' content-free "resistance," could reasonably conclude Congress is no longer about politics, but about something else. TV face-time or maybe Twitter, but not politics.

Traditional politics is being overtaken by a cult of self-referencing. From the nonstop street protests to what is going on in Washington—everything now is just a selfie.

Amid this torrent, an odd paradox emerges: People are consuming more content and detail about politics than ever, and more people than ever are saying, "I have no idea what is going on." Someone is at fault here, and it isn't the confused absorbers of information.

Charlottesville is being pounded into the national psyche this week as a paroxysm of white nationalism. On current course, the flight from politics is going to look like rational behavior.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

Korea: Let's Think Things Through This Time

In "The Military Options for North Korea" (op-ed, Aug. 4), John Bolton provides some good insight, particularly in calling for long-term negotiations to deal with the North Korea problem, but he fails to appreciate the nuance of the North Korea threat.

The assumption that the U.S. could mitigate the artillery (and ballistic missile, nuclear, chemical and biological) threats to Seoul and Tokyo seems to be a weak assumption considering the military challenge of pre-emptively destroying thousands of artillery pieces and WMD components that have been deployed for decades.

How many deaths is Mr. Bolton willing to accept in Seoul and Tokyo to keep Denver safe? The implication of his article seems to be that the U.S. should be willing to strike North Korea's nuclear weapons even if the Defense Department can't completely mitigate the artillery threat to Seoul. But what level of risk is acceptable when a mistake by the U.S. poses an existential risk to an ally?

Presumably, Seoul and Tokyo have some thoughts about their citizens,

NICHOLAS A. REINHOLD
New York

It should seem a bit too obvious that at this point there has far too much "carrot" and not enough "stick." Inform North Korea and China that any additional missile launches or nuclear tests will be interpreted by the U.S. and its allies as a violation of the Korean cease-fire and armistice signed in 1953. Shoot down the missile after launch and make it clear to all that allied retaliation will come at a place and time of America's choosing. Inform China that the U.S. will now seriously consider arming Japan, South Korea and potentially Taiwan with additional antiballistic-missile systems and a nuclear deterrent as soon as possible. Then sit back and wait.

DOUGLAS ELSLAGER
Jupiter, Fla.

Trade Policy Is More Than Just Trade Balance

Regarding "Free-Trade Is a Two-Way Street" (op-ed, Aug. 2): U.S. Secretary of Commerce Wilbur Ross correctly points out that American businesses face numerous tariff and nontariff barriers in accessing global markets, and that China can hardly be considered a market economy. However, the administration's obsession with imports and trade deficits is fundamentally misguided.

Adopting policies to reduce imports risks jeopardizing inputs that U.S. manufacturers rely on to create globally competitive goods. While such policies could lead to shifting some American jobs, in the long term they will undercut the roughly 11 million export-supported American jobs, as well as lowering foreign investment, including in U.S. manufacturing plants.

One of the primary drivers of the trade balance is the relative value of the dollar to the currencies of America's trading partners. The weakening U.S. dollar, which has been on a steady decline since President Trump took of-

fice, will inevitably lead to increased exports, as U.S. goods become cheaper to foreign buyers. America's focus should be on increasing overall demand for U.S. goods rather than closing the door to imports.

The temptation to "use every available tool" and retaliate to support U.S. businesses may play well politically, but tit-for-tat protectionism undermines American leadership and will undoubtedly lead to a race to the bottom in today's global economy.

STEFAN M. SELIG
New York

Mr. Selig was U.S. undersecretary of commerce for international trade from 2014 to 2016.

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OPINION

America's Got Talent, but Not Nearly Enough

By Edward Conard

President Trump has proposed cutting the number of U.S. green cards issued each year to 500,000 from one million and issuing them based on skill levels. This approach gets it half right. Increasing skills-based immigration would be good for the U.S. economy. But if America issues green cards based on skills, cutting the number would squander the best opportunity for economic growth.

Trump is right to back skills-based immigration. But fewer green cards would defeat the purpose.

Without substantial immigration, the U.S. simply can't produce enough growth to pay for retiring baby boomers without inflicting considerable damage on the economy—and, by extension, on national security. The Congressional Budget Office expects federal spending as a percentage of gross domestic product to increase by nine points as baby boomers retire over the next 30 years. Together with state and local spending, total government spending is projected to rise to 45% of GDP. A spending level that high, especially one largely driven by entitlement spending, will slow growth significantly. The notion that the younger electorate can outvote baby boomers to reduce their benefits significantly is highly doubtful.

With the Chinese economy expected to surpass America's in size within 10 to 15 years, the U.S. needs to do more than pay for retiring baby boomers. It needs to grow quickly enough to maintain a strong national defense. Boosting growth with high-skilled immigration is the only viable alternative.

If innovation is the primary driver of growth, and the most productive workers are the primary drivers of innovation, doubling the number of workers who currently represent the top 5% of America's talent could double the U.S. growth rate. America has 125 million full-time workers, so the top 5% is just over six million. The U.S. currently issues a million green cards a year. By targeting the most talented would-be immigrants, the U.S. could double its high-productivity pool in short order.

To minimize competition with the domestic workforce, the U.S. could recruit and employ the rest of the world's best engineers. The highest-scoring American students have increasingly moved away from STEM fields—science, technology, engineering and math—toward business and law. America's success relative to Europe and Japan—both of which produce a greater share of STEM graduates—indicates that innovation requires a combination of STEM and commerce to succeed. The rest of the world is racing to educate more business majors but continues to graduate a disproportionate number of engineers.

American companies already employ many of those engineers, who work remotely using tools like Skype. When companies employ these workers offshore, Americans don't enjoy



BARBARA KELLEY

the benefit of the income-tax revenues they'd pay—for the top 20% of U.S. taxpayers, \$50,000 a year more than the government services they consume. America needs that revenue. Nor does the rest of America's workforce get the opportunity to teach their children, wait on their tables or treat their medical needs. Growth can raise wages across all skill levels.

It's an error to suggest that a greater share of Americans could do these ultra-high-skilled jobs. Competition demands the highest-IQ problem solvers. Companies who need problem solvers like that can't settle for less. They will continue to re-

cruit these workers wherever they find them.

Can America's education system produce the necessary increase in ultra-high-skilled workers? Decades of effort have produced no significant increase in academic scores. A large share of high-scoring American students avoid the difficulty of STEM careers despite rising wages. And any educational improvement is likely to come gradually and suffice into the workforce slowly. America needs growth now.

In truth, America has a shortage of talent. Some 25% of American workers score in the top third globally on comparable international tests of ac-

ademic skills, according to data from the Organization for Economic Cooperation and Development. Forty-five percent score in the bottom third. There is approximately one high-scoring adult American for every two low-scorers.

By comparison, Germany has a roughly equal number of high- and low-scorers—about a third of each—giving Germany almost twice as many high scorers for each low scorer than America. Scandinavia has three times as many high scorers per low scorer as America. Japan has almost five times as many.

The economic effects of this talent deficiency hurt low-skilled workers, who depend on high-skilled workers to design and manage competitive products and processes that employ them.

American institutions amplify the productivity of America's most productive workers more than elsewhere, through on-the-job training and with synergistic communities of experts like Silicon Valley. But the higher productivity these institutions create leads to higher wages, which draws scarce talent away from supervising low-skilled labor.

An influx of talent could increase the quality of talent devoted to low-skilled supervision. A larger talent pool would help the economy grow and make everyone more productive, allowing baby boomers to retire without damaging the country.

Mr. Conard is an American Enterprise Institute visiting scholar, a former Bain Capital partner, and author of "The Upside of Inequality: How Good Intentions Undermine the Middle Class."

More Sunny Days Are Likely Ahead for the U.S. Economy

By Alan S. Blinder

Every op-ed should have a simple take-away, one that's easy for readers to remember. Here's mine: Economic expansions don't die of old age—they go on until something kills them.

As the current expansion approaches its 100th birthday (measured in months), many observers assume its days are numbered. The U.S. National Bureau of Economic Research, whose chronologies date to 1854, shows only two U.S. expansions that lasted longer than this one, which began in June 2009.

The great expansion of the 1960s went on for 106 months. We'll almost certainly beat that. But the granddaddy of them all was the remarkable 120-month expansion from 1991 to 2001. To top that, the economy would have to continue growing past June 2019—a very tall order.

The good news is that the end isn't nigh: Economic indicators suggest growth will continue for the foreseeable future. These signals aren't entirely reassuring, however, because recessions can't be predicted well in advance. But economists do under-

stand how they begin and end. Therein lies the better news: No serious threat is in sight.

The most common cause of U.S. recessions in the postwar era has been monetary tightening by the Federal Reserve as a means to fight inflation. If policy makers execute perfectly, they can engineer a "soft landing" from today's low interest rates. That's what the Fed did in 1994-95, when skillful monetary tightening led into a boom.

More historical instances of Fed tightening, however, have been followed by recessions. In some cases central bankers actually sought that outcome, as when Paul Volcker sent interest rates skyrocketing to vanquish inflation in the 1980s. In others, they just goofed.

Will the Fed kill the current expansion? That seems unlikely. There's no inflation in sight. Janet Yellen and her colleagues are trying to extend the good times by raising interest rates as gradually as possible, ready to pull back if signs of a slowdown emerge. The Fed is fallible, obviously; it could make a mistake. But I doubt it would be a big one.

Other recessions have been

caused by "oil shocks"—sharp increases in oil prices that hurt businesses and consumers. Big oil shocks preceded the world-wide recessions in 1973 and 1979, spurred by the Arab oil embargo and then the Iran-

Economic expansions tend to go on until something kills them. Today, not many dangers lurk.

nian revolution.

Will an oil shock end the current expansion? Your guess is as good—or, more accurately, as worthless—as mine. Oil shocks are unpredictable. That said, neither markets nor experts seem to expect one.

What about a financial ruction of some sort, such as a stock-market crash? Many of today's worry warts focus on the long and allegedly excessive run-up in stock prices since 2009. I won't enter the debate over whether stocks are overvalued, because no one can predict the market. But a far simpler point is germane: It

takes one hell of a stock-market crash to cause a recession.

Recall the way the economy reacted when the tech bubble burst in 2000-02. The Standard & Poor's 500 fell by almost half, and some \$9 trillion of wealth was wiped out. But the subsequent recession lasted only eight months and was so mild that annual data show no drop in real gross domestic product.

What about 1929? Didn't the Great Crash beget the Great Depression? Not quite. The stock collapse was one of many causes of the Depression—and by no means the most important. In their monumental "Monetary History of the United States," Milton Friedman and Anna Schwartz placed more blame on the Fed, which allowed the supplies of money and credit to contract violently. Ben Bernanke echoed that criticism while serving as a Fed governor in 2002, when he said at Friedman's 90th birthday party: "You're right, we did it. We're very sorry. But thanks to you, we won't do it again."

If any financial calamity does derail the current expansion, it will be more likely to emanate from the credit markets—as happened in both

the Great Depression and the Great Recession. Fortunately, there are few signs of credit markets behaving badly, unlike in 2007. Households and businesses are less leveraged, banks hold a lot more capital and financial regulations are much tougher. Those of us who lived through 2008 will never say "never." But if a credit volcano is rumbling beneath the surface, it's pretty quiet.

What's left on the worry list? Every once in a while, for reasons that become obvious only after the fact, something shakes consumer or business confidence, causing spending to plummet. When that happens, a recession is all but inevitable. Right now, Americans and companies are both feeling sunny. But as storm clouds gather over North Korea and investigations threaten the White House...

As I said, expansions don't die of old age—they go on until something kills them.

Mr. Blinder is a professor of economics and public affairs at Princeton University and a visiting fellow at the Brookings Institution. He was formerly vice chairman of the Federal Reserve.

The Perfect, the Good and Europe's Defense Problem

By Elisabeth Braw

Belgium and the Netherlands will soon need to retire more than a dozen of their frigates and minesweepers. To reduce costs, the two countries are proposing to make the purchase together. But such a Belgian-Dutch acquisition, assuming it happens at all, would be a rare success story. European governments have been struggling with joint military procurement, and for a surprising reason: They're too perfectionist.

"France needs to be able to land its fighter jets on aircraft carriers, but almost no other European country needs that," Yannick Quéau, director-general of the French defense think tank Open Source Intelligence on Politics, or Osintpol, told me. "And do you need tanks exclusively for deterrence in Europe, or [do] you also need them to be deployable to the Middle East?"

It's not only the French. "National specifications and different timing on acquisitions planning are the main obstacles to effective multinational acquisition programs. Although there might be a few cases where national specifications are necessary, by and large that's not the case. National specifications are used to protect the national defense industry," retired Adm. Giampaolo Di Paola, an Italian former minister of defense, told me.

Even countries without a domestic defense industry often insist on unique national specifications, perhaps in the hopes of getting the best deal. A jointly procured weapons system can thus end up in as many incarnations as there are participating countries, adding time and cost, and ironically making them less easily interoperable.

This explains why most European joint-procurement projects have been

mired in disappointment. The Eurofighter, conceived in 1983, suffered numerous delays and ultimately France's withdrawal from the project. The Airbus A400M transport plane, commissioned in 2003, has incurred large cost overruns and remains behind schedule. The N90 helicopter also suffered delays. A joint British-French-Italian frigate-procurement project is said to have ended when the three countries couldn't agree on the vessels' color shade.

Even less-ambitious projects routinely fail. Latvia and Lithuania, which planned a joint purchase of off-the-shelf air-defense systems, were unable to agree on timing. And though France and Italy have together commissioned frigate, the FREMM, they each insisted on their own national specifications. "There are different timeframes, priorities and funding levels," Aviars Purins, Latvia's undersecretary of defense for logistics, told me. "A successful joint-procurement case needs many things to come together at the right time."

Even the Belgians and the Dutch, whose naval commands are integrated, have to overcome diverging priorities. "The Belgians may want communications system A, while we may want communications system B," armed-forces spokesman Capt. Thomas van

Too much emphasis on national pride hinders joint procurement and wastes valuable resources.

den Berg told me. Even so, the Belgian-Dutch naval acquisition of new vessels, to be delivered by 2030, is expected to be a rare success.

This illustrates the extent to which Europe's defense-spending problem isn't simply a lack of money. European governments invest a respectable amount in weapons. According to the European Defense Agency, in 2014 (the latest year available)

France spent more than €6 billion (\$7.04 billion) on equipment, while Germany spent nearly €4 billion and Italy nearly €2 billion. The U.K. spent €6.6 billion. In 2016, eight European Union member states and Turkey met or surpassed NATO's guideline to devote at least 20% of total defense spending to equipment.

Those sums could be vastly more effectively spent if pooled together. But for joint procurement to be efficient, governments would need to give up some of their national pride.

Governments in defense-manufacturing countries such as France, Italy and the U.K. also have to stop seeing defense procurement as a job-creating tool. "Major defense-producing countries commission a weapons system that can be produced in all their countries, which means that each country creates jobs. But who gets which part of the production? It's not an efficient solution," Mr. Quéau says.

With European governments unlikely to significantly increase defense budgets, efficiency is crucial. "Multinational projects are the best way to build a more effective and efficient European defense capacity," Adm. Di Paola says. "The consolidation of the European defense industry will facilitate multinational acquisition programs." [Italian shipmaker] Fincantieri's attempt to acquire [French shipyard] STX is a classic example of the potential for consolidation.

The Eurofighter will need to be replaced by a next-generation aircraft soon. That would be a perfect opportunity for European governments to display a new model of joint procurement. As Mr. Quéau points out: "No European country can fund a new F-35 alone. We've got no choice but to make joint procurement work."

Ms. Braw is a nonresident senior fellow at the Atlantic Council.

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Notable & Quotable: Hillary

From "Democrats Fret as Clinton Book Rollout Looms" by Albert R. Hunt, Bloomberg View, Aug. 15:

[Hillary Clinton] could take a lesson from another prominent Democrat, one who has kept a relatively low profile since January. That's former President Barack Obama, who has mostly resisted the temptation to strike back at repeated Trump cheap shots. Today, surveys of voters have found, he's the most popular American politician. Some Democrats want him to take on Trump a bit more, and are pleased he'll be out campaigning for a few Democrats this fall.

By contrast, Clinton has moved from being an admired former New York senator and secretary of state to becoming a divisive and unpopular figure. In last month's Bloomberg national poll, 58 percent of respondents rated her unfavorably compared to 39 percent who gave her favorable marks. More than one in five people who voted for her in November now

LIFE & ARTS

FILM REVIEW

Funny, Bloody 'Hitman' Is a Near Miss

Ryan Reynolds and Samuel L. Jackson star in Patrick Hughes's predictable, formulaic action comedy

BY JOHN ANDERSON

THERE ARE a lot of close calls in "The Hitman's Bodyguard," the closest being the movie's proximity to really, really funny. It probably looked like a great recipe: Ryan Reynolds as a suave, handsome and long-suffering "security specialist," Samuel L. Jackson as the sarcastically foul-mouthed hitman who needs to get to The Hague. Bomb blasts. Evil doers. International intrigue. Then the cooks assembled, apparently by the hundreds.

The film has its moments, to be sure, with each lead actor in his respective wheelhouse, along with a director, Patrick Hughes ("The Expendables 3"), who seems to know his way around a truck full of high-grade explosives. Mr. Reynolds is Michael Bryce, a "triple A-rated" bodyguard to the world's leading oligarchs and corporate criminals until he loses a client to a bullet on a tarmac.

Two years later, he's sleeping in his Ford and escorting coked-up paranoiacs (Richard E. Grant, in a hilarious quasi-cameo) through exploding buildings and crowds of hired killers.

Then, as we knew it must, destiny calls in the person of Michael's lost love, Amelia (Elodie Yung), now an Interpol agent offering him a job: Escort a witness from London to the World Court, for the genocide trial of Belarusian mass-murderer Vladislav Dukhovich (Gary Oldman). And make sure to keep the witness—hitman Darius Kincaid (Mr. Jackson)—alive. After a bit of back and forth, Michael takes the job. As we somehow knew he would.

What follows was probably formulaic when Martin Brest did it in



Samuel L. Jackson and Ryan Reynolds in 'The Hitman's Bodyguard,' above; Salma Hayek, left



SUMMIT ENTERTAINMENT/MILLENIUM MEDIA

"Midnight Run" (1988): Two profoundly incompatible comic figures, sidestepping their pursuers and each other's barbed insults, while trying to cross a problematic expanse of geography. They hate each other, till they don't. The bromance is always on the horizon, in this case a European horizon, featuring collapsing London office buildings and speed-boat chases on Dutch canals.

One has to give Mr. Hughes credit for the numerous, creative and explosive obstacles he puts in the way of Michael and Darius, not

so much for the scattershot tone of the movie as a whole. Both lead actors can deliver a laugh line, and occasionally do. Salma Hayek, who as Darius's imprisoned wife, Sonia, shows a flair for eloquent vulgarity, is consistently funny. Of course, she has an advantage over, say, Mr. Jackson, for whom a steady torrent of expletives is his stock in trade. No one expects such colorful language to spew from the comely Ms. Hayek.

But you can't help feeling that, with a little directorial tweaking, "The Hitman's Bodyguard" would have been much funnier because, on paper, Tom O'Connor's script

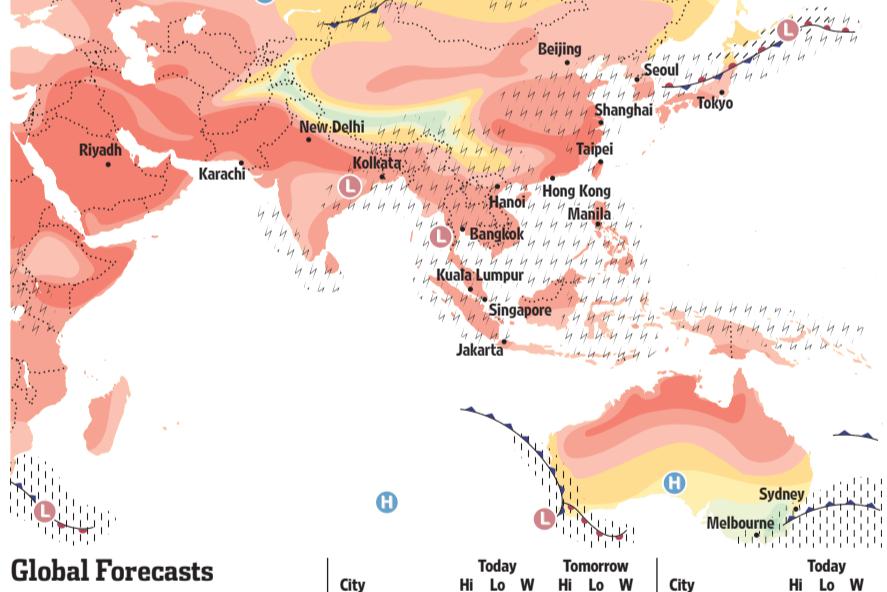
was probably a scream. What adds to the unevenness of the whole affair is a propensity for extreme violence that just seems incompatible with what is ostensibly a comedy. Dukhovich murders the wife and child of one character, Professor Asimov (Rod Hallett), in front of his eyes. Sonia slits a guy's throat during what is otherwise a comedy bar brawl. In a flashback, Darius recalls a preacher in his hometown being beaten to death with a tire iron. (It's done as shadow play, but nevertheless.) Darius explains to Michael, during one of their few respite moments, that the preacher's

murder set him on the path to killing what he claims to be 250 people. All bad guys. It's the kind of rationalization that sets a viewer's teeth on edge.

The sense one gets is that "The Hitman's Bodyguard" was intended as a pastiche of buddy movies and action thrillers, with the various ingredients overdone to the point of spoof. What they neglected to elevate, probably because it's a lot harder than blowing things up, were the laughs.

Mr. Anderson is a Journal TV critic. Joe Morgenstern is on vacation.

Weather

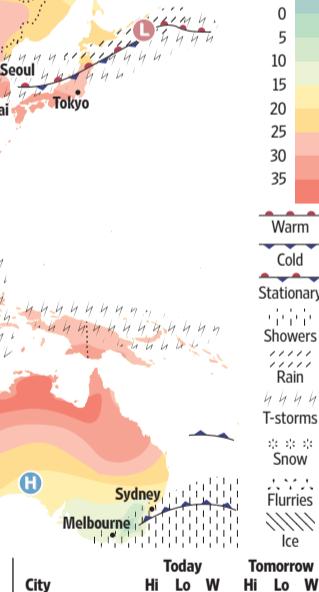


Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	13	r	19	13	sh
Anchorage	14	9	c	14	10	sh
Athens	33	26	s	34	25	s
Atlanta	32	23	t	33	23	pc
Bahrain	48	31	s	47	30	s
Baltimore	32	21	t	31	19	pc
Bangkok	32	26	t	31	26	t
Beijing	29	21	pc	28	21	sh
Berlin	25	15	r	20	12	pc
Bogota	21	10	r	18	10	sh
Boise	33	16	s	33	15	s
Boston	24	21	r	29	20	t
Brussels	21	12	r	20	11	sh
Buenos Aires	24	12	pc	17	5	r
Cairo	35	26	s	36	26	s
Calgary	28	9	s	19	8	pc
Caracas	31	25	pc	32	27	pc
Charlotte	35	22	t	34	22	pc
Chicago	27	18	pc	28	18	t
Dallas	36	26	t	38	26	pc
Denver	31	15	pc	33	15	t
Detroit	27	17	c	27	17	pc
Dubai	41	32	s	41	33	s
Dublin	15	10	r	17	10	pc
Edinburgh	16	10	r	17	9	sh
Frankfurt	24	14	r	21	11	pc

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	30	15	t	22	11	pc
Ottawa	25	17	r	25	15	pc
Paris	22	11	r	21	10	pc
Hanoi	32	23	pc	31	23	t
Hong Kong	34	29	t	33	29	s
Honolulu	31	24	s	31	24	pc
Houston	36	25	s	36	25	s
Istanbul	31	22	s	30	23	s
Jakarta	32	24	pc	33	24	s
Johannesburg	15	2	s	16	4	s
Kansas City	30	18	t	32	20	s
Kuala Lumpur	30	21	s	32	20	s
Khartoum	40	27	s	40	26	s
Kuala Lumpur	21	14	pc	21	14	pc
Kuala Lumpur	20	13	s	20	12	pc
Kuala Lumpur	27	18	pc	27	18	pc
Kuala Lumpur	37	20	s	36	20	pc
Kuala Lumpur	34	27	t	32	26	t
Kuala Lumpur	12	6	sh	12	4	pc
Kuala Lumpur	25	13	pc	24	13	pc
Kuala Lumpur	33	27	pc	30	27	t
Kuala Lumpur	34	20	pc	36	21	s
Kuala Lumpur	33	24	t	33	24	t
Kuala Lumpur	17	15	pc	22	18	t
Kuala Lumpur	24	14	s	23	12	pc
Kuala Lumpur	27	23	r	28	23	t
Kuala Lumpur	35	28	t	35	28	t
Kuala Lumpur	31	26	c	30	26	c
Kuala Lumpur	21	14	r	19	11	pc
Kuala Lumpur	17	10	s	16	8	sh
Kuala Lumpur	36	27	t	36	26	t
Kuala Lumpur	37	26	s	36	24	s
Kuala Lumpur	32	25	s	33	22	pc
Kuala Lumpur	38	28	s	35	28	t
Kuala Lumpur	33	26	pc	32	25	t
Kuala Lumpur	22	14	pc	21	12	s
Kuala Lumpur	24	13	t	31	22	pc
Kuala Lumpur	29	13	t	21	9	pc

The WSJ Daily Crossword | Edited by Mike Shenk



WHO'S MISSING? | By Matt Gaffney

The answer to this week's contest crossword is a famous 20th-century American.

Across

- 1 *With 70-Across, 2012 Best Picture nominee
- 5 "____ hand?"
- 10 Mighty Ruth
- 14 Nero's love
- 15 Director of "Sleeper" and "September"
- 16 "Up and ____!"
- 17 It's bad in Baja
- 18 "Boogie Nights" music
- 19 Don January's sport
- 20 **Six-time Wimbledon champ (1966, 1967, 1968, 1972, 1973)
- 23 de la Cité
- 24 Publisher of American Rifleman
- 25 Failed miserably
- 27 "Same with me!"
- 29 Challenging for cyclists
- 33 Way off
- 34 Doctors Without Borders, e.g.: Abbr.
- 36 Low wiggler
- 37 Meadow's dad
- 38 *Band fronted by actor Jared Leto
- 42 June Cleaver's husband
- 43 Waits who sings "November"
- 44 Second-stringer
- 45 It may be fragile
- 46 Flowers for February
- 48 Vegas hotel with a giant Sphinx
- 52 Count with the album "April in Paris"
- 54 One of the Baltic states: Abbr.
- 56 "May ____ fourth be with you"
- 57 **Five-time World Series champs (1919, 1940, 1976, 1990)

► Email your answer—in the subject line—to crossover@wsj.com by 11:59 p.m. Eastern Time Sunday, August 20. A solver selected at random will win a WSJ mug. Last week's winner: Matt Kaspar, Pflugerville, TX. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

62 Playbill features
63 "The Gladiator March" composer
64 Costing nothing
65 Magazine founder Eric
66 Olympus rival
67 "Dies ____" (hymn that translates to "Day of Wrath")
68 Raven's predecessor
69 Current fashion
70 See 1-Across
Down
1 Country whose Independence Day is October 24
2 Notes in a folder
3 Took a turn with the dice
4 Like much testimony
5 Green man
6 Wood often seen in forests
7 In addition
8 Half of icosa-
9 Shortly, poetically
10 Decide to cancel your plans
11 Express sincere regret about
12 Jean-Claude Van Damme and Kim Clijsters, for two
13 Band with the 1991 #1 hit "Unbelievable"
21 Mandy's role in "The Princess Bride"
22 Jay's follower
26 Take a crack at
28 How much 1990s music was stored
30 "Who's there?" response

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, August 18 - 20, 2017 | B1

Yen vs. Dollar 109.8340 ▼ 0.32%

Hang Seng 27344.22 ▼ 0.24%

Gold 1284.00 ▲ 0.56%

WTI crude 46.98 ▲ 0.43%

10-Year JGB yield 0.044%

10-Year Treasury yield 2.212%

Alibaba's Net Soars on Online Sales

By LIZA LIN

Alibaba Group Holding Ltd. reported earnings for the fiscal first quarter that again exceeded analysts' expectations, with surges in net income and revenue propelling the Chinese e-commerce giant to new expansion plans.

Alibaba posted adjusted earnings per share of \$1.17 for the three months ended in June, up 65% from a year ago. Quarterly revenue rose 56% to \$7.4 billion, beating estimates of analysts surveyed by S&P Global Market Intelligence.

Alibaba shares were up 4.1% to \$166.04 in midday New York trading, topping Wednesday's record close of \$159.50 a share. The stock has gained more

than 80% this year, compared with gains of more than 30% for Amazon.com Inc. and 10% for the S&P 500.

Alibaba, which operates Tmall and Taobao, China's two most popular online-retail websites, commands around three-quarters of all online retail sales in China and a trove of data on consumer behavior. It has been expanding its product offerings and leveraging its big-data assets to encourage consumers and advertisers to spend more.

The efforts appear to be working: In Thursday's report, Alibaba said sales from its core commerce division rose 58% to \$6.3 billion, driven by growth in online sales. Different than Amazon, Alibaba's Taobao e-commerce app has

derived much of its revenue from selling ads to online sellers. Alibaba has added video and other entertainment to the app to keep shoppers in it as long as possible.

Overall, for the fiscal first quarter ended June 30, Ali-

UCWeb, Alibaba Pictures and video-streaming site Youku Tudou, faces stiff competition in China's online-video space, with many players competing for licensed content.

Alibaba said last year it planned to invest more than 50

payments, cloud and other services to online merchants and physical-store retailers. And it has created its own brick-and-mortar supermarket unit, Hema, where shoppers within a certain radius can order online and have groceries delivered in 30 minutes.

Alibaba's cloud-computing arm, Alibaba Cloud, posted revenue of \$359 million as it enlarged its user base of paying customers. The unit, which has been looking to expand its suite of services to businesses and governments globally, in August signed an agreement with the Macau city government to use its cloud technologies to help with city management.

Investors in Alibaba shares

Please see ALIBABA page B2

Its core commerce division's sales rose 58% to \$6.3 billion, driven by growth in online sales.

baba on Thursday reported net income of \$2.17 billion, up 94% from the year before.

Revenue at Alibaba's digital-media and entertainment division rose about a third to \$602 million. Still, the unit, which includes mobile browser

billion yuan (\$747 billion) over the next three years in media content and infrastructure.

The company, founded by Chinese billionaire Jack Ma, reiterated its strategy of going beyond traditional e-commerce to provide logistics,



State company China Unicom will alter a private-capital plan.

Overhaul At Firm On Hold In China

By LINGLING WEI

BEIJING—What was billed as a showcase for China's state-sector overhaul is threatening instead to mire Beijing in embarrassment.

Only hours after state-controlled **China Unicom** disclosed a plan to sell \$11.7 billion in shares to a group of companies including internet giants **Alibaba Group Holding** Ltd. and **Tencent Holdings** Ltd., the wireless carrier withdrew the plan from the Shanghai Stock Exchange without explanation late Wednesday.

Early Thursday, China Unicom, citing "technical reasons," said that it would file a revised plan within three trading days; the company didn't elaborate.

According to officials with knowledge of the matter, the abrupt withdrawal was because certain terms in the China Unicom plan ran afoul of recently amended securities rules. China Unicom couldn't immediately be reached for comment.

In a deal that has come to symbolize a government initiative aimed at letting state companies raise private capital to help their balance sheets and fund expansions, the snafu underscores the enormous difficulty in revamping China's brand of state capitalism. While the leadership has stated its desire to channel more private capital in sectors long monopolized by inefficient state companies, like telecommunications, it has also set out to strengthen Communist Party control over the companies and prevent any losses of state assets.

Government-directed mergers in the state sector, for instance, have created ever-larger state giants. In China Unicom's case, there are questions about some investors' commitment to a deal largely driven by the government as opposed to market forces. Even publicly traded companies controlled by the state are required to set up party committees that outrank corporate boards.

The upshot: The state is increasing, rather than decreasing, its role in the economy. "We're not moving ahead but going backward in terms of reform," said Christopher Lee, a managing director at S&P Global Ratings.

The leadership picked China Unicom as a trial case for its mixed-ownership experiment that has been making only

Please see CHINA page B7



GARETH PHILLIPS FOR THE WALL STREET JOURNAL

Radio broadcasts like this one in Mumbai attract customized ads targeting the country's many niche markets and languages.

Radio Sets India's Airwaves Abuzz

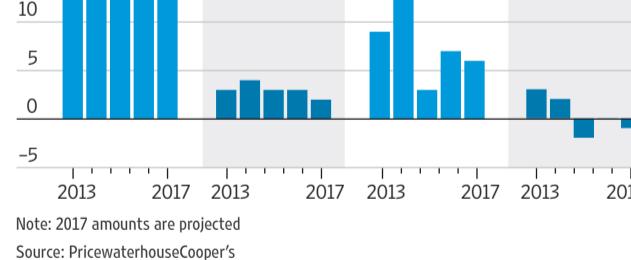
Hundreds of FM stations pop up, and rake in revenue, as listeners tune in on their cellphones

By CORINNE ABRAMS
AND DEBIPRASAD NAYAK

Digital Revived the Radio Star

In India, radio revenue is growing in part because of the adoption of mobile phones.

Annual change in radio revenue



century, but was largely limited to state programming until the 1990s. While New Delhi has slowly opened radio to more private-sector competition, the industry remains nascent. Its 313 commercial FM-

radio stations and state broadcasters made \$416 million in revenue last year, according to data from PricewaterhouseCoopers LLP—a fraction of the \$22 billion brought in last year by over

6,700 FM stations in the U.S., the largest radio market.

Still, radio revenue in India climbed 18% in 2016 from \$352 million a year earlier and is expected to continue to grow, according to PwC. In the U.S., Japan and the U.K., revenue has averaged growth of less than 2% over the past four years, while growth in China and Brazil has been below 3%.

"I don't think anybody is seeing that anywhere in the world," said Apurva Purohit, president of media company Jagran Prakashan Ltd., which has 39 stations across India.

As the market opens up, media companies are scrambling to start new stations and develop the content and talent to fill them. More than 70 stations launched in the year ended March 31, and another 90 are expected this fiscal year. The government will auction

Please see RADIO page B2



WELL GO USA/EVERETT COLLECTION

'Wolf Warrior 2,' a Chinese action film, has taken in more than \$720 million since its release on July 27. The movie is lifting China's box-office fortunes after a sharp revenue slowdown last year.

Now Showing: Gains At China Box Office

By WAYNE MA

BEIJING—A Chinese action film that taps into nationalist fervor has become the highest-grossing movie ever in China, showing that the box office here can still pack a punch following last year's abrupt slowdown.

"Wolf Warrior 2"—about a former Chinese special-forces soldier who fights off rebels and mercenaries in a fictional African country—has taken in more than \$720 million in the three weeks since its release July 27, according to data from Beijing-based film-research firm EntGroup.

That shatters the \$508 million record established last

year by "The Mermaid," a co-production between China and Hong Kong.

"You can expect China's box office to hold its own this year," said David Hancock, director of film and cinema analysis at IHS Technology.

Mr. Hancock said Hollywood shouldn't be concerned that domestic films now account for the two top-grossing productions in China "because it shows that people are still going to the cinema."

China's box-office revenue had been growing exponentially—averaging 34% growth between 2011 and 2015—making it an appealing market for Hollywood.

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INSIDE



ANBANG HITS A WALL IN SOUTH KOREA

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GM and Trust Reach Deal On Claims Defense Costs

By MIKE COLIAS

General Motors Co. has reached an agreement with the trust set up to oversee its bankruptcy claims that likely thwarts lawyers' efforts to extract an additional \$1 billion from GM to settle claims stemming from faulty ignition switches.

Last week, the trust for creditors of so-called Old GM reached a proposed settlement with plaintiffs' lawyers that sought \$1 billion in GM stock to help settle claims related to the defective switches. GM called the agreement an "improper scheme" to force the auto maker to pay for baseless claims.

In a court filing late Wednesday, GM and attorneys for the Old GM unsecured

creditors trust said that they have reached a tentative agreement that calls for GM to reimburse legal costs the trust incurs to defend ignition-switch cases. In return, the trust agreed to drop the proposed settlement with plaintiffs' lawyers, which could have triggered a \$1 billion payment from GM.

The settlement is the latest twist in legal wrangling begun more than three years ago, when GM recalled roughly 2.6 million older cars with ignition switches prone to slipping from the run position, potentially cutting power to air bags. The defect has been linked to 124 deaths and led to GM paying more than \$2 billion in settlements with federal prosecutors, shareholders and thousands of consumers.

Sales at Wal-Mart's U.S. stores open at least a year rose 1.8% in the fiscal second quarter ended July 28—the 12th consecutive increase—boosted

by a 1.3% rise in foot traffic.

"Our customers are responding to the improvements in stores and online," Wal-Mart Chief Executive Doug McMillon said Thursday.

Wal-Mart has already done

some of the hard work that rivals like **Target** Corp. are now undertaking, such as investing in store improvements and digital initiatives. On Wednesday, Target, which also lowered prices in its latest quarter, reported sales growth and raised its profit forecast.

Wal-Mart's second-quarter online sales in the U.S. surged 60%. The company purchased online retailer Jet.com in September, followed by deals for smaller sites such as ModCloth, Moosejaw and ShoeBuy.

Jet.com founder Marc Lore

took the helm of Wal-Mart's

U.S. e-commerce operations,

and he has helped advance services like two-day shipping on

more products and discounts

on in-store pickup for some

others. Mr. Lore told reporters on

Thursday that those efforts are

driving the gains in online

sales.

Wal-Mart U.S. CEO Greg

Foran said the company plans to

offer online grocery pickup in

1,100 stores by year-end.

To pay for the efforts, the

company over the past year has

used automation to replace

some jobs and laid off more

than 1,000 corporate employees.

It has also pressured suppliers

to cut their prices, increased

the fees they pay to

pass inventory through ware-

houses and narrowed the ship-

ping window suppliers must hit

to avoid fines.

Even so, Wal-Mart's U.S.

gross margin fell and operating

expenses rose 3.9% in the sec-

ond quarter.

"We are not at the place we

want to be from an expense

standpoint," Wal-Mart finance

chief Brett Biggs said in an in-

terview.

Wal-Mart shares were off 2%

RADIO

Continued from the prior page
rights for 800 more stations in coming years, said one official.

The growth comes as companies look for ways to reach deeper into India, to second- and third-tier cities that are in the middle of a consumption boom, and as advertisers shift strategies.

After years of focusing on print and television, many ad agencies are returning to radio, said Ashish Bhasin, South Asia chief executive at global media group **Dentsu Aegis Network**. "We are relearning how to do creative for radio."

Indian brands such as cellular company Bharti Airtel Ltd. and auto maker Mahindra & Mahindra Ltd. are being joined on radio by international names including **Unilever** NV, Toyota Motor Corp. and Uber Technologies Inc. Amazon.com Inc. is using new stations to customize its ad campaigns for India's many niche markets and languages. The company, for example, uses radio to promote its services during religious festivals that are celebrated in just one region, said Ravi Desai, director of marketing for Amazon in India.

But so far, big international media giants haven't stepped into the market to set up their own stations. The lengthy FM auction and security-clearance processes, and government restrictions on foreign ownership and content, have kept them at bay, said Girish Menon, a part-

"We didn't really fight the mobile revolution. We grew with it," said Tarun Katial, chief executive of **Reliance Broadcast Network** Ltd., which has 61 stations across India.

To fill airtime, broadcasters are rushing to create more original content. With news still a state-radio monopoly, private stations are focusing on region-specific shows. In south India, many listeners want film-industry gossip, while in the northern part of the country, they prefer comedy, Jagran Prakashan's Ms. Purohit said. Stations offer poetry, horror stories and relationship advice. Broadcasters have also started schools and training centers for the radio disc jockeys and producers needed to fill the new slots.

Consumers seem to appreciate the choice. Autorickshaw driver Gurelal Patel, 32 years old, used to lug around cassettes to entertain customers and friends in his three-wheeled taxi in the central city of Nagpur. Now, his vehicle is equipped with a booming FM sound system.

"Whenever I'm on the road, radio is my friend," he said.

vestment in the second half of the year to expand its market share in the business-to-consumer market, Chief Financial Officer Maggie Wu said.

Alibaba plans to take part in a \$1.1 billion investment in **PT Tokopedia**, an Indonesian e-commerce marketplace that connects small businesses with consumers, the Jakarta-based company said Thursday.

Southeast Asia, a region of more than 600 million consumers, is attracting investment from Chinese and U.S. technology firms as incomes and smartphone penetration grow. The investment comes barely a month after Amazon announced it would enter the region through Singapore. And it follows Alibaba's \$1 billion investment to raise its stake in Southeast Asian online retailer Lazada.

Alibaba will step up its in-

vestment in the second half of

the year to expand its market

share in the business-to-con-

sumer market, Chief Financial

Officer Maggie Wu said.

However, doubts emerged

last year when China's box of-

ice grew by less than 4% be-

cause of cutbacks in dis-

countrypic tickets and a

crackdown on so-called ghost

screenings, in which movie

distributors buy tickets in bulk

to make a flop look like a hit.

Before the release of "Wolf

Warrior 2" in late July, China's

box-office take was up about

7% compared with the same

period last year, largely be-

cause of the strong perfor-

mance of imports such as "The

Fate of the Furious."

The success of "Wolf War-

rior 2" helped China's box of-

fice grow to about 18% as of

Tuesday.

In the U.S., box-office reve-

nue is down about 5% com-

pared with the same period

last year, sending shares of

major exhibitors lower this

year. The highest-grossing hit

so far this year was **Walt Disney**

Co.'s "Beauty and the

Beast," which earned about

\$504 million domestically dur-

ing its theatrical run.

"Wolf Warrior 2," a sequel

to 2015's "Wolf Warriors," was

helped by its release during

the prime summer moviego-

ing season, when the Chinese

government keeps imported

films out of theaters to give a

boost to domestic productions.

The original, which did about \$82

million, was released in April

2015 and led the box office for

one week before "Furious 7"

hit Chinese theaters.

Analysts say the film's inten-

sely jingoist theme is reso-

nating with Chinese audiences.

China's navy is featured prom-

inently, and its military is por-

trayed as a peacekeeping force

that works with the United

Nations to help evacuate refu-

gees, aid workers and Chinese

factory workers from a fici-

onal war-torn region.

The last shot of the film

displays a Chinese passport

with the message: "Citizens of

the People's Republic of China:

When you encounter dangers

overseas, don't give up! Please

remember, behind you, there

is a strong nation!"

"While China used to have

BUSINESS NEWS

CEOs Scrap Trump Business Panels

After president's latest comments on Virginia violence, leaders disband committees

Business leaders disbanded two CEO councils created by the White House, a move they said was protesting Donald Trump's failure to sufficiently

By Emily Glazer,
Sarah Krouse
and Elena Cherneny

condemn racism, marking a dramatic break between U.S. companies and a president who has sought close ties with them.

In the hours that followed Mr. Trump's combative news conference Tuesday—during which he appeared to apportion blame equally between white supremacist groups and counterprotesters for lethal violence in Charlottesville, Va.—executives on two prominent advisory councils started calling each other to discuss whether to stay on.

On a conference call Wednesday, members of the President's Strategic and Policy Forum decided to dissolve the group.

Blackstone Group LP chief Stephen A. Schwarzman, who organized the conference call, called the White House and spoke with Jared Kushner, Mr. Trump's son-in-law and a presidential adviser, to give him the news, according to a person familiar with the call. Around the same time, the manufacturing council also had a call and decided to disband.

Within minutes of the call to Mr. Kushner, Mr. Trump posted on Twitter that he had dissolved the councils: "Rather than putting pressure on the businesspeople of the Manufacturing Council & Strategy & Policy Forum, I am ending both. Thank you all!"

A White House spokesman declined to comment.

The unraveling of the business councils marks a dramatic



ANDREW HARRER/BLOOMBERG NEWS

Blackstone Chief Executive Stephen A. Schwarzman organized a conference call on Wednesday that led to the disbandment of U.S. President Donald Trump's Strategic and Policy Forum.

moment in corporate America's relationship with the presidency.

From its start, the Trump White House had proclaimed an open-door policy for the country's top business leaders. Many chief executives, while wary of being associated with the president's more contentious policies, such as on immigration and climate change, have been eager to help Mr. Trump, a fellow businessman, shape his agenda of deregulation and tax overhauls.

J.P. Morgan Chase & Co.'s James Dimon wrote that he disagreed with Mr. Trump's reaction to recent clashes in Charlottesville, according to an internal memo sent Wednesday afternoon and reviewed by The Wall Street Journal.

"Racism, intolerance and violence are always wrong...There is no room for equivocation here," Mr. Dimon said. "It is a leader's role, in business or in government, to bring people together, not tear them apart."

Companies Wednesday stopped short of saying they would refuse to work with the White House in the future,

though executives and corporate crisis managers noted that the reputational costs of sticking with the president have risen sharply.

Several CEOs had faced pressure from their own employees or parts of the public for remaining on the council, including International Business Machines Corp.'s Ginni Rometty and PepsiCo's Indra Nooyi.

Ms. Rometty and Ms. Nooyi, along with Boston Consulting Group's Rich Lesser and BlackRock Inc. chief Laurence Fink, were among several leaders who joined Wednesday's call prepared to resign from the Strategic and Policy Forum, participants said.

Mr. Schwarzman led Wednesday's call and gave each member an opportunity to speak, people who participated on the call said.

"It became clear very quickly that there was a consensus" to disband the group in total, one participant said. "It was important that it be addressed as a group and not a drip-drip."

Some panel members said they regretted losing a seat at

the table as the White House deliberated on policies that could affect their companies, especially with a president who wasn't familiar with many of their industries.

But members observed that the Strategic and Policy Forum only met twice in about eight months, with about half of the council members attending both meetings.

Jim McNerney, the former CEO of Boeing, didn't agree with disbanding the group, according to people on the call, yet agreed to go along with the decision. Attempts to reach Mr. McNerney for comment were unsuccessful.

Toward the end of the conversation, a participant raised the specter of a "tweet storm" in reaction from Mr. Trump, participants said. Earlier in the week, Mr. Trump tweeted angrily after the CEOs of Merck & Co., Intel Corp. and Under Armour Inc. announced they were quitting his manufacturing council.

Business leaders now face the challenge of trying to stay in the president's ear without a formal advisory position. Two companies whose leaders

served on the Strategic and Policy Forum indicated Wednesday they would remain open to advising the president on future policy matters.

Created in the early days of the Trump presidency, the Strategic and Policy Forum and manufacturing-advisory council gathered CEOs for Mr. Trump to consult as he implemented a broad economic plan that included reworking the U.S. tax code and trying to stem the flow of U.S. jobs to other countries.

Individual members of both councils had discussed disbanding the forum for months, especially after the decision to leave the Paris climate accord in June and again in July when Mr. Trump barred transgender individuals from serving in the military, members said.

Yet plenty of executives saw value in remaining on the forums until Tuesday afternoon's news conference. Johnson & Johnson CEO Alex Gorsky issued a statement early Tuesday that said he would remain on the manufacturing council and advocate for values like diversity and inclusion from the inside.

But President Trump's news conference made staying untenable for most members. On Wednesday, Mr. Gorsky issued another statement saying he was leaving the council. "The President's most recent statements equating those who are motivated by race-based hate with those who stand up against hatred is unacceptable and has changed our decision to participate," Mr. Gorsky said.

Color of Change, a nonprofit activist group, spearheaded a campaign with the hashtag #QuitTheCouncil and aimed its posts at executives including Campbell Soup CEO Denise Morrison and PepsiCo's Ms. Nooyi. Ms. Morrison withdrew from the manufacturing council Wednesday morning.

—Vanessa Fuhrmans, Jonathan D. Rockoff and Suzanne Vranica contributed to this article.

Apple's Cook Joins in Criticism

BY TRIPP MICKLE

Apple Inc. Chief Executive Tim Cook joined the chorus of U.S. business leaders criticizing President Donald Trump's response to Saturday's deadly white-supremacist protests and said the technology giant would donate money to battle hate groups.

In an email to employees late Wednesday, the head of the world's most valuable company described the events in Charlottesville, Va., as "repulsive," and said he disagrees "with the president and others" who see a moral equivalence between white supremacists and Nazis on one side and those who oppose them by standing up for human rights on the other.

"Equating the two runs counter to our ideals as Americans," Mr. Cook wrote in the email, a copy of which was reviewed by The Wall Street Journal.

"What occurred in Charlottesville has no place in our country," he wrote. "We must not witness or permit such hate and bigotry in our country, and we must be unequivocal about it. This is not about the left or the right, conservative or liberal. It is about human decency and morality."

Apple will contribute \$1 million each to the Southern Poverty Law Center and the Anti-Defamation League, Mr. Cook said.

The company also plans to match employee contributions 2-for-1 to those organizations and other human-rights groups through next month, and will enable iTunes customers to join in contributing to the Southern Poverty Law Center.

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TECHNOLOGY

ZTE's Phones Make Inroads in the U.S.

Market share rises on marketing push, but analysts say it must boost ties with carriers

BY CAROLYN CUI

Chinese smartphone maker ZTE Corp. has nudged up its market share in the U.S., as its affordable devices and aggressive marketing chip away at the market's leaders.

ZTE's U.S. smartphone shipments increased 36% during the second quarter to 4.8 million units, according to Counterpoint Technology, a market research firm.

ZTE had 11.5% of the U.S. market, up from 10.1% in the first quarter. It was the fourth-largest seller behind Samsung Electronics Co. and Apple Inc., which each

took about 30% of the market, and LG Electronics Inc., which accounted for 15.4% of the market, Counterpoint said.

Both Apple and Samsung are poised to launch new flagship devices in the U.S. in coming months.

"The U.S. is the most competitive market, but we believe if we can manage the challenge well, it will drive the overall competitiveness of our company," said Lixin Cheng, chief executive of ZTE's mobile devices, who was until recently the head of its U.S. operations.

Mr. Cheng said the Chinese company now faces a game of catch-up on its home field. ZTE's share in China, the world's largest smartphone market, was at 7.8% for the first quarter, far behind its longtime rival Hua-

wei Technologies Co.'s 24.7%, according to TrendForce.

Huawei, which had largely retreated from the U.S. market due to security concerns, is considering a comeback.

In 2015, the company's deputy chairman, Ken Hu, said, "We have already seized a leading position in the Chinese [smartphone] market. We hope that in the U.S. we can achieve the same success."

While ZTE entered the U.S. market more than a decade ago, the company was largely unknown to American consumers until recent years as it started by making devices under other brands, especially those of carriers.

In a move to crack into the high-end market, ZTE launched a flagship phone in the U.S. in 2015, the Axon, and has started a sports-mar-



The Chinese company's smartphones are affordable, which has given ZTE traction, but its flagship Axon model is still largely sold in the U.S. through open channels rather than through carriers.

keting push with several National Basketball Association teams.

Some analysts say ZTE needs to build more rapport with U.S. carriers. About 75%

of the mobile devices in the U.S. are sold through carriers, but ZTE's Axon is still largely sold through open channels such as Best Buy Co. and Amazon.com Inc.

Without the support of carriers, it remains a challenge for ZTE to break into the top three, said Anthony Scarsella, a research manager at IDC.

Employee Forum Is Closed at Company

BY DEEPA SEETHARAMAN

Facebook Inc. dismantled a popular anonymous discussion board for employees last year that had become a forum for conservative political debate that sometimes degenerated into racist or sexist comments, people familiar with the matter said, a rare move to censor speech internally.

FB Anon, the name of the forum shut down in December and reported on Wednesday, became a hub for employees who backed Donald Trump's candidacy, the people said. Before the election, the group put up posters across campus that read "Trump Supporters Welcome."

But FB Anon also attracted comments that many employees found offensive, the people said. For example, some posts last year said Facebook lowered the bar to attract female engineers to boost its diversity numbers, one of the people said, provoking angry responses from others in the chat room.

"A cornerstone of our culture is being open," said Lori Goler, Facebook's head of people, in a statement Wednesday. "The FB Anon internal Facebook group violated our terms of service, which require people who use Facebook (including our employees) to use an authentic



A mural at Facebook's campus in Menlo Park, Calif.

identity on our platform."

In explaining the decision in early 2017, Chief Executive Mark Zuckerberg told employees that FB Anon contained harassing messages, according to one of the people.

At the time, Facebook reminded employees that there were other forums where they could discuss confidential matters, but not anonymously.

The disabling of the board illustrates Facebook's struggle to cultivate open, freewheeling debate, while still following company rules of decency to not alienate employees with racist and sexist views. The internal challenges mirror the social-media company's difficulties in policing speech and extremist views on its broader platform, used by more than two billion people a month.

Some employees disagreed with Facebook's move, even if they found some views expressed on FB Anon offensive. There was "lots of information that you would not have had otherwise," one of the people said. The clampdown on the anonymous forum echoes the

recent controversy at Alphabet Inc.'s Google after an engineer was fired for suggesting in a lengthy memo that men are better suited for tech jobs than women. The engineer, James Damore, has said he felt Google suppressed discussion of his views.

Similar to Google, Facebook prides itself on an open culture that welcomes criticism and debate among employees. It is common for Facebook employees to raise difficult topics directly to Mr. Zuckerberg during his weekly question-and-answer sessions and even more so in internal discussion boards, created for employees to discuss topics ranging from the cafeteria food to projects, current and former employees say. One casualty of the disabling of anonymous posting was a second anonymous page, meant for women and minorities to air grievances without retribution. It contained few offensive posts, others said.

Some details of the anonymous forums were first reported by news site Business Insider.

Facebook Courts Marketers With In-Stream Video Ads

BY JACK MARSHALL

As Facebook ramps up its video ambitions, get ready for more commercial breaks.

Beginning Thursday, the company said it would give marketers the ability to run video ads specifically as "in-stream" placements, meaning they will appear as ad breaks in the middle of publishers' videos.

Previously, advertisers had only been able to run video ads on Facebook as stand-alone posts in users' feeds, aside from a limited test of in-stream video ads.

Advertisers also will be given the option to specify whether they would like their in-stream ads to appear on Facebook itself or across the range of websites and apps in Facebook's Audience Network ad network product. They can also choose both.

The move is a timely one given Facebook's recent efforts to attract long-form original programming to its platform, as opposed to the short, shareable videos that users already consume fleetingly in their news feeds.

Earlier this month, the company announced the launch of a new platform called "Watch," where it plans to surface original video series from a wide range of publishers and content creators.

Facebook has been testing in-stream ads in videos over 90 seconds long for a number

of months, but the addition of Watch content could create a host of new ad space for video advertisers to fill, provided the new shows succeed in attracting viewers and holding their attention.

The ability to specifically purchase video ads that are more akin to commercial breaks sets up Facebook's original programming as more of a competitor to YouTube, Hulu and even linear television for brands' advertising dollars.

The move is timely given Facebook's efforts to draw long-form programming.

Facebook has said that its goal is to create an ecosystem with Watch where creators of the original shows can be entirely supported by revenue from ad breaks in the middle of their videos.

Facebook's publishing partners say the shows they are working on range from episodes two minutes in length all the way up to an hour, and the company has also announced deals to air multi-hour sporting events such as Major League Baseball and Major League Soccer matches.

Facebook hasn't specified how much advertising time

can be carried during publishers' videos.

"There's a spectrum of ways people are watching video on Facebook. There are shorter, on-the-go experiences and longer, lean-back experiences," said Kate Orseth, a product marketing manager at Facebook. "We're building ad products to match those experiences and behaviors."

Advertisers for now won't be given the opportunity to purchase ad space in Watch shows specifically, Ms. Orseth added.

The addition of in-stream-only ad options might help attract ad dollars from marketers who have been reluctant to buy video ads in the news feed over concerns about the amount of time people actually view their ads.

"This is something advertisers asked us for," Ms. Orseth said.

So far, more than 70% of in-stream video ads up to 15 seconds in length were watched to completion, Facebook said. That includes the Audience Network, where in-stream video ads have been available since last year.

In terms of billing and reporting, advertisers will be given the same options for in-stream video as they have in the news feed, Facebook said. For example, advertisers can opt to pay only when their ads are viewed for at least 10 seconds, albeit for a higher price.

YUAN

Continued from page B1
veyed more than 365,000 pay samples nationwide.

Of the 24 board members at China's big three internet companies—Baidu, Alibaba Group Holding and Tencent Holdings—only one is a woman: Wan Ling Martello at Alibaba, the Nestlé executive who also sits on Uber's board.

China's tech industry needs to confront the lack of opportunities for women because it's good business to have leadership diversity.

The industry and its leaders need to acknowledge that gender discrimination and sexual harassment are real.

Even though China has comprehensive labor and women's-rights laws, enforcement is spotty at best.

As a result, 22% of women have experienced severe or very severe discrimination when seeking employment, according to Zhaopin, an online recruiter that surveyed 130,000 people in 2017. That percentage rose to 43% for women with graduate degrees.

A trawl through job listings on Boss Zhipin, the recruitment site, showed some tech companies state explicitly that positions are just for men.

An e-commerce marketing job at NetEase, one of the largest internet companies in China, recently stated that only male candidates need to apply because "the job is tough and stressful."

Ride-hailing company Didi Chuxing Technology recently said it wanted men only when advertising two web engineer jobs and a customer-operations position. **Meituan-Dianping**, a group-buying website, advertised a client-operations director position by saying it preferred men.

A Didi spokeswoman said some jobs require employees to lift heavy servers and machinery, so they fall into categories that Chinese laws

problem for junior employees. Wang Yijie moved back to Beijing in 2015 to co-found data-security startup Cloudfort, after spending 16 years in Silicon Valley working as a software engineer and business-development executive.

When she meets potential investors, she says, they regularly pepper her with questions that her two male co-founders would never have to answer. These include: "Does your husband approve of you starting a business?" and "How are you going to balance work and life?" A couple of potential backers also told her they liked her project but they don't invest in companies founded by women, she said.

Lewd jokes in Chinese offices are so commonplace that they're tough for women to escape, says Feng Yuan, the founder of women's rights nonprofit Equality.

Chinese law doesn't clearly define clearly how victims can seek redress and what responsibilities employers have when sexual harassment occurs, said Ms. Feng. So it is up to companies to make sure their employees are empowered. Action by top management can make a difference.

Didi President Jean Liu started a women's initiative to train future leaders at the company.

NetEase didn't respond to requests for comment, though it changed its posting's language to delete its men-only call after being contacted by the Journal.

Gender bias isn't just a

deem inappropriate for women. She added that the company is revisiting those requirements. Didi and Meituan-Dianping removed or amended listings to withdraw the male-only specifications after being contacted by The Wall Street Journal; Meituan said it is an equal-opportunity employer.

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FINANCE & MARKETS

China's Anbang Hits a Wall in Korea

Insurer spent over \$1 billion on acquisitions, but it has run into difficulties

BY JAMES T. AREDDY

SEOUL—China's **Anbang Insurance Group** dived headlong into South Korea, spending more than \$1 billion as it took control of two insurers, agreed to buy an asset-management company and picked up a bank stake in rapid succession.

Now those deals are fraying. Anbang is trying to claw back money it paid for one of the insurers after a financing scandal it didn't discover in due diligence. It has struggled to close the deal for the asset manager, and local regulators are monitoring its marketing of insurance products.

Anbang's effort to stitch together a global financial network around its core Chinese insurance operation has received less attention than its purchase of Waldorf Astoria New York or its unsuccessful bid for **Starwood Hotels & Resorts** Worldwide. But insurance is Anbang's backbone, and Korea is emerging as a test for the firm's resilience globally in the face of problems back home.

Anbang is among a handful of big private conglomerates that Chinese regulators have targeted over their overseas acquisitions. Chairman Wu Xi-

aohui, who charted Anbang's global expansion, has been detained by investigators for alleged economic crimes, according to people familiar with the matter.

Mr. Wu's whereabouts aren't known, and he hasn't made a public statement. Anbang declined to comment for this article. It has said in his absence other executives are running the group and that some of its overseas entities operate with relative autonomy.

Fallout from these domestic troubles already are spilling beyond China's borders. In Europe following news about Mr. Wu's absence in June, investors dumped €650 million (\$765 million) of debt securities issued the previous month by Anbang-owned Dutch insurer Vivat NV, though the bond's price has partially rebounded.

Local regulators reviewing Anbang's acquisition of asset manager **Allianz Global Investors** Korea Ltd. are considering, among other things, whether the Chinese company meets a "fit and proper" test to handle investor funds—a determination complicated by Mr. Wu's disappearance, a person with knowledge of the situation says.

Allianz says the sale is "an ongoing regulatory matter."

Korea's Financial Services Commission declined to comment on specifics on Mr. Wu and said while it is monitoring Anbang's activities, it hasn't detected any problems that

might affect customers. Regarding the "fit and proper" test, it said, "Majority shareholders shall have sufficient investment capabilities, sound financial standing and social credibility."

Anbang's difficulties in South Korea are partly the result of Mr. Wu pushing the

powerhouse economies.

That year, Anbang bought control of Seoul-listed Tong Yang Life Insurance Co., agreeing to pay a 45% premium, or about \$1 billion. Last year, it agreed to buy two Korea businesses from Germany's Allianz SE, a loss-making insurer and the profitable asset manager, at



THOMAS PETER/REUTERS

Anbang Chairman Wu Xiaohui has been detained by Chinese investigators, according to people familiar with the matter.

company into the market without articulating a clear plan, said analysts, competitors and a company insider. Given Mr. Wu's status, they say, the company may drift. "Strategy? We don't have such things," says a person involved in recent Anbang deal making. "The chairman makes the decisions."

Anbang entered South Korea ahead of the 2015 launch of a free-trade pact that fueled expectations of stronger financial ties between two

the fire-sale price of \$3 million.

In a mark of its ambition for the market, the company created a red logo ABL—for Anbang Life—and put it in big letters on a financial-district skyscraper in Seoul. The Korean businesses have also taken steps to integrate with Anbang's globalizing operation such as drawing on expertise from the European business Vivat and, in the case of Tong Yang, lending \$275 million to an Anbang-

owned hotel in California.

Last November, Anbang got a piece of government-controlled **Woori Bank** when an investor group including Tong Yang bought a 30% stake.

Tong Yang and the Allianz insurer quickly gobbled up market share. Key to growth was the sale of insurance as a type of time deposit that earns yields sometimes triple what competitors offered, according to marketing materials and industry executives and analysts.

Under Anbang, the former Allianz business recorded a 190% increase in personal premium revenue in four months, while the market overall shrank 3.4%, according to figures from the Korea Life Insurance Association.

Rivals say the deals accounted for almost all of the industry's growth in that period. "There's been a disturbance in the market with China-backed insurance products," said Andrew Barrett, executive vice president at Seoul-listed ING Life Insurance Korea Ltd. "We don't think it's permanent."

Mr. Wu has said Anbang jump-started a staid industry through "export of know-how and management skill of Chinese enterprises," as he put it in a December commentary published in trade publication Asian Insurance Review.

Anbang derived most of its China revenue selling similar products—until Chinese regulators forced an end to the prac-

tice earlier this year.

Such products can be risky because they must be repaid quickly, and figures from Tong Yang show its initial sales burst didn't last. Competitors and analysts say Korean authorities took notice of the rapid expansion and efforts in China to slow it there.

Last year, Tong Yang acknowledged it had been duped in a commodity financing scam that involved a defaulted borrower whose collateral was raw meat; the meat had been pledged to multiple lenders including Tong Yang. That prompted Anbang to claim it is owed \$630 million from the private-equity investors that previously controlled Tong Yang, nearly two-thirds of what the Chinese company agreed to pay for the Korean firm, according to a regulatory disclosure that says the matter is being arbitrated. The sellers argue they aren't liable.

Though he spearheaded the drive into Korea, the Anbang chairman actually spent little time in the country, according to people familiar with the matter. Dressed in a tailored business suit on a freezing morning last winter, Mr. Wu presided over the appointment of a new board at one of the insurers, according to an attendee. He departed midway through a simple Korean lunch where executives sat on the floor to eat, Korean-style.

—Min Sun Lee contributed to this article.

Speed-Trader Ranks Are Whittled Further

BY ALEXANDER OSPOVICH

High-speed traders are in retreat.

The latest deal by a big electronic trading firm to acquire a struggling rival shows how low volatility is roiling the industry. High-frequency trading, or HFT, firms use sophisticated computer algorithms to move in and out of stocks, bonds and derivatives in fractions of a second.

DRW Holdings LLC, a Chicago-based firm with more than 750 employees and one of the largest high-speed-trading platforms, said Wednesday it is acquiring **RGM Advisors** LLC. The two privately held firms declined to disclose the terms of the deal, which they

expect to close next month.

Founded in 2001, RGM was once a highflier. During its peak years after the financial crisis, it accounted for as much as 5% of U.S. equities trading volume, said one person close to the firm.

RGM made around \$800 million in profits over its lifetime, but this year it has been losing money, prompting its owners to accelerate efforts to find a buyer, another person close to the firm said. RGM has also cut staff to around 70 employees, down from more than 100 a few years ago.

This week, RGM agreed to sell itself for less than \$10 million, the person said. Both DRW and RGM declined to comment on the deal's size.

An extended lack of volatility has eroded profit opportunities. HFT firms make more money when markets swing up and down, because big price moves create brief dislocations between markets that ultrafast traders can exploit.

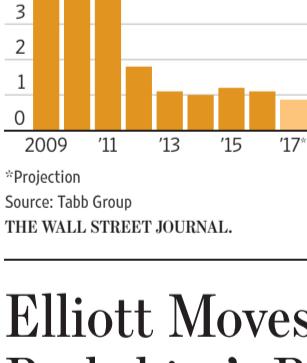
Revenue at HFT firms from U.S. equities is projected to be just \$850 million this year, compared with \$7.2 billion in 2009, Tabb Group says. Consolidation has whittled down HFT firms' ranks. In July, **Virtu Financial** Inc. completed a \$1.4 billion acquisition of rival KCG Holdings.

"We're still in the midst of the industry consolidating and reorganizing itself," said Eric Pritchett, chief executive of **Potamus Trading** LLC, an electronic trading firm in Boston.

On the Blink

High-frequency traders' revenue from U.S. equities trading has tumbled amid low volatility.

\$8 billion



*Projection
Source: Tabb Group

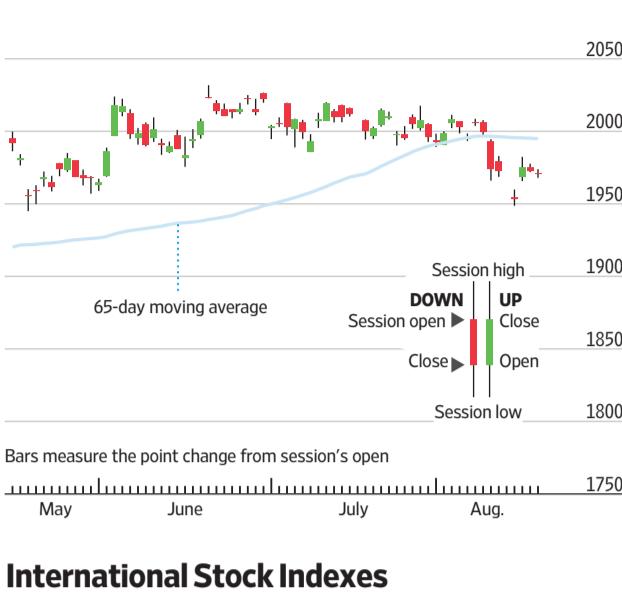
THE WALL STREET JOURNAL

MARKETS DIGEST

Nikkei 225 Index

19702.63 ▼26.65, or 0.14%

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



Bars measure the point change from session's open

STOXX 600 Index

376.87 ▼2.22, or 0.59%

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



S&P 500 Index

Data as of 12 p.m. New York time

Last 23.59 24.91

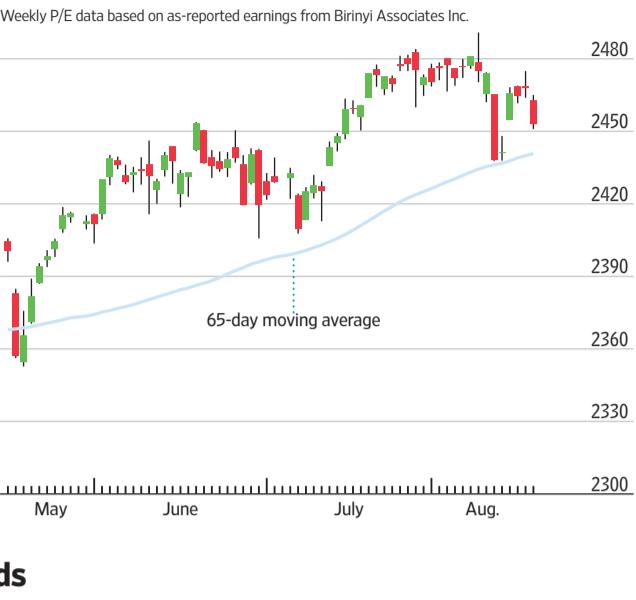
P/E estimate * 18.78 18.57

Dividend yield 1.99 2.09

All-time high: 2480.91, 08/07/17

2453.15 ▼14.96, or 0.61%

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



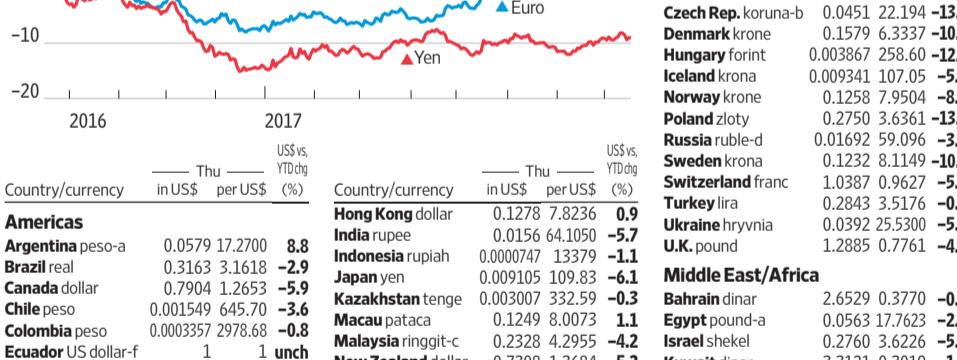
International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Close	High	YTD % chg
World	The Global Dow	2833.76	-11.19	-0.39	2386.93	2881.15	12.1	
	MSCI EAFE	1926.35	0.09	0.005	1614.17	1955.39	12.2	
	MSCI EM USD	1065.02	4.75	0.45	838.96	1078.53	34.1	
Americas	DJ Americas	589.91	-3.00	-0.51	503.44	599.10	9.2	
Brazil	Sao Paulo Bovespa	68337.10	-257.19	-0.37	56459.11	69487.58	13.5	
Canada	S&P/TSX Comp	15082.98	0.77	0.01	14319.11	15943.09	-1.3	
Mexico	IPC All-Share	51030.40	-126.27	-0.25	43998.98	51772.37	11.8	
Chile	Santiago IPSA	3884.28	1.37	0.04	3120.87	3908.55	20.5	
U.S.	DJIA	21906.13	-118.74	-0.54	17883.56	22179.11	10.8	
	Nasdaq Composite	6296.51	-48.60	-0.77	5034.41	6460.84	17.0	
	S&P 500	2453.15	-14.96	-0.61	2083.79	2490.87	9.6	
	CBOE Volatility	13.55	1.81	15.42	8.84	23.01	-3.5	
EMEA	Stoxx Europe 600	376.87	-2.22	-0.59	328.80	396.45	4.3	
	Stoxx Europe 50	3063.14	-18.31	-0.59	2720.66	3279.71	1.7	
France	CAC 40	5146.85	-29.76	-0.57	4310.88	5442.10	5.9	
Germany	DAX	12203.46	-60.40	-0.49	10174.92	12951.54	6.3	
Greece	ATG	832.06	-10.35	-1.23	548.72	859.78	29.3	
Israel	Tel Aviv	1394.49	-4.64	-0.33	1346.71	1490.23	-5.2	
Italy	FTSE MIB	21788.86	-195.99	-0.89	15923.11	22065.42	13.3	
Netherlands	AEX	523.71	-2.18	-0.41	436.28	537.84	8.4	
Russia	RTS Index	1034.05	4.29	0.42	944.88	1196.99	-10.3	
Spain	IBEX 35	10443.80	-100.50	-0.95	8393.50	11184.40	11.7	
Switzerland	Swiss Market	8945.40	-92.52	-1.02	7585.56	9198.45	8.8	
South Africa	Johannesburg All Share	55415.27	-119.33	-0.21	48935.90	56396.24	9.4	
Turkey	BIST 100	10625.33	-36.66	-0.03	71792.96	110321.81	36.7	
U.K.	FTSE 100	7387.87	-45.16	-0.61	6654.48	7598.99	3.4	
Asia-Pacific	S&P/ASX 200	5779.20	-5.90	-0.10	5156.60	5956.50	2.0	
China	Shanghai Composite	3268.43	21.98	0.68	2980.43	3292.64	5.3	
Hong Kong	Hang Seng	27344.22	-64.85	-0.24	21574.76	27854.91	24.3	
India	S&P BSE Sensex	31795.46	24.57	0.08	25765.14	32575.17	19.4	
Indonesia	Jakarta Composite	5891.95	...	Closed	5027.70	5910.24	11.2	
Japan	Nikkei Stock Avg	19702.63	-26.65	-0.14	16251.54	20230.41	3.1	
Malaysia	Kuala Lumpur Composite	1776.31	2.56	0.14	1616.64	1792.35	8.2	
New Zealand	S&P/NZX 50	7870.06	16.72	0.21	6664.21	7870.06	14.4	
Philippines	PSEI	8072.75	26.16	0.33	6563.67	8072.75	18.0	
Singapore	Straits Times	3268.88	-10.07	-0.31	2787.27	3354.71	13.5	
South Korea	Kospi	2361.67	13.41	0.57	1958.38	2451.53	16.5	
Taiwan	Weighted	10369.37	78.98	0.77	8902.30	10579.38	12.1	
Thailand	SET	1568.95	1.43	0.09	1406.18	1591.00	1.7	

Currencies

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



Country/currency	Thu	US\$ vs. in US\$	YTD chg (%)	Country/currency	Thu	US\$ vs. per US\$ (%)	YTD chg (%)
Americas				Hong Kong dollar	0.1278	7.8236	0.9
Argentina peso-a	0.0579	17.2700	8.8	India rupee	0.0156	64.1050	-5.7
Brazil real	0.3163	3.1618	-2.9	Indonesia rupiah	0.000747	1337.99	-1.1
Canada dollar	0.7904	1.2653	-5.9	Japan yen	0.009105	109.83	-6.1
Chile peso	0.001549	645.70	-3.6	Kazakhstan tenge	0.003007	323.59	-0.3
Colombia peso	0.000357	2978.68	-0.8	Macau pataca	0.1249	8.0073	1.1
Ecuador US dollar-f	1	1 unc		Malaysia ringgit-c	0.2328	4.2955	-4.2
Mexico peso-a	0.0563	17.7497	-14.4	New Zealand dollar	0.7308	1.3684	-5.0
Peru so	0.3084	3.2425	-3.3	Pakistan rupee	0.0095	105.375	1.0
Uruguay peso-e	0.0351	28.530	-2.8	Philippines peso	0.0195	51.383	3.6
Venezuela bolivar	0.09764	10.24	2.4	Singapore dollar	0.7329	1.3645	-0.5
Asia-Pacific				South Korea won	0.0008778	1139.25	-5.7
Australia dollar	0.7918	1.2629	-9.0	Sri Lanka rupee	0.0065232	153.30	3.3
China yuan	0.1498	6.6766	-3.9	Taiwan dollar	0.03296	30.36	-6.5
				Thailand baht	0.03007	33.260	-7.1

Key Rates

	Latest	52 wks ago
Liber		
One month	123056%	0.51244%
Three month	131639	0.81100
Six month	145722	1.21011
One year	173289	1.51544
Euro Libor		
One month	-0.40000%	-0.37143%
Three month	-0.37757	-0.32029
Six month	-0.30329	-0.20229
One year	-0.20471	-0.07343
Euribor		
One month	-0.37100%	-0.36900%
Three month	<	

FINANCE & MARKETS



Cisco Systems stock slid after the company said revenue fell last quarter, and tech shares declined broadly on Thursday. Above, an ad panel from 2014 in Barcelona.

Insider Charge for Ex-BofA Staffer

By DAVE MICHAELS

WASHINGTON—A former **Bank of America** Corp. employee and several friends at prominent Wall Street firms face criminal insider-trading charges over tips about potential mergers gleaned from a confidential deals database.

Prosecutors unveiled charges against seven people, including Daniel Rivas, a former technology consultant at Bank of America. Mr. Rivas is alleged to have passed on information from the database to friends, including his girlfriend's father, James Moodhe, according to an indictment made public Wednesday.

The group that traded on the information earned over \$5 million by trading in more than two dozen stocks, including shares of **Monsanto** Co., **Cabela's** Inc. and **ADT** Corp., according to the indictment.

Messrs. Rivas and Moodhe pleaded guilty in Manhattan federal court last week, according to prosecutors who announced the pleas on Wednesday. A spokesman for Bank of America said Mr. Rivas was fired in April and that the bank cooperated fully with the government probes.

Mr. Moodhe, a former treasurer and assistant controller at interdealer broker Tullett Prebon Financial Services LLC, reaped more than \$2 million in profits by using Mr. Rivas's tips to trade stocks and options of at least 25 companies, according to the indictment.

Elsewhere, the Shanghai Composite rose 0.7%, but Hong Kong's Hang Seng Index declined 0.2%. South Korea's benchmark Kospi climbed 0.6%.

Tech, Retailers Lead Market Down

Disappointing results hit shares in U.S.; Wal-Mart sinks after drop in profit

By MICHAEL WURTHORN AND JUSTIN YANG

U.S. stocks fell Thursday, following some disappointing earnings results from retail and technology companies.

The Dow Jones Industrial Average declined 140 points, or 0.6%, to 21885 by around midday in New York, while the S&P 500 shed 0.8%. The Nasdaq Composite was down 1.1%.

A day after some retailers helped U.S. stocks bounce

back, brick-and-mortar stores were once again contributing to broader market declines.

Victoria's Secret parent L Brands was one of the worst-performing stocks in the S&P 500, falling nearly 10% after the company cut its forecast for the remainder of the year.

Big-box retailer Wal-Mart Stores declined 2% after the company reported lower profit on higher same-store sales.

Mark Stoeckle, chief executive and senior portfolio manager of Adams Funds, said his firm owns shares of the retailer and believes its sales growth amid the industry's broader struggles makes it attractive.

The pullback "could be a

good opportunity for people who don't own Wal-Mart," Mr. Stoeckle said.

His firm also weighed adding to its Cisco position in a meeting Thursday morning, but executives felt it was competing against companies that showed better growth, he said.

"Doing OK in an environment where you got too many opportunities isn't good enough," Mr. Stoeckle added.

Shares of Cisco Systems shed 4% after the company said revenue fell last quarter.

Tech shares, which have soared this year, declined broadly.

NetApp fell about 6% after the company issued sales guidance that fell on the low

end of analyst projections even though it beat quarterly earnings expectations.

When shares fall after companies beat expectations, that could suggest some pockets of the market have reached a peak, some investors said.

"When good news isn't rewarded, that tends to give you pause," said Michael Scanlon, a portfolio manager at Manulife Asset Management.

Elsewhere around the world, stocks were mixed following the release of central-bank minutes in the U.S. and Europe.

The Stoxx Europe 600 fell 0.6% after a brief upward swing.

Minutes from the European

Central Bank's latest meeting suggested the central bank is wary of pulling back too soon on its large bond-buying program, especially as inflation isn't yet at its target.

The Federal Reserve minutes, released Wednesday, showed disagreement over the timeline for future interest-rate increases in the U.S.

An earlier decline in the dollar pressured stocks in Japan.

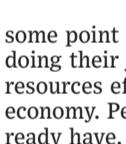
The Nikkei Stock Average fell 0.1% to 19702.63.

Elsewhere, the Shanghai Composite rose 0.7%, but Hong Kong's Hang Seng Index declined 0.2%.

South Korea's benchmark Kospi climbed 0.6%.

STREETWISE | By James Mackintosh

Pension Wants to Guard Market From Index Trackers



If investors continue to pile their money into passive index-tracking, at some point markets will stop doing their job of allocating resources efficiently in the economy. Perhaps they already have.

The threat is big enough that the world's largest pension fund is preparing to put more of its money with active managers—who charge more and on average underperform—in an attempt to keep markets functioning properly.

Hiromichi Mizuno, chief investment officer of Japan's \$1.4 trillion **Government Pension Investment Fund**, worries that market efficiency will be damaged by the rise of passive funds, which rely on trading by active investors to set the price of stocks. Since the signals from market prices are vital to determining the movement of capital around the economy, less efficient signals would hurt growth

and lead stock indexes to rise by less than they otherwise would.

"We are long term and a universal owner, so we need to make sure that the market will continue to be efficient," he said.

The problem crops up again and again in finance. It makes sense to be a free rider on someone else's work, but once everyone realizes that, there is no one left to do the work. In markets, the work is identifying which companies will do best, which harnesses greed to deliver the social goal of divvying up resources for their best use. Unfortunately, the work isn't just hard, it is zero-sum: For every investor who beats the market by \$1, someone must underperform by \$1. Why bother when it is easier and cheaper to buy an index?

Those who dislike markets may respond that markets often fail to allocate capital to the right parts of the economy because of bubbles and busts, and they have a point. But even worse is to



JEREMY SOUTER/REUTERS FOR THE WALL STREET JOURNAL

GPIF's Hiromichi Mizuno

not even try; as AB Bernstein analyst Inigo Fraser-Jenkins memorably put it a year ago, "passive investing is worse than Marxism."

For now there is little sign that the U.S. is suffering much, if at all, from the rapid rise in index funds. Jack Bogle, who as founder of index-fund manager **Vanguard** did more than anyone else to boost indexing, points out that there has been no breakdown in the link be-

tween the stock prices of companies in the S&P 500—where indexing is much more popular—and the rest of the market. If indexing were truly affecting prices, there should be a greater impact on those with more index-fund ownership, and so a change in their relationship with less-indexed stocks.

"So far it looks like the market system's working pretty well," Mr. Bogle said. "When [passive] gets to 50% I might want to think about it a little more, but I just don't see that the problem is even on the horizon."

In the U.S., that is true, with credit-ratings firm Moody's Investors Service calculating that 29% of assets under management in the U.S. are now passive. But the share is rising rapidly: Moody's reckons that index funds will take a majority of the market by 2024.

Japan is further advanced in the move to passive investing, in part thanks to the Bank of Japan, which owns ¥14.9 trillion (\$135 billion) of exchange-traded funds track-

ing Japanese indexes and has bought another \$4.3 billion worth already this month.

Mr. Mizuno thinks GPIF—known as "the whale" for its size—will be emulated by others in Japan. He is also putting more effort into choosing the best active managers, beefing up the selection team in the hope that the higher cost of active management will be offset by their beating the market, something impossible for all active managers taken as a group.

But it will take time to make a difference. GPIF's Japanese equities are now 91% passive, counting money in so-called smart-beta funds that follow rules such as value or momentum trading.

So far, big investors elsewhere are showing little concern about the damage passive investment might one day do to the market economy.

They are probably right to think that they can free-ride on active managers for several years yet. But no one knows at what point markets will be impaired, or even

how we will be able to tell.

Elroy Dimson, a finance professor at London Business School, said that in previous decades academics also fretted about the growth of passive management and postulated critical levels beyond which it would impair the market. Yet we have zoomed passed them, without any obvious signs of trouble. "It's plucking numbers out of the air" to put a figure on it, he said.

The uncertainty in itself is a reason for caution. Perhaps the market economy could work well even if only a few hundred active investors were involved in setting prices, but I suspect not. The point of tapping the wisdom of crowds is that it needs a crowd, and the smaller the crowd is, the less effective it is likely to be.

It is time other big investors started thinking like GPIF, because if the rise of passive does undermine economic growth, it will do a lot more damage to their portfolios than a bit of active underperformance.

CHINA

Continued from page B1

limited progress since its launch two years ago. Officials viewed the company as appealing to private companies because it is one of only three competitors in a lucrative sector. China Unicom made 2.4 billion yuan (\$359 million) in net profit in the first half of this year, a 69% increase from a year earlier.

But the process has been littered with flubs and reversals. According to the officials familiar with the matter, the State-Owned Assets Supervision and Administration Commission initially came up with a rather modest plan to dilute the share held by the state in China Unicom.

The leadership called that plan "too conservative," one of the people said.

Together with other agencies including the Ministry of Industry and Information Technology, the state-assets

commission then accelerated efforts to make China Unicom farm out more stakes to outside investors, according to the officials.

The plan released by the company Wednesday showed that investors including Alibaba, Tencent, **Baidu** Inc. and **China Life Insurance** Co. would buy about 10.9 billion shares, or 35.2%, of China Unicom. The purchase price was set at 6.83 yuan a share. The company's employees would also get to purchase about 850 million shares at 3.79 yuan apiece, according to the Wednesday presentation by China Unicom.

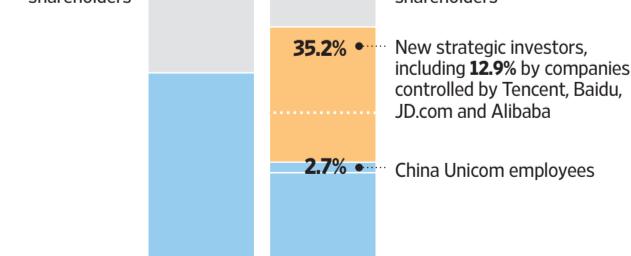
But even as key government agencies including the state-assets commission and the nation's top economic planner signed off on the plan, some details in it failed to meet new requirements set by China's top securities regulator.

Specifically, according to the people with knowledge of the situation, new shares issued by a listed company are capped at 20% of the com-

Mixing It Up

Diversifying ownership of China Unicom has been a cornerstone in Beijing's mission to bring private capital into sectors monopolized by state firms.

China Unicom's stakeholders*



*For Shanghai-listed A shares of China United Network Communications
†As set out in now-removed Shanghai Stock Exchange statement
Sources: the company; statements on Shanghai and Hong Kong stock exchanges

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than required under the new securities regulations, which stipulate it should be based on the most recent trading.

It is unclear whether China Unicom or its regulators involved the China Securities Regulatory Commission while drafting the plan, or why the plan didn't reflect the new rules.

"It's a bit embarrassing that you had to withdraw a plan shortly after it's filed and after you had spent so much time putting it together," a policy adviser involved in state-company changes said. "At least it shows there is a lack of communication of sort."

Confusion also surrounded which companies will ultimately invest in China Unicom. Companies including Tencent, Baidu and **Didi Chuxing Technology** Co. have publicly confirmed their participation in the deal. However, CRRC Corp., a rail-equipment manufacturer, denied that it would invest in China Unicom despite the carrier's official presentation listing CRRC as

an investor.

The withdrawal of the plan by China Unicom caused several companies listed as new investors to suspend their shares. Retailer **Suning Commerce Group**; **Guangzhou Eastone Century**, a telecom-equipment maker; and **ChinaNetCenter**, an internet service provider, said after halting shares Thursday that they won't resume trading until China Unicom releases its revised plan.

Still, some analysts expect the plan, once tweaked, to eventually go through, citing the leadership's need to display its resolve to revamp the bloated state sector ahead of a major power transition later this year.

"In the end, I expect the securities regulator may have to set more flexible rules to help the reforms," said Zhu Chaoping, China economist at UOB Kay Hian Holdings, a Singapore investment bank.

—Yang Jie, Alyssa Abkowitz and Dan Strumpf contributed to this article.

MARKETS

Investors Expect Earnings Boom to Slow

Fewer fund managers forecast companies' global profits will rise over the coming year

By BEN EISEN

Corporate earnings are looking strong right now, but analysts and investors aren't too excited about what lies ahead.

Just a third of fund managers surveyed by Bank of America Merrill Lynch expect global profits to improve over the next 12 months.

That share of respondents is down 25 percentage points from the beginning of the year and is at its lowest level since the end of 2015, when sagging oil prices were pulling companies in the S&P 500 stock index into an earnings recession.

In the U.S., analysts currently forecast S&P 500 earnings growth of 5.2% for the July-to-September period, according to FactSet. That follows expected earnings growth of slightly more than 10% in the nearly completed second-quarter earnings season, and 14% in the first quarter, which received a lift as profits rebounded from the oil swoon and global growth gained steam.

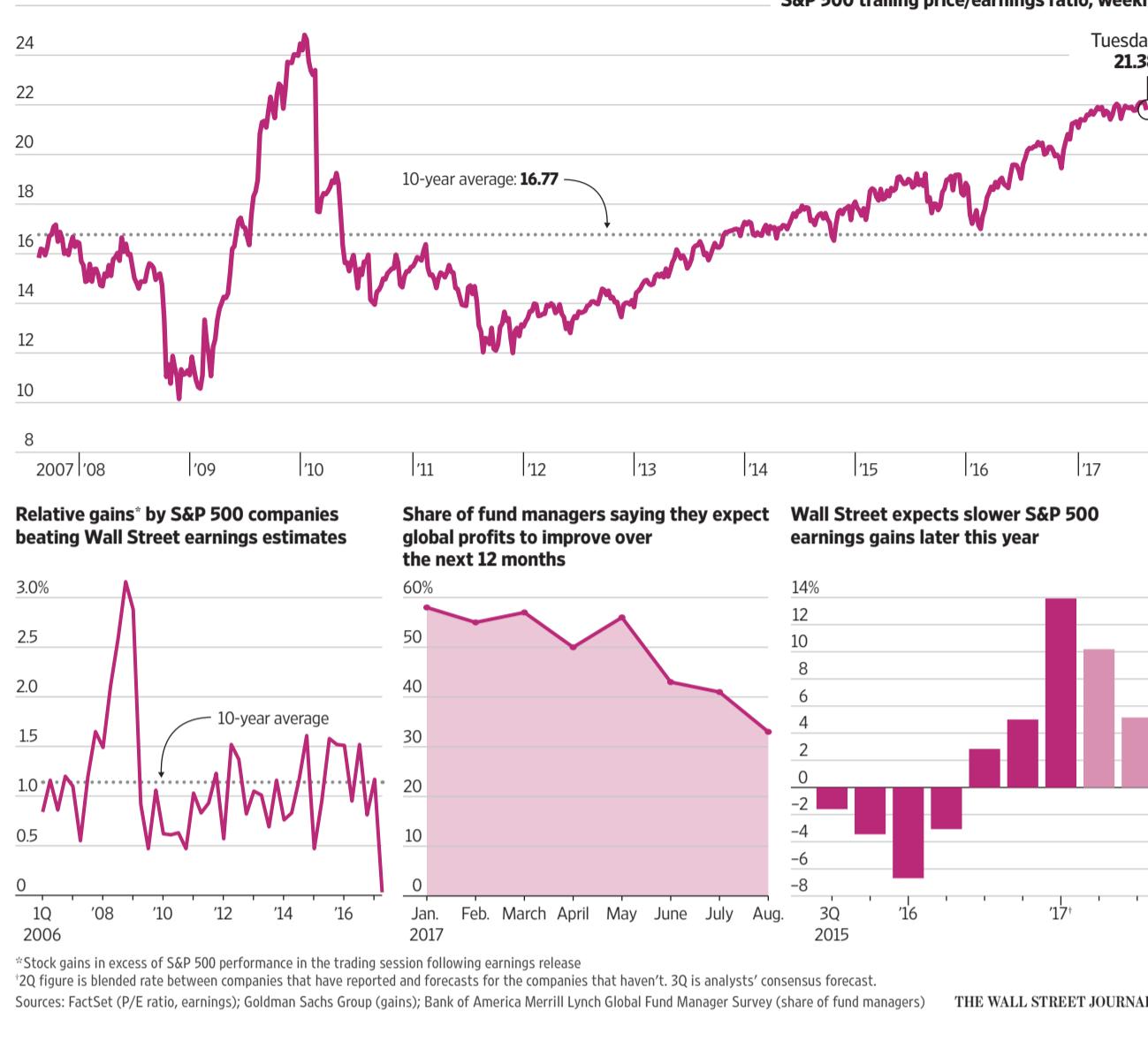
And if history is any guide, the expectations for the third quarter will almost certainly go lower. Wall Street analysts typically revise their estimates down as the reporting period approaches.

S&P 500 earnings growth has been strong this year, but forecasts are for a deceleration later in 2017.

The expected deceleration in earnings growth threatens to weaken a key underpinning of a bull market that has proven remarkably strong this year. Many have pinned the S&P 500's 10% rise in 2017 on the improving results from

Profit Pinch

Companies that beat earnings forecasts are getting less of a stock-price boost as measures of valuation continue to rise. In coming quarters, analysts and fund managers expect earnings growth to slow after a strong start to the year.



*Stock gains in excess of S&P 500 performance in the trading session following earnings release

[†]Q2 figure is blended rate between companies that have reported and forecasts for the companies that haven't. 3Q is analysts' consensus forecast.

Sources: FactSet (P/E ratio, earnings); Goldman Sachs Group (gains); Bank of America Merrill Lynch Global Fund Manager Survey (share of fund managers)

to history.

To illustrate that, some cite the S&P 500's high level relative to profits, a measure known as the price/earnings ratio.

For the 12-month trailing ratio to revert to its 10-year norm of 16.77 from Tuesday's level of 21.38, per-share results over the previous 12 months would have had to be 27% higher than where they are today. On the S&P 500 would have to be 22% lower.

The Bank of America fund manager survey found that 46% of investors think global equities are overvalued, a record high reading for the survey going back to before the turn of the century.

Still, there are some reasons for earnings optimism. Analysts are lowering their third-quarter earnings expectations at a slightly below-average pace.

The bottom-up per-share earnings estimate declined 1.2% in July, slower than the average drop over the past year of 1.4% during the first month of a quarter, according to FactSet.

But questions remain about where the growth to support higher earnings will come from.

Corporate executives on earnings calls for the most recent quarter suggested that while optimism remains high that Mr. Trump's presidency will usher in policies that boost the economy, they haven't seen much tangible evidence of it yet, according to a Goldman Sachs analysis.

As Christopher Nassetta, chief executive at Hilton Worldwide Holdings, put it on a call last month: "Expectations for macro indicators such as [gross domestic product] growth and nonresidential fixed investment growth suggest continued improvement. But so far, we have not seen that translate into increased demand."

10-year average: 16.77

10-year average

Source: FactSet (P/E ratio, earnings); Goldman Sachs Group (gains); Bank of America Merrill Lynch Global Fund Manager Survey (share of fund managers)

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U.S. companies, which has come even as President Donald Trump has so far failed to follow through on policies that he said would lift economic growth, such as tax-code changes and large-scale deregulation.

A slowdown in earnings growth would come at a time when investors are raising the bar for what is enough to propel stocks higher.

Even as earnings top expectations at a high rate during the current reporting season,

investors aren't rewarding the companies with share-price gains.

The stock performances by companies that beat earnings expectations in the latest quarter have been 0.03% better than the broader market in

the trading session after they release results, the narrowest margin on record, according to Goldman Sachs Group Inc.

Analysts say the muted reaction has happened in part because stocks are already trading at lofty levels relative

HEARD ON THE STREET

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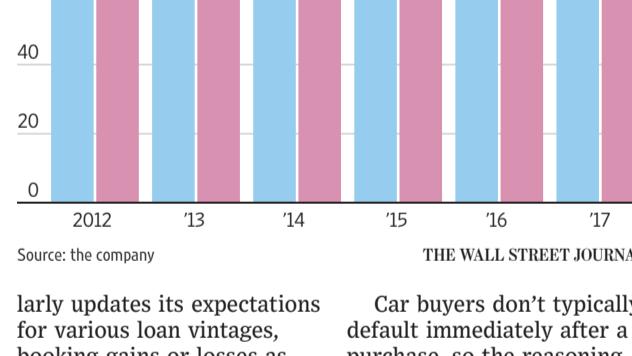
Email: heard@wsj.com

Careful, This Auto Lender Won't Pay Off

OVERHEARD

Credit Downgrades

Credit Acceptance's forecasts for loan collection rates, by year originated



The company didn't explain the 2017 revisions

when asked about them on a call with analysts, and declined to comment to The Wall Street Journal. If these loans follow the pattern of recent vintages, they are likely to be downgraded in the years ahead, which will mean charges to the bottom line.

Concerns about Credit Acceptance's accounting aren't new. Short sellers have been circling the stock, but shares are up 25% this year through Wednesday. Short interest nonetheless remains intense, at 38% of the total float, according to FactSet.

There are three other good reasons to sell. First,

the company's business mix changed in recent years to become more risky. Most of its loans are structured so

that car dealers are on the hook for the majority of credit losses. But the proportion of loans where Credit Acceptance itself holds all of

the risk has steadily risen, to

32% of total loan volume in

the second quarter, from just

12% in 2014. The average term of loans has also risen, to 54 months this year from 47 months in 2014.

Second, despite rising defaults in the industry, Credit Acceptance is trading at 13 times forward earnings, compared with its five-year average of 11.4 times. Fellow auto lenders Ally Financial and Santander Consumer trade at 9.1 and 6.9 times forward earnings, respectively.

Third, insiders are selling. Since June last year, the company's founder and former Chairman Donald Foss, who stepped down in January, along with his daughter have together unloaded stakes worth more than half a billion dollars at the current share price. Other recent sellers include the company's current president, treasurer, chief financial officer and chief legal officer.

Investors who have ridden this stock up despite the concerns around it can pat themselves on the back. Then they should follow the insiders and sell too.

—Aaron Back

How much do people love **Tencent Holdings**, the world's biggest videogame company, which also owns China's most popular social network? A lot. Just owning a slug of its stock could turn your company's fortunes around.

Shares of **Future World Financial Holdings**, a small Hong Kong-listed company, soared 14% Thursday after it disclosed it spent \$8.8 million to buy Tencent shares over the past two months. Tencent shares have been on a tear lately, so Future World is sitting on a modest paper profit. But the increase in the company's market value after disclosing the stake is already twice the value of its Tencent shares.

Tencent, China's second-most-valuable company, reported a 70% jump in net profit for last quarter the day before, beating analysts' estimates.

Future World changed its name last year as it aims to diversify into e-commerce from its old securities-trading business. The future doesn't look that different from the past, after all.

Alibaba Is Cashing In on Its Data Trove

The ECB's Good-News Problem: the Euro

compensation.

Alibaba makes most of its money from advertising for merchants selling on its platforms. It attributes the revenue increase to more shoppers as well as its ability to deliver more relevant content to them. The company rolled out a new app for its Taobao platform with an improved algorithm and that seems to have worked magic.

The company accounts for around three-quarters of online retail sales in China and hence has a trove of data on consumer behavior. Such data allow Alibaba to display ads to shoppers that will most likely be interested in them—baby clothes for parents, for example. Merchants

are willing to pay higher prices if they know the ads are likely to draw in sales. Better algorithms allow Alibaba to earn more ad dollars without a similar rise in costs. Joe Tsai, Alibaba's executive vice chairman, refers to the so-called Alibaba economy as "self-reinforcing."

Alibaba's shares are up about 90% this year, and the stock isn't cheap—trading at 36 times next year's projected earnings, according to S&P Global Market Intelligence. But analysts will likely revise their estimates upward after the earnings beat.

Alibaba could deliver if it keeps churning out more profits from mining its data.

—Jacky Wong

For a central bank, even good news isn't entirely straightforward.

The account of the European Central Bank's July meeting, published Thursday, betrayed clearer concerns about the rising euro exchange rate than President Mario Draghi had shown at the postmeeting news conference.

Markets have been on alert for a signal from the ECB that the sharp rise in the euro—up 11.1% against the dollar and 6.5% against sterling so far this year—was becoming a worry. The meeting account duly delivered, singling out the foreign-exchange market as being at risk of "overshooting" in the

future.

The ECB also acknowledged that the euro was rising for good reasons, including a reduction in eurozone political risk, a brighter growth outlook and a reappraisal of U.S. interest-rate policy. And other financial conditions remain supportive, with bond yields still low and corporate-bond spreads tight.

Importantly, the account also repeated a key element of Mr. Draghi's June speech in Sintra, Portugal, that shook markets up. As economic growth becomes increasingly self-sustaining, it is less dependent on ultra-loose policy settings.

The ECB, understandably,

is playing for time as it waits for more concrete evidence that inflation is firming. And it noted that with financial markets hanging on central bankers' every word, a "steady approach to communication" is important.

Markets have been focused on the euro because of the relative speed of its ascent since May. A further swift climb could give the ECB reason for pause. But as long as eurozone growth continues and other financial conditions remain supportive, the ECB will remain on track for a gradual winding-down of extraordinary monetary policy. Euro strength won't be so easily upset.

—Richard Barley

Another blowout quarter from **Alibaba Group Holding** highlights the Chinese e-commerce company's ability to harness its trove of data to boost earnings.

Alibaba on Thursday reported a better-than-expected 56% increase in revenue for last quarter. While a midyear promotional event in June has probably boosted sales, Alibaba didn't need to spend more to attract those consumers. Its operating margin widened by seven percentage points, which management attributed in part to better use of data, as operating profit almost doubled from a year earlier.

Costs, as a percentage of sales, have fallen a lot, especially in share-based

A love letter to
that wardrobe
all-star: the
blue shirt



W4

OFF DUTY



This car's secret?
The biggest
engine in
Ferrari's history
W6

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, August 18 - 20, 2017 | W1

Hideaway We Go

As Americans tire of the forced togetherness of open-plan homes, they're sneaking off to renovated attics or basements—chic takes on the 1960s rec room—to save their sanity



SCOTT FRANCES/OTTO

REC ROOM REIMAGINED

In a Fair Haven, N.J., attic playroom, designer Kati Curtis steered clear of primary colors: 'Too stimulating and expected,' she said of them, opting for jewel tones instead.

BY ELIZABETH ANNE HARTMAN

IN THE 1960S and '70s, long before helicoptering emerged as a parenting style, adults had far less interest in looming over their children, frequently urging them to go play outside or downstairs. The netherworld to which these parents pointed was usually a recreation room or finished basement, clad insipidly in wood-veneer paneling and linoleum. Furnishings typically included a saggy sofa, a scratched ping-pong table and a built-in bar never used for mixing drinks; instead, the kids commandeered it as a make-believe store or

a stage for puppet shows. Not even Dad's novelty naked-lady martini stirrers lured him down once the children moved in. And the closest Mom got was to stand at the top of stairs and yell, "Supper's ready! Wash your hands!"

Perhaps these ratty rec rooms weren't worthy of House Beautiful, but the stints of physical distance they offered parents and offspring arguably benefited both in ways today's airy cathedral-ceiling'd great rooms can't.

These days, people are taking another look at developing basements or attics as getaway bonus spaces to ensure family peace. As the idea of the open-plan home—the combination kitchen, living and dining room that's long dominated residen-

tial layouts—has aged, it's revealed its flaws. When parents are relentlessly texting children all day and then corralling the whole family into a single living space all night, there's no escaping each other, and nerves can fray. Aesthetic frustrations foment, too. "People no longer want the 60-inch flat-screen TV as the focal point of their open-floor-plan homes," New York designer Tina Ramchandani said. Designer Phillip Thomas, a fellow New Yorker, noted, "While [the open plan] was successful in allowing multiple generations to congregate, it also led to consolidated visual chaos."

Today's recreation rooms differ from the
Please turn to page W2

OFF DUTY

THE GREAT-ROOM ESCAPE



Continued from page W1
slapped-together retreats of the past, said designer Jessie Carrier of New York's Carrier and Company. The decorating of the spaces is much more considered. "Keeping them closer in style and quality to the [home's] overall décor makes the house feel bigger," he said.

Even the language of rec rooms has changed. Designers and real-estate agents speak of "lower levels" and "bonus spaces," code for using every nook and cranny when square footage is precious.

In a home in Boerum Hill, Brooklyn, for example (above, right), New York interior designers Fearins | Welch and CWB Architects maintained the brownstone's character in a basement hangout room for teenage boys. They minimally decorated around existing bones, even showcasing the arch of a defunct fireplace. The original brick and wood ceilings were painted white: "Cheap and cheerful, but effective and impactful," said CWB principal Brendan Coburn. Instead of spooky cellar steps, open stairs with walnut treads and black powder-coated balusters lead down to a brown, black and white room. It's urbane but kept dog- and dirt-friendly with nylon Flor carpet tiles in Mod Cow, an IKEA sofa and ample pillows.

San Francisco's Nicole Hollis similarly kept a game room in sync with the rest of a Tiburon, Calif., house she designed. A simple palette of white, gray, blue and brown holds a pool table as well as the family's series of Robert Rauschenberg prints.

The oppressive communalities of the open plan have fueled the backlash, as has constant connectedness. Jen Altman, a child family psychologist of 17 years, sees the pendulum beginning to swing away from helicopter parenting. These days, she hears parents howl versions of "I just need 10 minutes to myself."

"I've always thought that alone-ness and separation are as vital to development as attachment and connection," said Dr. Altman, who practices in Ho-Ho-Kus, N.J. Of course, just how big a wall or how much separation depends on the age of the children. Only a fool would leave an oral-staging 2-year-old alone in a room with luscious little Legos.

While judging a recent Royal Institute of British Architects contest, London architect Mary Duggan used the term "broken plan" to describe spaces in which designers use elements such as open-shelf storage or three-quarter-height walls to section off areas in a larger space, a compromise for the family that wants to be together but not excessively so. Mr. Carrier said he added barn doors to modify an open-plan area so that on one side adults could entertain while on the other children could watch TV and play music or videogames. Ms. Ramchandani has used pocket doors, pivoting glass and even curtains to designate space for personal activities.

Sometimes, only a separate space will do. One Manhattan couple found a modified craftsman-style home in Fair Haven, N.J., that

A LITTLE PRIVACY, PLEASE Clockwise from left: A Tribeca, N.Y., bonus room by Ghislaine Viñas and architect Steven Kratchman is sleek but built for fun; designers Fearins | Welch and CWB Architects carried the character of a Brooklyn brownstone below ground; in a ranch in Red Lodge, Mont., reclaimed white-oak beams lend loftiness to an above-the-garage space by Bozeman's Miller-Roodell Architects and Chancey Interior Design, based in Tampa, Fla.



included unused space over the garage. Warmed by the thought of not constantly tripping over their 2- and 4-year-old children's toys, they asked New York interior designer Kati Curtis to develop it as a bonus room (shown on page D1). The family and Ms. Curtis steered clear of playroom clichés, however. She has a "pet peeve about using primary colors in kids' spaces," she said, finding them "too stimulating and expected."

The open plan's relentless communalities have fueled the backlash, as has constant digital connectedness.

Instead, she chose jewel tones—turquoise, coral, amethyst and jade—and even a touch of black for the furnishings and floor. The rainbow of colors in the carpet tiles from Flor form a gaily irregular pattern. Lest the parfaits-hued junior Panton chairs from Vitra arrayed around a Modernseed activity table look too chic, she added lumpiness: slouchy turquoise and purple Fatboy Junior beanbag chairs.

Supporting Mr. Carrier's observation that the rec room has been "gentrified dramatically" is the Tribeca loft (above left) that Manhattan-based Ghislaine Viñas and architect Steven Kratchman created

for a couple who like to entertain without their four young children underfoot. "If you have tall ceilings, double up!" she said—and did. Above a room that includes a Murphy bed for guests, an office nook for Mom, room to romp for the kids and a TV area, she tucked an enclosed loft, accessible by ladder, that's lined with indoor-outdoor carpeting; its walls feature eight peek-a-boo holes through which little hands and feet can wave at anyone below.

As playful as the room is, sleekness bridges its style with the rest of the home's. "For a very clean architectural effect, we used simple white custom built-ins throughout the apartment so each room flows into the other effortlessly." Splashes of turquoise, fresh but not juvenile, save the room from sterility.

Hard-wearing staples of traditional recreation rooms get an elevating treatment in these new iterations. Linoleum remains as indestructible, inexpensive and eminently cleanable as it was 50 years ago, but in a basement tricked out for grandchildren in a Bellport, N.Y., home, Mr. Thomas avoided predictable checkerboard or striped patterns and created a cascade of colors. Instead of the '70s-era sofa with shot springs? White faux fur bean bags from Pottery Barn Teen.

Parents who surrender the main living area to the children can split off into their man caves or the more novel "lady's dens" to decompress. Over the past five years, Los Angeles-based Natasha Baradaran

has designed a number of woman-only spaces, including one for herself. It all began, she explained, when she was designing her family's house. "Everyone had an opinion," she said, "and I decided that as someone who is very busy with life, I needed a sanctuary for myself surrounded by the things and colors that I love." These included a neon sign that says, "do what you love" and an abundance of the color coral (a shade her husband won't envy).

Los Angeles designer Karen Vidal's intentions were pure when she converted her family's detached garage, the Southern California equivalent of a cellar, into a family cabana and playroom for the kids. But over time, it has become what her family lovingly calls "the mom cave."

"It's hard to get away from the open plan because of the way we live," she said. "It's the space where everyone congregates—meals are prepared, kids do their homework." But she found herself seeking respite in the detached room—"sort of an at-home getaway," she said. Though bright bands of colored paint ring the walls, "the space never reads 'playroom,'" she said, thanks to a floor of black rocks and shells, and a muted Oriental rug. After Ms. Vidal moved in her beloved midcentury Heywood Wakefield vanity, her design books and mementos made the space hers.

"It's a bit of separation from being on top of one another," she said of the room. "It helps me focus."

Bonus-Space Savers

Six expert decorating tips to help you make the most of your domestic sanctuary

LIGHT UP

New York lighting-design expert Nathan Orsman cautioned that no one wants to enter an auxiliary space that's drab or dim. If ceilings are low, be especially mindful and use indirect bounced light, said Ray Chung, design director at the Johnson Studio at Cooper Carry in New York. "Typical downlights mounted in the ceiling can look harsh," he added. "And forget about using the tube fluorescent lamps that were everywhere in the 1970s."

EMBRACE THE DUSK

If a room has immutably poor light, some designers, such as Dallas's Michelle Nussbaumer suggest you "make it dark and moody." New York designer Jean Liu created a bunk- and playroom with walls covered in black-painted shiplap (horizontal board often used for constructing sheds and barns), which actually made the space appear larger. "The end result was a meaningful and cozy space for kids and adults alike," she said.

DON'T DUMP

Think about these spaces as part of the holistic vision of the home, said New York designer Stephanie Goto. Don't use leftover furnishings or materials.

BE MEASURED

Light fixtures, rugs and furniture can take up more space than you anticipate, said Carolyn Rebuffel Flannery of Workroom C, an Emeryville, Calif., design firm. She suggests laying out the furniture and rug plan using newspaper and delineating wall layouts with painter's tape.

MAKE LEMONADE

Don't be discouraged by odd spaces. Bobbi Jo Engelby, a Charleston, S.C., designer, recommended making use of the low slanted ceilings prevalent in attics, for example, by incorporating storage and built-in seating.

FINISH STRONG

"It's the updated finishes that make bonus rooms modern," said Denver designer Andrea Schumacher. Wood adds warmth; leather cleans up easily. Metallics are excellent in a basement or limited-light environment because they bounce light around the space.

OFF DUTY

DAY TRIPPER

In Amsterdam? Scram

Visitors to the Dutch capital tend to park themselves there and not budge. But in a country this compact—with trams, trains and ferries at the ready—it's a breeze to venture farther afield. Here, three quick getaways



ROYAL DETOUR
Muiderslot castle in the town of Muiden, a 45-minute ferry ride from Amsterdam's suburbs.



Muiden

A small seaside town, just far enough from Amsterdam that its historic attractions aren't mobbed with tourists

A 45-minute ferry ride from the Amsterdam suburbs

Best for Families with young children, military buffs, Dungeons & Dragons fanatics

What it has that Amsterdam doesn't

An actual castle; seaside cafes where you can munch on cheese toasties beside a 1917 German antiaircraft gun.

Claim to fame Muiderslot, arguably the most beautifully restored castle in the Netherlands, with a history grown-ups can appreciate while their children get to dress up in costumes, gawk at live owls and run around pretending they're defending the place from dragons. Built in the

14th century by a Bavarian duke, Muiderslot later became the home of playwright P.C. Hooft (aka "the Dutch Shakespeare"), who gave the building some wonderful humanist touches: His egalitarian motto, "The Same To All," is engraved over a fireplace in the guest bedroom, while in the "Knight's Hall," painted tiles on the baseboard depict chubby



Docked on Pampus Island.

little people playing games in the nude. Kids like crawling around on their knees to giggle at these, but they'll be more interested in ascending the castle tower, where they'll find a pile of medieval outfits they're free to put on. muiderslot.nl

But don't miss Pampus, a man-made island fortress erected in the middle of the

IJmeer Sea. It was one of a ring of forts designed to defend Amsterdam in the 19th century. Now partially restored, it's a cool combination of wartime museum and ever-so-slightly creepy labyrinth; in the infirmary, where vintage canvas stretchers rest grimly against the salt-encrusted concrete walls, witness sparrows whirl-

ing around and screeching like bats. pampus.nl

Snack break Back on the mainland, just outside Muiderslot's gates, is P&E Stricker bakery, known for turning out dozens of different breads, and distinguished apple pies made from fruit grown on a nearby farm. Buy a few treats and wander the surrounding neighborhood, an almost obscenely cute harbor town of cottage-like row houses lining narrow streets. facebook.com/bakkerijstricker

Getting there Take the tram from Amsterdam Centraal to the suburb of IJburg (20 minutes). Or rent a bike for the day and pedal there in just over half an hour. From IJburg, a ferry that will drop you at Pampus or Muiderslot leaves once a morning—a round-trip ticket plus entrance fee to either is about \$23, or \$17 for children. www.amsterdamtouristferry.com

kenstein. Tours run a few weekends a month, more frequently in the summer. vredespaleis.nl. Vermeer's masterwork, "The Girl With A Pearl Earring," is found at the recently renovated Mauritshuis museum. There too hangs Rembrandt's last, brutally honest self-portrait (1669), and Carel Fabritius's diminutive "The Goldfinch" (1654). Be prepared to jockey for a glimpse of the latter—it's drawn big crowds since inspiring Donna Tartt's best seller of the same name. mauritshuis.nl

But don't miss The 1930s-era Gemeentemuseum is a prime example of art deco design by "the father of modern Dutch architecture," H.P. Berlage. It also houses the world's largest collection of works by pioneering modernist painter Piet Mondrian, all 300 or so of which are currently on display (through Sept. 24th) for the first time. gemeentemuseum.nl

Lunch break Lemongrass, overlooking a marina, is known for its wine list and house-smoked salmon. Dr. Lelykade 24, lemon-grass.nl

Getting there Regular trains from Amsterdam Centraal deliver you to The Hague in about an hour, for around \$14. You'll roll past a circa-1743 windmill near Leiden—the town where the Pilgrims briefly settled before heading off to the New World.



CHAPTER AND VERSE Waanders In de Broeren



Zwolle

A medieval trading city with a modernist streak

90 minutes by train from Amsterdam Centraal

Best for Competitive foodies, bookworms and candy connoisseurs

What it has that Amsterdam doesn't A quiet city center. Walk a few tree-lined blocks from the train station, cross over the star-shaped moat that rings the city's Old Town, and you end up in a compact maze of medieval cobblestone streets. Much of Zwolle's charm lies in the way its New-World attractions are incorporated into Old-World buildings, e.g. Blue Sakura, a sushi joint now occupying a circa-1309 monastery.

Claim to fame De Librije, one of only two 3-Michelin-star restaurants in the Netherlands. Chef Johnnie Boer serves elaborate dishes, presenting many in outrageous manners. A typical meal might begin with a passion fruit appetizer served on a latex glove filled with ice or, stranger yet, a ruby-red sphere composed of tomato and cardamom perched on a chunky ceramic ring, which the server slips onto your finger.

For the next course, you might be asked to place your palm

flat on the table so the server can build a little ziggurat on the back of your hand: layers of beef tartare, potato soufflé and oyster, which you'll be told to lick off. Reservations are essential. librije.com

But don't miss Waanders In de Broeren, a large, sleek bookstore built into the bones of a soaring 15th-century church, complete with stained glass window, pipe organ and a vaulted ceiling. waandersin-debroeren.nl

Requisite souvenir A gift box of Zwolse Balletjes. These hard candies were originally used to sweeten coffee, and have become such a regional icon that they were recently featured on a Dutch postage stamp.

They're available exclusively at Zwolse's Zwolse Balletjhuis confectionary, where they've been handmade in the basement since 1845.

Getting there A 90-minute train ride from Amsterdam Centraal station to Zwolle, passing infinitely flat, green countryside, costs about \$21.

—Rico Gagliano



SHOW OF HANDS A passion fruit appetizer at De Librije.

GIRL CRUSH

Vermeer's 'Girl with a Pearl Earring.'

<p

OFF DUTY

LOVE STORY

Blue Notes

One writer outlines her unlikely passion for that mundane (but endlessly combinable) piece: the classic blue shirt

BY MEENAL MISTRY

FASHION EDITORS like to play a game. It's a twist on the old desert island trope. Instead of which albums or books you'd pack for several solitary, sandy decades, you choose which label you'd wear for the rest of your life, budgets be damned. I've always found the game difficult to play. Could I in theory shackle myself to the exquisite but extreme femininity of Valentino or the brainy and powerful but occasionally obtuse look of Céline? It's hard to commit. Curiously, though, there is a single garment I know I could hypothetically restrict myself to for years: the blue button-up shirt.

Now I'm not talking about the twisted and tweaked shirting that's trending at labels like Monse, Tome and Balenciaga. My ideal shirt wouldn't trigger a street-style-photographer frenzy. It's discreet, nearly invisible, almost anti-fashion. But neither do I mean the sort of fitted, corporate-bland shirt that Pam Beesly might have worn to answer phones in "The Office." What I love resembles a classic men's shirt as closely as possible, its color a light solid blue—ranging between pale sky and rich cornflower—though a fine blue-and-white banker stripe does the job just as well. The color matters. Pale blue might seem as basic as white, but it offers much more depth. And it looks good. "The color is flattering to all skin colors," said Somsack Sikhoumuong, chief designer officer of J. Crew, whose Everyday Cotton Shirt in French blue has sold well since being introduced in 2003. "It makes you look more tan."

My ideal shirt wouldn't trigger a street-style-photographer frenzy. It's discreet, almost anti-fashion.

The best blue shirts for women telegraph the sense that you just hurriedly, casually plucked your husband/boyfriend/brother's shirt out of his closet—and are somehow cool enough to look utterly fantastic. (Think Lauren Hutton or Charlotte Rampling.) And this piece can make you look fantastic and subtly sexy. Leave two buttons undone and roll the sleeves to your elbows and you simultaneously expose your décolleté as well as slim forearms and wrists. Meanwhile the just-voluminous-enough body can disguise any manner of sins, if need be.

I'm not alone in my reverence. The blue shirt is a fashionable woman's staple. "Believe it or not, I feel sexier in a blue shirt and Levi's than when I'm wearing the most fabulous dress I own," said Laurie Trott, the fashion director of Gwyneth Paltrow's lifestyle website Goop. "But it's also so tailored and so polished, it's my idea of power dressing." Ms. Trott's go-tos include a Thom Browne for Brooks Brothers number she bought eight years ago as well as an overdyed oxford by shirt specialist Alex Mill that's currently available on Goop's e-commerce site. "And obviously the dream is to have a roster of custom-made shirts from Charvet," added Ms. Trott, referring to the venerable nearly 180-



From top:
Ottoman Shirt,
\$345,
helmutlang.com;
Oxford Shirt,
\$650,
ralphlauren.com;
Everyday Shirt,
\$70, jcrew.com.



year-old Parisian shirtmaker.

Charvet isn't the only route to a perfect shirt, but it does help to have a designer who knows what he or she is doing. An actual man's shirt tends to swamp a woman. The shoulders are inevitably too broad, the sleeve too wide.

"The arm is everything," said designer Nikki Kule, whose New York label Kule specializes in T-shirts and shirts. "My shirts have a slim cut through the sleeve." The shoulders are also narrow. And you'll never find darts in Kule button-ups. "Oh god, I even hate the word," she said.

With her fabrics, however, Ms. Kule hews to tradition, using shirting from an Italian mill that supplies men's brands. Her shirt style fittingly named "the Hutton" comes in a sky-blue-and-white stripe.

One pardoned violator of the no-dart rule is J. Crew's Everyday shirt, which has two



CHIC IN CHECK
A blue shirt nicely subdues a high-fashion, pleated skirt.
Shirt, \$229, frame-store.com;
Skirt, \$1,145, proenza-schouler.com;
Sandals, \$398, stuartweitzman.com.

barely noticeable "shaping seams" at the bust. "We didn't put any in the back," said Mr. Sikhoumuong. "The two at the bust just give a little bit of curve." To be honest, I didn't even realize they were there. But the darts and slightly slimmer body make it ideal to tuck into dressed-up skirts—one of the ways I like to sport the blue button-up. The humble shirt tempers any attempt at glamour. It helps me say: Sure, I'm trying, but not that hard.

French fashion editor Carine Roitfeld exemplifies the blue-shirt-democratizes-chic-skirt strategy. The vixen Ms. Roitfeld tends to favor high-fashion pencils, though, while I tend to go for flaring pleated skirts. "When you put [the blue shirt] with a statement piece like that, it's feminine but it's also powerful," said Shayla Guy, senior design director of Equipment. The French label launched a cotton shirting collection in 2014 dedicated to

translating men's shirts for women, and they're now a staple in its line (and my wardrobe). It's more voluminous than the J. Crew and made for a classically boyish look, messily half-tucked into straight-leg jeans and worn with flat or low-heel sandals.

One of my few frustrations about blue shirts is that when you find one you like, there's no guarantee you'll find it again. When my beloved Steven Alan reverse-seam shirt finally began to shred from so many washings, I searched in vain for another. Its collar had the unique ability to always look exactly half-popped, seemingly unintentionally. I contacted Mr. Alan to both flatter him and lightly complain. He confirmed that it hadn't been available for at least two years. "We've had that call before," he said. "But don't worry, we're bringing that one back." I suppose I can be patient. After all, I have a lifetime of shirts ahead of me.

SEE YOU IN SEPTEMBER, SUMMER

Not quite ready to relinquish the lazy, hazy days? These pieces carry a hint of August's languor into the fall but aren't so sun-drenched that they don't compute past Labor Day



SUNNY T-SHIRTS

A free-spirited graphic T-shirt can take you into autumn, if you opt for a sophisticated, arty optic, like these from Monogram, a Los Angeles-based brand designed by Jeff Halmo and Lisa Mayock. The duo, known for their '70s-style typefaces, colors and cuts, were "thinking year-round T-shirt weather," said Ms. Mayock. She wears tees in a more formal way—with a suit, not a bikini—an easy idea to pull off, swimmingly, in the fall. T-shirts, \$65, monogramstudio.com



ROUND SUNGLASSES

Twiggy adopted circular summery shades. So did John Lennon and Jackie Kennedy Onassis. The look can be daunting to wear anytime, since it declares "fashion" louder than, say, Wayfarers. That said, these muted, sophisticated versions speak a little softer and feel sufficiently seasonless in the fall. From top: Dolce & Gabbana Sunglasses, \$370, sunglasshut.com; Dakota Sunglasses, \$299, lowercaseny.com; Nomi Sunglasses, \$180, raen.com



A SINGULAR SWIMSUIT

Maillots are often the chicest and most seasonless of bathing suits, and this one-strap version by Miné Mediterranean argues the point elegantly. New York-based sisters Sibel and Selina Patiño, who recalled childhood summers on Turkey's Turquoise Coast while creating their resortwear, focus on flattering cuts and fabrics that "feel like a second skin," said Sibel. In black, this suit works, no matter the month. Swimsuit, \$320, minemediterranean.com —Rebecca Malinsky

SUNDAY LUNCH

Picnic Blanket Statement

When it comes to toting a meal along on a hike, this al-fresco-eating expert has one thing to say: Keep it simple

ELIZABETH G. DUNN

PICNICS always sound like a good idea, in theory. But then by the time I've found a patch of grass—never once as the one enveloped—the deviled eggs have invariably capsized in their silverware and I'm left holding a sweaty bottle of water, realizing I forgot the crew.

Snacking is, however, a well-established Sunday lunch tradition for Birgit Cameron. As senior director of Patagonia Provisions, the food division of outdoor clothing company Patagonia, she's thought a lot about the sort of food that works well. She's also an avid hiker around northern California's Marin County, where she's lived for 20 years. As a mother of two, she follows this picnic prescription: "It's got to be easy, otherwise I won't do it."

She suggests sticking to two or three cooked dishes—any fare that can be eaten with hands to eliminate the need for napkins and cutlery. Her summer-vegetable frittata (see at right) is sturdy enough to cut into squares for transport in cloth napkins. "It's about packing in a meal that you're not lugging a bunch of containers," Ms. Cameron said. She wraps sandwiches in Bee's Wrap, a reusable beeswax and organic cotton paper that keeps them from falling apart en route. Her daughters often bake scones or cookies.

Supplements might include a jar of anchovies or sardines. Ms. Cameron likes the ones from Wild Planet), salami, a wedge of cheese like Gouda, crusty bread and seasonal fruits, all of which can be eaten with the help of a pocket knife. Generally, foods Ms. Cameron has developed in the five years since the launch of Patagonia Provisions often feature her brand's first product, a tiny smoked wild pink salmon, is a family favorite. The fish doesn't seem like an obvious starting point for a meal of backpacking foods, but because the decision wasn't guided by consumer demand. Ms. Cameron had rediscovered an ancient technique for catching pink



MOBILE MEAL Ms. Cameron (rear, left) hiking in Marin County, Calif., with her daughters, Gracie (rear) and Claire, and her husband, Matt.

salmon with reef nets being used off Washington's Lummi Island, a sustainable way to harvest the fish. She wanted to showcase the technology.

"I think we're at a recalibration moment in terms of how we harvest our food," Ms. Cameron said. "We need to assess the things that make sense for the next 100 years, and make brave decisions about other things that aren't going to let us move forward in a healthy way."

Her commitment to conservation certainly extends to her picnicking approach, which generates minimal waste and keeps the focus squarely on the setting. As a weekend ritual, it gives the family a chance to regroup before starting another week—or another year. Ms. Cameron fondly recalls a trip to Windy Hill Preserve in California's Portola Valley for her mother-in-law's birthday. "Lunch was sort of strewn all over," she said. "But that's life."

PICNIC PRO TIPS //

ESSENTIAL EQUIPMENT

1. Cutting board.
2. Pocket knife. Ms. Cameron uses an Opinel model.
3. Cloth napkins.
4. Tin cups.
5. Fleece blanket to sit on.



Summer Vegetable and Feta Frittata

TOTAL TIME: 1 hour
SERVES: 4-6

2 tablespoons olive oil
1 small yellow onion, roughly chopped
4 cloves garlic, diced
½ red bell pepper, seeded and roughly chopped
2 medium zucchini, sliced into thick rounds
2 tomatoes, seeded and roughly chopped
Large handful chopped fresh greens such as spinach, chard, arugula or kale
12 eggs
Sea salt and freshly ground black pepper
4 ounces feta, crumbled
½ cup freshly grated Parmesan

1. Preheat oven to 325 degrees. In a large cast-iron or other non-stick, oven-safe pan, heat olive oil over medium heat. Add onion and sauté until translucent, about 5 minutes. Add chopped garlic and cook until fragrant and softened, 1-2 minutes more. Increase heat to medium-high and add peppers, zucchini and tomatoes, and cook until softened and lightly browned, 8-10 minutes. Add fresh greens and cook until wilted, 1-2 minutes. Season with salt and pepper.



2. While vegetables are cooking, whisk eggs in a large bowl. Season with salt and pepper. Carefully pour eggs into hot pan with vegetables and use a rubber spatula to slowly pull egg away from edges, mixing up vegetables and eggs. Once eggs begin to solidify, crumble cheese evenly over top. Transfer to oven and cook until center of frittata is puffed and no longer jiggly, 15-20 minutes.

3. Remove from oven and let cool slightly. Gently loosen with a spatula and slide frittata onto a cutting board. Let sit until cooled and set completely, at least 30 minutes. Wrap in heavy foil or slice into individual portions and wrap in cloth napkins or plastic wrap.

—Adapted from Birgit Cameron



Whole-Grain Chocolate-Chip Cookies

These cookies are brimming with whole grains and also gluten-free.

TOTAL TIME: 40 minutes

MAKES: 2 dozen cookies

1½ cups buckwheat flour
1 cup oat flour
1 teaspoon baking powder
1 teaspoon baking soda
½ teaspoon cinnamon
1 teaspoon salt
1 cup softened butter
1 large egg

1 cup coconut sugar
¼ cup pecan butter or peanut butter
⅔ cups semisweet chocolate chips
¼ cup chopped pecans (optional)

1. Preheat oven to 350 degrees. In a medium bowl, mix flour, baking powder, baking soda, cinnamon and salt.

2. Use an electric mixer to beat egg, sugar and butter until smooth. Add dry ingredients and pecan butter. Stir in chocolate chips and chopped pecans.

3. Drop rounded tablespoons of dough onto ungreased cookie sheets and bake until edges are golden brown, 12-15 minutes. Remove from oven and transfer to a cooling rack.

—Adapted from Joy D. Ventura, *Food Network Magazine*

TITLE SOMETHING SWEET

CHOCOLATE MILK MAKEOVER

Cool, creamy and mightily minty, this Mexican-style chocolate makes a festive and fuss-free summer dessert

NEVER I EAT

Mexican food, never ice cream for dessert. It's

after all the fiery spice

also a creamy antidote to the

acidity associated with

cuisine. But at the tail end

recent meal at Fonda Frontera

in Chicago, I discovered

it's become my favorite fol-

up to most any sort of late-

meal repast.

I actually had no intention of

serving dessert that day, but my

5-year-old son had other ideas.

Our table was laid with an

array of sweet, deep-fried

treats, some dipped in choc-

o, others glazed with pistachio,

almond or peanut icing. A drink

I ordered looked like a simple

cup of chocolate milk, but the

first sip revealed something more

to the best York Peppermint

or After Eight mint imagin-

the milk cold and creamy,

the chocolate subtly spiced with

almond, and the mint very,

fresh.

Asked Rick Bayless, the chef

proprietor of Fonda Frontera as

well as Xoco, Topolobampo and

other Chicago restaurants, how

he harnessed that brisk blast

of mint. He told me he

drank in his garden and steeping an uncommonly generous amount of it in milk heated to a simmer. He allows the herb to infuse the milk for half an hour, removes and discards it, then whisks in freshly ground Mexican chocolate and cinnamon.

Mexican chocolate is slightly granular and typically sold in compressed puck-shaped tablets. (Taza Chocolate makes a particularly good cinnamon-spiced Chocolate Mexicano disc that works well in this recipe, available at tazachocolate.com.) You can also grate three ounces of semi-sweet chocolate and stir in a half teaspoon of powdered cinnamon. A drop or two of almond extract may be added to the milk as well, but I prefer the pure shock of mint and the warmth of the cinnamon without the smoothing influence of almond.

Mr. Bayless calls the frothy concoction Iced Mint Chocolate.

He whizzes mint and sugar in a

food processor, dampens the rim

of a cold glass and dips it into

the minty mixture before serv-

ing—a festive touch, if you can

resist swigging this drink straight

from the fridge.

PURE COLD Whipped until frothy, this iced mint chocolate is lighter than a shake, bolder than chocolate milk.



Iced Mint Chocolate

ACTIVE TIME: 15 minutes TOTAL TIME: 4 hours (includes chilling) SERVES: 4

1 quart whole milk

1 packed cup plus

2 tablespoons fresh mint leaves

2 tablespoons sugar

1 tablet Mexican

chocolate, such as cinnamon-flavor Taza

Chocolate Mexicano

1. In a medium saucepan, combine milk and 1 cup mint over medium heat. When milk is steaming hot but just short of

boiling, remove from heat. Allow mint to

infuse milk for 30 minutes. Remove and

discard mint. Bring milk to a simmer. Add

chocolate and whisk until chocolate has

melted into milk. Transfer hot chocolate to

the refrigerator and chill until cold, about

3 hours. Set four empty Collins glasses in

the freezer while you prepare the mint sugar.

2. A few minutes before serving, pulse mint and sugar in a small food processor. Wet the rims of the glasses, then dip each rim into mint sugar, as you would a glass when making a Margarita.

3. Just before serving, transfer chilled

chocolate milk to a blender and blend on high

speed until frothy, about 30 seconds. Pour

into chilled glasses and serve immediately.

—Adapted from Rick Bayless of Fonda Frontera

OFF DUTY

RUMBLE SEAT DAN NEIL



Ferrari 812 Superfast: The Italian Icon Lives On

I'VE DONE IT. I've summited Mount Ferrari. The Ferrari 812 Superfast carries the most powerful series-production V12 engine in the company's 70-year history. And there are good reasons to think it represents the top of the technical mountain.

The first is its extremity: a naturally aspirated 6.5-liter, 60-degree V12 (stroked .2 liter over the Ferrari F12 Tdf) capable of revving like a 1-liter street bike on nitrous, producing a 789 horsepower at a soul-tugging 8,500 rpm—which I could just touch in 2nd gear between mountain switchbacks before having to lift, the engine-overrun spitting and spattering like a quenched sword. Flanking the engine is a pair of equal-length, six-into-one exhaust headers, the primary source of the Ferrari's atavistic man-drumming.

Other bleeding-edge attributes include ultra-high-pressure fuel injectors and a brilliantly clever hydraulic circuit driving variable-geometry inlet tracts. These ministrations are necessary because—per Enzo himself—Ferrari engines must deliver linear power; which is to say, the accelerative force the driver feels, and the sound heard, must be instantly and directly proportional to the pressure on gas pedal.

Dipping into this power, corner to corner, hairpin to edge, felt like riding the lashing, leaded tip of a centurion's whip. *Ya-pow!*

I rallied the car 400 miles in a day, from Maranello to Abetone ski resort toward Pisa, including a 50-mile stretch of winding, snarling downhill. The big GT—casually capable of face-warping, 1+g cornering and braking—negotiated this route with the subtlety of Godzilla sitting down at a Tokyo restaurant.

The other reason to feel wistful about the 812 Superfast? History. The first Ferrari road cars, and still the most coveted, were front-V12 berlineas. They won't making them like this anymore, not for long. The

AERO STAR The profile of the Ferrari 812 Superfast leaves little doubt that the car represents some sort of generative organ.



DAN NEIL/THE WALL STREET JOURNAL (LEFT); FERRARI (BOTTOM)

backlash of Dieselgate in Europe has only hardened regulatory resolve to restrict and eventually eliminate internal-combustion engines of any description, let alone heroically scaled, naturally aspirated V12s that shout at the devil.

I am worried. In case you didn't know, the Ferrari brand is the most powerful commercial mark in the world, according to the Brand Finance 500 list. From its historic home in Maranello (currently bursting at the seams with success), the company *scuderia* has dominated Formula One racing for decades. The brand's flame-bearers include about

a billion fans of the Formula One team, generations of *tifosi*, from dirt-poor farmers in Bolivia to 100-car collectors in Monaco. You can't buy that kind of advertising.

In an era of luxury fetishism, high-end goods must have a story, a narrative, and the tale of Enzo Ferrari rising from army mule Skinner to motor sports immortal is as good as anything Fielding ever wrote. The conceit still holds: Ferrari sells road cars in order to compete in Formula One, for the glory of sport and Italia. The gallantry of that notion is irre sistible.

But the Ferrari brand is also fragile, and the company behind it now faces an almost unthinkable transition: from a closely held, tradition-bound powerhouse within Ferrari Chrysler Automobiles, to a growth-oriented, publicly traded luxury life style *whatever*.

And thanks to the annual report, the Red Keep is now an open book. Ferrari delivered 8,014 cars in 2016, up 4.6%, with revenue up 8.8% (total 3.1 billion euros). Industry observers used to wonder, "How much does Ferrari spend on research and development? Does it really make more money from sponsorship and merch than from car sales?"

Now we know. R&D consumes 9.5% of net revenues—on the high side of industry average, as you would expect. Sponsorship, commercial and brand income, including Formula One racing, represents 15.7% of net revenues.

But as I trundled back into Maranello, I longed for the old firm's mystique, its well-oiled lies. No one wants to see their mortadella being made. It was more fun to think of Ferrari gallantly losing money on Formula One racing instead of mak-

ing it hand-over-fist on licensed sportswear. It was a pleasant fiction to believe that, by virtue of its dignity, damn-the-torpedoes history or status as Italy's de facto F1 team, the newly public Ferrari would leave some brand value un-maximized.

In April, the Ferrari Land attraction opened in Spain, a red cuff link to the Ferrari World amusement complex in Abu Dhabi. So I guess not.

For the past quarter-century, my affection for the brand has been rooted in the company's record of self-imposed exceptionalism, its antibusiness practices. Enzo Ferrari nearly bankrupted the company going racing. He raced anyway. He could have walked away a rich man in 1963 but instead he told Henry Ford II to stuff it. Il Commodore refused stupid requests from classless, money-fisted clients.

This power felt like riding the lashing, leaded tip of a centurion's whip.

of the fastback glass is an integrated spoiler generating meaningful downforce. As for styling, the car's profile leaves little that the Superfast represents some sort of generative organ.

Enzo's successor, Luca di Montezemolo, could have moved manufacturing out of Maranello, but he sacrificed operating margin for provenance, keeping the fruit in sacred soil. He did broaden the portfolio to include a front-turbo V8 convertible and even an AWD 2+2, the FF.

But there were lines Mr. Montezemolo wouldn't cross. He often threatened to leave Formula One; he never did, F1 being existential to the brand. He resisted increasing production, even as demand skyrocketed in America, Asia and the Middle East, arguing that exclusivity and rarity (and residual values, not to be pecuniary) were better served by restraining production.

And, he vowed, Ferrari would never stoop to building a crossover-style vehicle. Ah, well. All is mutability. Ferrari is reportedly preparing a crossover-style vehicle, using the V12-AWD underlay of the GTC4Lusso. I am not shocked. Porsche and Bentley are building crossovers and SUVs, with Aston Martin, Rolls-Royce and Lamborghini soon to follow. I'm just a tiny bit disillusioned.

And yet the 812 Superfast reconfirmed my status as a slobbering, drunk-on-power *tifoso*, so it seems the icon is safe for another day.

Why should I care? I will never own a Ferrari or trade a share of stock. But I am invested in the daring notion that, even in business, there are some things more important than money.



FERRARI 812 SUPERFAST

Type Front-mid engine, rear-drive performance luxury coupe

Base price \$335,275

Powertrain Naturally aspirated, direct-injected DOHC, 65-degree V12 with variable valve timing/lift and intake geometry seven-speed dual-clutch rear transaxle with electronically controlled differential and rear-wheel steering; rear-wheel drive

Power/torque 789 hp at 8,500 rpm/529 pound-feet at 7,000 rpm

Length/height/width/wheelbase 179.8/50.2/77.5/107.1/inches

Weight 3,594 pounds (dry)

0-60 mph 2.8 seconds

0-124 mph 7.9 seconds

EPA fuel economy 12/16/13 mpg, city/highway/combined

Cargo capacity 9 cubic feet (est)

Now we know. R&D consumes 9.5% of net revenues—on the high side of industry average, as you would expect. Sponsorship, commercial and brand income, including Formula One racing, represents 15.7% of net revenues.

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In vehicle design, management forbids pylon-mounted wings and spoilers on the mainline road cars, holding that such devices are immature and unaesthetic. This standard obliges the aero team to countless additional man-hours, computational time and cost, searching for other ways to keep these kites on the ground.

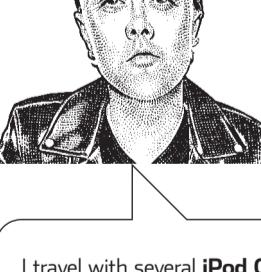
The 812 Superfast epitomizes this standard, its face and flanks ventilated in purposeful negative space, its upswept underside ending in a massive diffuser. Hidden at the base

I can't read anything without glasses, but I haven't been to the eye doctor yet. I should go any year now. But I have these **Foster Grant Readers** that I buy off the shelf at Walgreens or wherever. I should probably go to the doctor soon.

My carry-on bag has least five pairs of headphones, my iPod Classics, my passport, my green card, a Danish credit card, a memory stick for one of my cameras, and mint **Tea Tree Therapy Toothpicks**. I have one in my mouth right now. I drink a lot of tea during the day, so I have a lot of next-level energy.

My tennis game doesn't amount to what it did back in the day, but I have a couple of **Wilson Hyper Pro Staff 6.5** rackets that are probably 10 years old and are on their way to the Smithsonian. Tennis racket technology changes too fast—if I bought a tennis racket when this interview started it would be outdated by now.

—Edited from an interview by Chris Kornelis



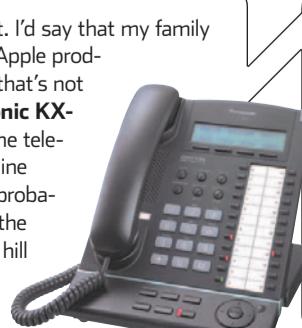
MY TECH ESSENTIALS

LARS ULRICH

Metallica's drummer on the practicality of the iPod Classic and the blistering speed of tennis-racket tech evolution



I travel with several **iPod Classics**. I'm a big believer in both **Apple** Music and Spotify and use both, but my iPod Classics have my whole music library on them, and 10% of the time I listen to stuff that's not available on the streaming services. I took one out yesterday because my wife and I were listening to some old Budgie songs and she wanted to hear "Crash Course in Brain Surgery," from the album "In for the Kill!" and that was not on Apple Music.



I'm an Apple addict. I'd say that my family owns north of 30 Apple products. One product that's not Apple: the **Panasonic KX-T7633-B**, a landline telephone. I like a landline phone at home. It probably has to do with the fact that I live on a hill and have shitty cell service.



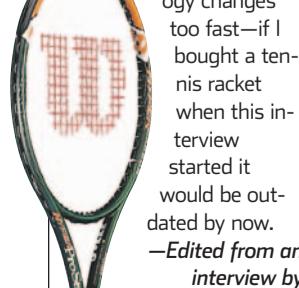
I can't read anything without glasses, but I haven't been to the eye doctor yet. I should go any year now. But I have these **Foster Grant Readers** that I buy off the shelf at Walgreens or wherever. I should probably go to the doctor soon.



My carry-on bag has least five pairs of headphones, my iPod Classics, my passport, my green card, a Danish credit card, a memory stick for one of my cameras, and mint **Tea Tree Therapy Toothpicks**. I have one in my mouth right now. I drink a lot of tea during the day, so I have a lot of next-level energy.



I don't play games much anymore, 'cause I read more and more. But occasionally—like once every three months—I pull out this iPad game called **Flight Control**, where you have to land airplanes. I occasionally try to land 50 or more airplanes onto runways around the world.



My tennis game doesn't amount to what it did back in the day, but I have a couple of **Wilson Hyper Pro Staff 6.5** rackets that are probably 10 years old and are on their way to the Smithsonian. Tennis racket technology changes too fast—if I bought a tennis racket when this interview started it would be outdated by now.

MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Paris is 'the biggest temple ever built to material joys and the lust of the eyes.' —Henry James

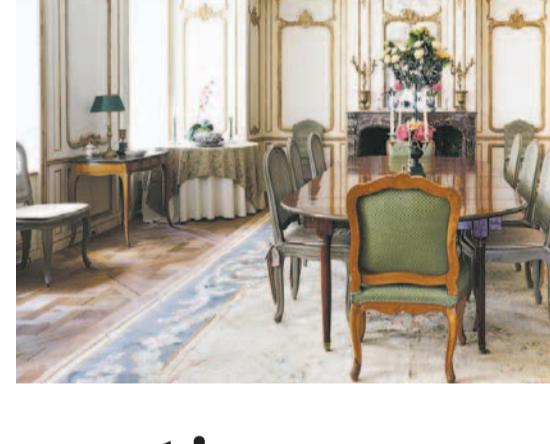
Friday - Sunday, August 18 - 20, 2017 | W7



Normandy
10,000-square-foot
château listed for
\$8.21 million

CHOOSE ONE Catharine and David Hamilton, below, have put three properties on the market simultaneously and will sell whichever one catches the best price first.

Paris
4,600-square-foot
duplex listed for
\$12.9 million



Chicago
10,000-square-foot
apartment listed for
nearly \$10 million

FRANCIS HAMMOND FOR THE WALL STREET JOURNAL (2), FRANCE; KATRINA WITTKAMP FOR THE WALL STREET JOURNAL (2), CHICAGO

The French Connection

Two native Texans devoted their lives to acquiring French property and décor. Now, they want to downsize. 'These panels belonged to Fragonard's mistress.'

BY HEIDI MITCHELL

WHEN CATHARINE HAMILTON speaks French that she's picked up over the years, it jangles with a strong Texas twang.

But that hasn't prevented the former interior designer and her husband, Houston-raised, Chicago-based businessman David Hamilton, from immersing themselves in all things French. Their 10,000-square-foot duplex apartment on Chicago's Lake Shore Drive brims with 18th-century French paneling and period furniture. Their

four-bedroom Paris apartment overlooks the Champs Élysées and the Eiffel Tower. And King Henry IV, who reigned from 1589 to 1610, once spent the night on the site of their expansive château in Normandy before winning the battle that united France.

Now in their autumn years—David is 77 years old and Catharine is 69—the Hammonds are eager to pare down their lives. They have placed all three properties on the market simultaneously and will sell whichever one catches the best price first, leaving their future to the Fates. The other two will remain in their possession,

at least for now.

"It's time for us to simplify our lives, but with a French lifestyle," says Mrs. Hamilton. "We should have made this change years ago."

If she's honest with herself, she admits, she hopes to first offload Château St.-Georges Motel, a 10,000-square-foot, early 17th-century castle surrounded by a moat. Located just an hour northwest of Paris, the 235-acre property includes 18 outbuildings. Long after King Henry IV departed, American heiress Consuelo Vanderbilt took possession of the château, hosting Winston

Please turn to page W10

SWEDEN'S SWEET SPOT

The coastal resort of Bastad sees prices climb; a second-home destination with carpets, beaches, potatoes.

BY J.S. MARCUS

BASTAD, A RESORT on Sweden's southwest coast, sits on a peninsula known for its sandy soil, limpid light and prized potato crop. Increasingly, it is also known as a second-home enclave for Sweden's business titans.

The housing market, comprised of the town proper and surrounding Bjäre peninsula, now has prices as high as prime areas of central Stockholm. Buyers get a choice of a wide variety of properties, from million-dollar row homes to large multimillion-dollar working farms.

The roots of the resort go back to the early 20th century, when Ludvig Nobel—nephew of Alfred Nobel, the Swedish industrialist who endowed the Nobel Prizes—developed it as a discreet, Belle Époque watering hole. In 1919, Swedish artist Märta Maas-Fjetterström set up a workshop for weaving carpets, creating one of Scandinaavia's most exclusive design brands. And after World War II, the Swedish Open tennis tournament became the high point of the summer season.

The area's perennial appeal

is its combination of seclusion and accessibility. Situated across a strait from Denmark, Bastad and its environs are still largely rural in character, but just a 90-minute drive from Copenhagen's airport, allowing for easy international connections. Marked by rolling farmland and wooded hills, the peninsula is a topographic oddity in the otherwise flat terrain of southern Sweden. In summer, its population triples to about 45,000.

Bastad competes for Sweden's luxury second-home buyers with the Stockholm Archipelago, made up of beautiful but often isolated

islands east of the Swedish capital, and Gotland, an island in the Baltic Sea off the country's eastern coast.

While Gotland is still a top choice for the creative class,

Please turn to page W9

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A modern getaway in the Hamptons



Hilton Head, S.C.
A Tuscan-inspired waterfront villa

MANSION

HOUSE CALL | PATTI LABELLE

Shy and the Family Home

A wallflower as a child, the Grammy-winning singer grew to love the stage; using a broom for a mic

I was so shy as a child my mother used to offer me a quarter to go out and play with other kids. I'm still shy that way, until I get on stage, of course. Growing up, I was sheltered. My only friends were butterflies, my cat and my dog.

My family's two-story home was on Washington Avenue in Philadelphia. The house was brown and white, and had four bedrooms, a porch and a stoop. Even though we lived in the city, it was a comfortable country house of sorts. There were lots of trees and it was quiet.

My father, Henry, worked for the railroad as a porter. Then he owned restaurants in Pittsburgh and Georgia, and sang at Philly nightclubs. I got my singing from him and my older brother, Thomas, who played Dakota Staton and Lena Horne records on his basement stereo. I didn't sing along, but I listened closely and loved them.

My mother, Bertha, was quiet, shy and laid back. She had a lot of style and dressed her face off. She found happiness in cooking.

Home life was loving but stressful. My father was a fierce, beautiful man. Any woman he saw wanted to be with "Little Henry."



She thought I should join the choir at our church, Beulah Baptist. I said, "That means going outside. I don't want to go out." She worried I'd be a quiet, special girl who never did much. She pushed, so I became a choir member, but I wanted to be in the chorus, not a lead singer. When Mrs. Chapman, the choir director, heard my voice, she said, "Girl, you have to sing lead."

I told her I was petrified. To make me comfortable, she said I could sing a duet with her son, Nathan.

When we finished, the entire congregation stood up and said, "Hallelujah!" I thought, "Wow, I think I can sing." I never took a singing lesson. I just practiced with my broom.

By the time I was 12, I could cook. I had spent years watching my mother, father and Naomi Thompson, my mom's best friend who lived with us. She showed me how to make things like fresh fried corn, sweet-potato pie, and fried chicken with spicy syrup and waffles.

When I was 16, my parents divorced. Honestly, I was relieved. You can't be with someone you don't want to be with. It just brings misery to the family.

One of my best friends at the time was Kenny Gamble, who went on to become half of the legendary songwriting duo, Gamble & Huff. He lived 20 minutes away and was always visiting a friend across the street.

His friend was a singer and insisted we meet. He said to Kenny, "You have to hear Patti, she sings." Kenny would come over and try to get me to sing. One day I sang for him on my steps. The neighbors were watching and I thought, "This feels good."

In high school, I formed a vocal group with three schoolmates. The second group I started, the Ordettes, included friends Cindy Birdsong, Sarah Dash and Nona Hendryx. In 1962, we signed with Newton Records. Since I sang lead, the owner changed my name from



BELL-RINGER Patti LaBelle, above, performing at a 2015 summer concert at Philadelphia's Dell Music Center, and, left, at about six months.

Patti Holte to Patti LaBelle and changed the group's name to the Bluebelles. I never wanted to be a lead singer, but that's the way it worked out.

Today, I live about 20 minutes outside of Philadelphia. This is my palace when I come off the road. As soon as I get home, I head to the kitchen. I'm a foodie and love to cook. I think about what I'm going to eat each day of the week when I'm home.

I have a pool, but I don't swim in it. I just walk around it sometimes for exercise, and I like to watch my baby granddaughter in the pool because she loves to swim.

I also don't drive. People drive

for me. When I was married, my husband tried to teach me in his Thunderbird and I wrecked the car by driving into a tree in the park. After that, I've never driven and never will.

When I'm home, I love to relax. I don't answer the phone, and I get a massage and have my nails done. A young girl has to look cute. I try to do everything to enhance this Patti LaBelle.

My favorite spaces are my lady den next to the kitchen and the basement, which I just had redone. I had the carpet removed and put in wood floors and new lighting.

It's cool and quiet down there. I love sitting on my brown leather sofa and watching TV. Mr. Cuddles,

my Shih Tzu, jumps up there with me, and I put a blanket over him. He chills and I chill.

Perhaps the biggest misconception about me is that I'm a diva. I love people. I take pictures with everyone I meet. I'm actually more outgoing than most people expect. That's how I deal with my shyness.

—As told to Marc Myers

Singer Patti LaBelle, 73, is a two-time Grammy winner and author of four cookbooks, including "Desserts LaBelle" (Grand Central). Her 1974 hit, "Lady Marmalade," with LaBelle, was inducted into the Grammy Hall of Fame in 2003. She recently released her 19th solo album, "Bel Hommage" (GPE).

PRIVATE PROPERTIES

Newport Home of Campbell Soup Heiress for Sale



A Newport, R.I., home built by Campbell Soup heiress Dorrance Hill Hamilton is going on the market for \$12.5 million.

Known as "Dodo" to friends and family, Ms. Hamilton built the home five years ago because she needed a living space with no stairs, said her son Matt Hamilton, 63, a retired travel executive. Ms. Hamilton died in April at the age of 88.

Built in 2012, the six-bedroom,

nearly 10,000-square-foot house is located in the Ocean Drive historic area, famous for its elaborate estates, and sits on 3.67 acres overlooking the Atlantic. The home has geothermal heating and cooling, an elevator, remote-controlled window treatments and custom audiovisual equipment, said listing agent Kate Kirby Greenman of Gustave White Sotheby's International Realty in Newport.

Ms. Hamilton called the property

the Bird House because it features many bird motifs: There are bird boxes around the property, including one that is a replica of the home, and bird motifs in the interior design.

The house also includes replicas of elements Ms. Hamilton recalled from other historic estates, including a two-story living room inspired by one of the Vanderbilt family properties, said Mr. Hamilton.

Born in New York in 1928, Ms.



Hamilton was a granddaughter of John T. Dorrance, a chemist who invented the process for condensing soup in 1897. In 1914, he became president of Campbell's and remained in the position until his death in 1930, according to the Campbell's website. His descendants have become known as one of the richest families in the country, with a fortune largely derived from ownership of Campbell's stock. Ms. Hamilton lived in Wayne, Pa., but

spent her final years primarily in Boca Grande, Fla., and spent summers in Newport all her life, said her son.

Ms. Hamilton's estate is selling because "all the family members who want them have their own places" in Newport, said her son.

—Katy McLaughlin

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MANSION

BASTAD

Continued from page W7

"Bastad has become the meeting place for Sweden's financial elite," says retired banker Johan Lindh, who is selling the family vacation compound: an acre-size property with sea views and an outdoor pool located outside of the town. The couple are buying a smaller Bastad-area property now that their children are grown.

In 2013, Mr. Lindh and his wife, Ase, both in their early 60s, up-

Million-dollar properties are found around the peninsula, which is marked by the occasional village, undulating country roads and a serene seashore.

graded the compound's main house, a converted late 19th-century barn, with an open-plan kitchen and dining area. The guesthouse, where their two adult children stay during visits, has a sauna. The asking price is 15 million Swedish kronor, about \$1.85 million.

Sweden's economy is booming, achieving 4% growth for the year ending in June. Bastad's market for single-family homes is keeping pace with the strong residential real-es-

tate market. Hans Flink, marketing director at Stockholm's Svensk Mäklarstatistik, which tracks Swedish real-estate prices, says the number of villas sold in the Bastad municipality—which includes the Bjäre peninsula—has risen nearly 70% over the past five years.

Million-dollar properties are found around the peninsula, which is marked by the occasional village, undulating country roads and a serene seashore. The greatest concentration of expensive homes, however, is where it has been since Nobel's day—the small cluster of streets near the Hotel Skansen and the carpet workshop. Homes there tend to be large mansions or cheek-by-jowl historic cottages. An 1897 mansion in the area recently sold for \$4.6 million.

Lars Henningsson, owner of the Hotel Skansen, recently built a new home in the area for himself and his wife, artist Bodil Henningsson. He paid about \$861,000 in 2013 for a 1/10th acre lot, replacing an older cottage with a new two-story, 2,000-square-foot house. Mr. Henningsson used a team that included JV Architects, a Gothenburg studio, to design the home, completed last year at a cost of \$1.2 million.

Second-homeowner Johanna Johansson spent her childhood summers near the hotel, but now prefers the west side of town, known for its wooded coastal walkway and



ANDERS ANDERSSON FOR THE WALL STREET JOURNAL (3)



SEA SIGHT Johan and Ase Lindh, right, have put their compound on the market for about \$1.85 million. Their main house is a converted barn. The property, outside of Bastad, has sea views.



its higher percentage of year-round residents. Ms. Johansson, and her husband, Jan, co-owner of a lighting company, bought a 1925 summer cottage there for \$1.1 million in 2010. Working with local architect Kay Linghoff, the two then spent

about \$1.5 million on a gut renovation, construction of a new guesthouse and lavish landscaping.

The couple, both 55, spend almost every weekend in Bastad and plan to retire here. "It's still a summer house," she says, "and we want to be in a summer atmosphere whenever we're here."

Bastad homeowners might look to Denmark for luxury finishes such as wide-plank hardwood floors, but they tend to source their meals closer to home.

"Most of what we eat is produced locally," says venture capitalist Peter Ekelund, owner of an 86-acre property near Torekov, a fishing village at the end of the peninsula, about a 20-minute drive from Bastad. Torekov is less lively in the off-season, but has a more exclusive reputation than Bastad proper—and prices to match.

Mr. Ekelund and his wife, Neta, have an estate that grew from 7 acres purchased in 1996. It has agri-

cultural land, rented out to a farmer, and a meditative wooden maze that Ms. Ekelund, who recently sold her interest in a Stockholm funeral-services company, commissioned for her husband's 50th birthday.

The estate, for sale for \$4.43 million, has three residential structures, with up to eight sleeping areas, four full baths and three powder rooms.

The three-level main house, completed in the late 1990s, was inspired by the 19th-century water mill that once stood there, and a former barn was converted into what the couple, both in their early 60s, call the atelier. The structure includes a gallery with a home gym and a sauna with a view of a greenhouse, where they grow grapes.

"I have a 360-degree free view," Mr. Ekelund says, adding: "and I have better internet connectivity than I can get in Stockholm or New York."



FARM FRESH Neta and Peter Ekelund own an 86-acre farm near Torekov, a former fishing village on the peninsula.



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MANSION

REAL ESTATE'S FRENCH CONNECTION

Continued from page W7

Churchill and countless other dignitaries and royalty. "I don't own it, it owns me," says Mrs. Hamilton. "I'm just the guardian." It is listed for \$8.21 million with an affiliate of Christie's International Real Estate.

The couple first purchased the château in the late 1980s for \$6 million. Soon after, they were introduced to members of prominent French families committed to saving the country's Old World châteaux. One such person was Viscount Olivier de Rohan, who at the time headed an organization dedicated to preserving the Palace of Versailles, King Louis XIV's

vation, begun in 1994, took two years—not including the decade spent amassing the museum-quality wall panels and furnishings. One Louis XV desk cost \$125,000, Mrs. Hamilton says, and a pair of tapestries was purchased for \$90,000. The staircase and cage elevator "could have instead bought us a house in Lake Forest," says Mrs. Hamilton.

The couple plans to sell the three homes unfurnished. Later, they will likely auction off most of what they display and what they keep in storage facilities.

Whoever ultimately decides to buy their Chicago property will own seven rooms' worth of 18th-century panels in the seven-bedroom apartment. Mr. Hamilton says he turned down one buyer, in part because the gentleman wanted to paint all the walls white. "Can you imagine? This room was in the Place Vendome. These panels belonged to the mistress of Fragonard," Mr. Hamilton says as he gives a historian's tour of the Chicago apartment.

The custom kitchen was based on an 18th-century design and shipped from France. An enormous Persian rug in the 24-by-36-foot living room is a holdover from the Wrigley era—along with the "throne toilet" in the powder room that Mrs. Hamilton thinks is a hoot.

"It's a great apartment for entertaining," says Mr. Hamilton. "We've had sit-down dinners for 70. Until recently, we had an annual Christmas party with 300

'It's a great apartment for entertaining,' says David Hamilton of the couple's Chicago apartment. We've had sit-down dinners for 70.'

royal seat. In Mrs. Hamilton, Mr. de Rohan found a perfect American-Francophile partner for his Versailles restoration efforts.

Mrs. Hamilton says she fell in love with the palace on her first trip to France, when she was 17 years old. The Amarillo, Texas, native, whose family got rich in oil, eagerly joined the board.

Mr. de Rohan challenged his new friend to raise funds to restore Versailles' Bosquet des Trois-Fontaines, once-exquisite gardens and fountains but at the time in utter disrepair. "Americans love a challenge," says Mr. de Rohan, age 76. Mrs. Hamilton quickly founded the American Friends of Versailles, a nonprofit charitable organization, and began raising funds.

It took nearly 10 years to raise the necessary \$4 million—and Château St.-Georges Motel played a key role as the site of dozens of galas and smaller events. Through the patronage of Mrs. Hamilton's network and organization, the gardens were rehabilitated and reopened to the public in June 2004. "Catharine has been involved with Versailles at a government level, and she is very well known in all the local circles as 'Madame United States at Versailles,'" he says. For their efforts, the Hamiltons were each awarded the Legion of Honor, the highest French honor for civic merit.

Not that anyone would know her status upon meeting the petite philanthropist. With her smoker's voice, she calls everyone "babycakes" and her husband "Hamilton," and drops first names of the society set into casual conversation—Roxanne (Pulitzer), Francine (LeFrak). She's also easy-going and quick to invite new acquaintances to lunch at her Paris apartment or weekends at the château.

For a friend's wedding, which fell on Bastille Day, the Hamiltons hosted around 20 people at their château. There, a tennis court, formal gardens, an orangerie and a music salon amuse visitors during the summer, when the Hamiltons are in residence. "We have had an awful lot of houseguests, which is fun because you never know who will be coming around," she says. "But when they're gone, it's like, 'Hallelujah!'"

Their Paris apartment, located in the 8th arrondissement, is a 4,600-square-foot duplex in a classical 19th-century limestone building. The Hamiltons purchased it for \$4.4 million in 1998 and spent several months throughout the year there to be near the French capital's best restaurants, shopping and social scene. Listed for \$12.9 million, the apartment features a wood-paneled library, large living rooms, an alcove game room, a garden and a sunny drawing room. Her favorite feature, however, is their private swimming pool, the key amenity behind their decision to purchase the property.

When not in France, the Hamiltons can be found in their Rosario Candela-built Chicago co-op apartment, listed for just under \$10 million. It was built in the 1920s and owned by two generations of Wrigleys, the chewing-gum tycoons. The couple acquired the property in 1984, spending \$6.8 million on the home and improvements. The sweeping ren-

ovation, begun in 1994, took two years—not including the decade spent amassing the museum-quality wall panels and furnishings. One Louis XV desk cost \$125,000, Mrs. Hamilton says, and a pair of tapestries was purchased for \$90,000. The staircase and cage elevator "could have instead bought us a house in Lake Forest," says Mrs. Hamilton.

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PANEL DISCUSSION Ornate paneling, above, frames the entryway into the living room of the Hamiltons' Chicago co-op, pictured top right. The custom kitchen, bottom right, was based on an 18th-century design and shipped from France.



ROUND TABLE A dining room in the 17th-century Normandy castle that the Hamiltons bought in the late 1980s for \$6 million.

people. It's perfectly set up for that."

Mr. Hamilton says he now spends most of his time in the Chicago apartment working from an office in a small dressing room next to the master bedroom. In the past he has run food services, trucking and drilling companies and now oversees Hamilton Four, a private-equity firm.

The apartment was first listed last year for \$13.5 million. The price was reduced to \$9.99 million in April, according to Kieran Conlon of Christie's.

The Hamilton daughters, Elizabeth, 37, and Tennessee, 32, don't spend as much time in France as they used to now that they're in their 30s, nor do they share their parents' passion for French home décor. Even so, Mrs. Hamilton secretly hopes the last property to sell will be the Paris pied-à-terre.

"Our Paris apartment is in France, where it belongs, so there is an authenticity to it," she explains. "I have a terrible case of Francophilia," she says, and doesn't want to stop soaking up the French lifestyle before her last breath. She remains the president of the American Friends of Versailles, and quite active.

"I thought my life would be much simpler now," she confides. "But it turns out it doesn't slow down until you die, and it doesn't get easier, girl. But at least I'm still smiling."



FROM TOP: KATRINA WITKAMP FOR THE WALL STREET JOURNAL (3); FRANCIS HAMMOND FOR THE WALL STREET JOURNAL (4)