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DJIA 21892.43 ▲ 27.06 0.1% NASDAQ 6368.31 ▲ 1.1% STOXX 600 371.01 ▲ 0.7% 10-YR. TREAS. ▼ 3/32, yield 2.145% OIL \$45.96 ▼ \$0.48 GOLD \$1,308.10 ▼ \$5.00 EURO \$1.1884 YEN 110.24

What's News

Business & Finance

The impact of Harvey's crippling of Gulf Coast refineries, ports and pipelines is being felt across the U.S. and even globally. A1

◆ Uber's new CEO said he would start on Tuesday and aim for an initial public offering as soon as 2019. B1

◆ Cadillac sales are rising at the fastest clip since the Reagan administration, with demand driven by China. A1

◆ The U.S. economy expanded at its most robust pace in more than two years in the spring. A2

◆ Novartis tried to allay concerns over the high cost of a novel cancer therapy approved by the FDA. B1

◆ Disney is preparing budget cuts at its Disney/ABC Television Group that will include staff reductions. B1

◆ Bank of New York's dominance in "repos" is fueling worries about a single bank handling such business. B1

◆ The NYSE plans to prevent firms from issuing news releases for up to five minutes after closing time. B11

◆ The Nasdaq surged to its third straight day of gains. The Dow edged up 27.06 points to 21892.43. B11

◆ Microsoft and Amazon plan to allow their voice-enabled digital assistants to work together. B4

◆ Apple is allowing Chinese customers to use mobile-payment system WeChat Pay for App Store purchases. B4

◆ The EEOC has sued Estée Lauder, accusing it of violating federal law in how it awarded parental leave. B3

World-Wide

◆ Harvey left a rising number of deaths and a widening path of destruction in Texas, where the governor forecast federal funding needs are "far in excess" of \$125 billion. A1, A4, A6

◆ Efforts by Manafort to advance interests in Ukraine, Georgia and Montenegro were often connected to Russian oligarch Deripaska. A1

◆ Trump called on Congress to approve a steep cut in corporate tax rates and simplify the tax system, urging bipartisan support for a plan Republicans are sketching out. A3

◆ The U.S. carried out two airstrikes aimed at stopping Islamic State militants evacuated from the Lebanese-Syrian border from going to a stronghold in Syria. A8

◆ American and Iraqi officials are concerned next month's vote on Kurdistan's independence will lead to the violent breakup of Iraq. A8

◆ A federal judge has temporarily blocked most of a Texas immigration law designed to crack down on so-called sanctuary cities. A3

◆ Mexican presidential hopeful López Obrador said Nafta's renegotiation should be suspended until the nation's election next year. A9

◆ A Google-backed think tank has fired a scholar who praised the \$2.7 billion fine the EU levied against the firm for antitrust violations. B4

◆ NATO plans to send three observers to Russia's Zapad military exercise but said Moscow's invitation fell short of obligations. A8

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Refining Shutdown Reverberates

Record flooding from Harvey is straining the global superhighway of the energy trade

By CHRISTOPHER M. MATTHEWS AND ALISON SIDER

Tropical Storm Harvey's crippling of Gulf Coast refineries, ports and pipelines is being felt across the country and even globally, a result of a U.S. energy boom that has made the country and the world increasingly reliant on Texas.

Harvey shut down a third Gulf Coast refining center Wednesday, and is knocking on the door of a fourth. More than a dozen refineries are affected—including the country's two biggest, Saudi Arabian Oil Co.'s Motiva facility in Port Arthur and Exxon Mobil Corp.'s Baytown facility—cumulatively representing more than 30% of U.S. refining capacity, according to IHS Markit.

More than 3 million barrels a day of refining capacity in Texas remained shut Wednesday morning, according to an-

alysts, more than Brazil's daily national consumption of petroleum products. Three shuttered refineries said on Wednesday they were either starting up or planning to start up again.

Port closures are compounding the refineries' woes. Port Houston has warned shippers it is likely to be closed to large vessels at least through

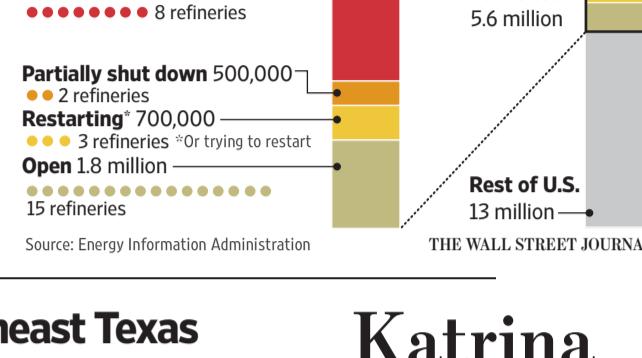
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◆ Struggling hospitals brace for wave of new patients..... A4
◆ Need for federal funds may top amount for Katrina..... A4

Lone Star Slowdown

Harvey has shut down a sizable portion of oil activity in Texas, which makes up nearly a third of U.S. refining capacity.

Texas refinery capacity as of Wednesday



'Worst Is Not Yet Over' as Floodwaters Spread in Southeast Texas

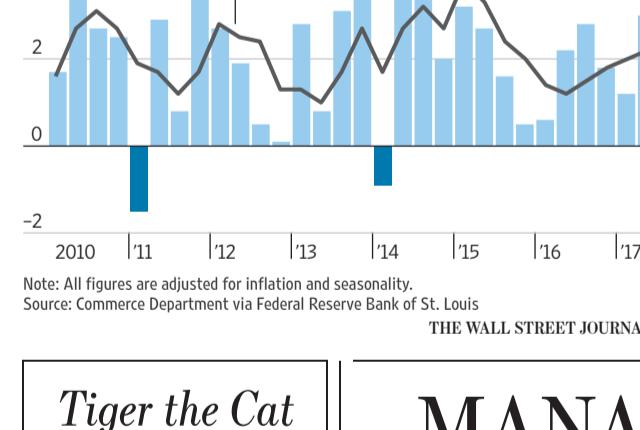


BEULAH JOHNSON/ASSOCIATED PRESS
Evacuees sat in the bleachers at the Bowers Civic Center in the Texas city of Port Arthur on Wednesday, after floodwaters from Tropical Storm Harvey inundated the shelter overnight. Texas Gov. Greg Abbott forecast federal funding needs are 'far in excess' of \$125 billion. A4, A6

U.S. Growth Gained Steam

The U.S. economy expanded at its most robust pace in more than two years in the second quarter, according to revised figures. A2

Quarterly change in U.S. GDP at an annualized rate



Cadillac Surges—in China

By MIKE COLIAS

SHANGHAI—Of all the world's booming premium-car companies, the biggest surge is happening for a brand many Americans long passed by.

Cadillac sales are growing at the fastest clip since the Reagan administration. The buyers are half a world away, in a place where it's supposed to be hard for U.S. companies to sell.

Shanghai entrepreneur Zhenyu He sees Cadillacs as a symbol of American grandeur. A calendar of vintage Caddys pinned to the wall of his boyhood bedroom inspired his recent purchase, a \$120,000 metallic-black Cadillac CT6 with night-vision

mode and an air ionizer.

"It sets me apart and represents American heritage," said Mr. Zhenyu, 40 years old, most of whose friends drive BMWs.

Cadillac's global sales this year through July were up 23%, beating its premium-car peers.

In China, the world's biggest auto market and site of one of every four sales, Cadillac through July sold 69% more vehicles than a year earlier. It was the first time Cadillac sold more vehicles abroad than at home.

By tripling its China sales in five years, Cadillac has vaulted past Lexus, Land Rover and Volvo to become the country's No. 4 luxury player, according to research firm LMC Automotive.

Cadillac remains far behind the leading premium brands, in China as elsewhere. Chinese luxury-car buyers flock overwhelmingly to a mighty trio from Germany, so prominent the car-conscious call them simply "B-B-A": BMW, Benz and Audi.

One issue for parent General Motors Co. has been that executives, frustrated by Cadillac's years of U.S. slippage and failure to gain traction in Europe, haven't invested in their luxury brand with the same gusto as rivals Daimler AG and BMW AG.

The recent success in China is starting to change the equation.

Under Cadillac President Johnson de Nysschen, the division is

Please see SURGE page A2

Tiger the Cat Finds a Home At Sing Sing * * * * *

Strays bring joy to inmates, but new arrivals are scarce

By CORINNE RAMEY

Tiger, a pudgy orange tabby, broke into a maximum-security prison in Westchester County about a decade ago.

Now, he turns his nose up at tuna from the mess hall, but will gladly chow down on tinned tuna inmates buy for him at the commissary. While men lift weights outside, he meanders through the yard, supervising from the picnic table or rubbing up against their legs.

"I think this is the best thing that ever happened to him," said one inmate, of the cat's living situation. "He has a family."

Tiger's family is an 80-man cell block at Sing Sing Correc-

Please see CAT page A10

MANAFORT'S RUSSIAN PATRON

Ex-Trump campaign chairman's work often connected to Oleg Deripaska

By BRETT FORREST

Paul Manafort's political-consulting firm was active for more than a decade doing work that often dovetailed with Russian political interests not only in Ukraine, but also in Georgia and Montenegro, other countries the Kremlin considered to be in its sphere of influence.

A Wall Street Journal examination shows these efforts were broader in scope and ambition, and took place for longer, than previously reported—starting in 2004 and continuing through 2015.

They often involved one principal figure, Russian oli-

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

New Criticism of Mergers Draws Skeptics


Corporate America is getting more concentrated. The country's largest internet retailer just acquired its largest stand-alone organic grocer, and two of its largest aviation-parts makers plan to merge. From health insurance to internet search, fewer companies control more of their markets.

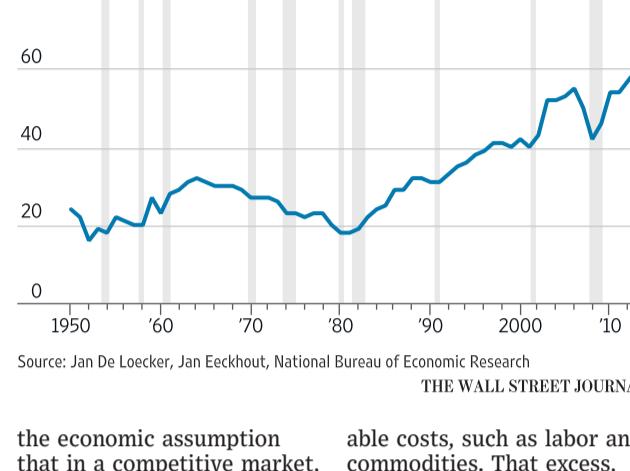
That can be good: size and scale can enable companies to reduce costs, invest in better products and compete globally. But a provocative new study concludes the opposite. It found that in recent decades a lack of competition has driven up prices, hurting U.S. growth, wages and labor-force participation.

The study is causing a stir among economists, some of whom are skeptical of its conclusions. Yet its basic finding is eye-opening.

In the study, Jan De Loecker of Belgium's University of Leuven and Jan Eeckhout of University College London start from

More Power to Them

The 'markup' that companies can charge over their marginal cost has risen steadily, potentially a sign of declining competitive forces that keep prices in check.



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the economic assumption that in a competitive market, a company can't charge much more for a product than the cost of making one more (what economists call the "marginal cost"). If it did, another company would swoop in and undercut it.

The authors analyze data on every publicly traded company in the U.S. back to 1950 to determine how much its revenue exceeded its vari-

able costs, such as labor and commodities. That excess, what they call the markup of price over marginal cost, fluctuated between 16% and 32% until 1982 and has since climbed steadily, to 67%.

This, they say, is proof that companies are increasingly able to exert "market power," that is, charge higher prices so as to boost profits at the expense of consumers.

Other studies have come

to similar conclusions. One by former President Barack Obama's Council of Economic Advisers found return on capital had become astronomical for the most profitable publicly traded companies, which shouldn't be possible if competitors could freely enter their market.

The latest study goes even further, arguing the prevalence of market power helps explain deeper economic maladies. A company with such power often restricts production to prop up prices and profits. Messrs. De Loecker and Eeckhout argue this reduces demand for labor and thus explains why wages for low-skilled workers have stagnated in recent decades. Lower wages also discourage people from working. They add that markups may be evidence of barriers to entry by new competitors, which is corroborated by slumping business startup rates.

The paper's audacious claims have attracted widespread attention. But some of its claims invite skepticism. Ample evidence already links depressed wages to globalization, weaker unions

and the demand for skills. Growth has been weak globally since 2009 and seems due mostly to aging and repairing the damage of the financial crisis. The link to market power thus far appears mostly circumstantial.

By focusing on variable costs the authors may underestimate how companies' fixed costs have risen, to pay for things such as software, computers, research and development and marketing.

Tyler Cowen, a blogger and economist at George Mason University, writes that this might lead to more "monopolistic competition," i.e., a handful of companies, each of which exercises some market power, without generating excessive profits because these companies have to invest so much. The study's authors say profits have risen, but Mr. Cowen disputes their data.

One example of this is banks that now spend more on information technology to manage risks and to design and market products rather than on branches. This favors large banks that can

spread those costs over many more customers. Cars, meantime, increasingly contain software that is costly to develop but almost costless to reproduce.

The question for trust busters is whether this move toward companies with higher fixed costs and more market power is benign or malign.

Last week, the Federal Trade Commission blessed Amazon.com Inc.'s purchase of Whole Foods Market Inc., no surprise since the combined company would control only a small slice of the grocery market. And Amazon, whose profit margins are infamously thin anyway, immediately cut prices on dozens of items—a move sure to depress rather than raise markups.

Critics worry that once Amazon has eliminated its competitors, it will be free to jack up prices or squeeze suppliers. Yet the very thing that in theory makes that possible, Amazon's size, also justifies the investments in technology and real estate that make its offerings so irresistible to customers and difficult for competitors to match.

U.S. WATCH

EDUCATION DEPARTMENT

Ex-DeVry Official To Lead Enforcement

The U.S. Department of Education hired former DeVry University administrator Julian Schmoke to lead its enforcement unit.

Mr. Schmoke served for four years as associate program dean for DeVry's college of engineering and information sciences, according to his LinkedIn profile, and left that school in 2012.

Earlier this month, he left his job as executive director of campus operations at West Georgia Technical College, a two-year public institution. He couldn't be reached to comment.

The Education Department's Student Aid Enforcement Office has been focused mainly on for-profit colleges. DeVry has faced scrutiny for its marketing practices in recent years.

Mr. Schmoke's appointment was met with criticism by Democrats in Congress, who have accused the Education Department under the Trump administration of being soft on for-profit colleges.

—Melissa Korn

AFFORDABLE CARE ACT

State Exchanges Ask To Keep Subsidies

Leaders of a dozen state-run health insurance exchanges threw their support Wednesday behind congressional efforts to bolster the individual insurance markets while giving states more leeway over implementing the Affordable Care Act.

They warned in a letter that premiums would continue to climb, and state budgets would suffer, if the federal government didn't commit to preserving payments to insurers that offset out-of-pocket costs for some consumers, and if states didn't get more flexibility.

The letter offered support to Sens. Lamar Alexander (R., Tenn.), the committee chairman, and Patty Murray (D., Wash.), its top Democrat, for a proposal to bolster the individual markets by extending the "cost-sharing reduction" payments to insurers for at least a year. The bill would also likely include changes sought by the GOP, such as more state flexibility over parts of the ACA's implementation.

—Stephanie Armour

Economy Picked Up Spring Steam

BY BEN LEUBSDORF

WASHINGTON—The economy expanded at its most robust pace in more than two years in the spring and appears to have momentum going into the second half of the year, supported by consumer spending and a pickup in business investment.

Gross domestic product, a broad measure of the goods and services produced across the U.S., rose at a seasonally and inflation-adjusted annual rate of 3% in the second quarter, the Commerce Department said Wednesday. That was the strongest quarter in more than two years, and some forecasters expect growth will remain around that pace in the third quarter.

Since the recession ended in mid-2009, economic growth has fluctuated from quarter to quarter while averaging a little more than 2% a year. It is far from clear that a sustained breakout from that pace was building as the expansion entered its ninth year; similar past accelerations have proved fleeting. But some promising trends are under way, including

The GDP reading partly reflected stronger business investment.

a global pickup in growth supporting exports, rising employment supporting household income and spending, and robust corporate profits and confidence, supporting investment.

For now, at least, there is little sign of an imminent downturn.

"Typically in a business expansion, you would see growth start to arc downward as we get later into the cycle," said Ellen Zentner, chief U.S. economist at Morgan Stanley. But so far, she said, the pace of growth has remained steady.

Wednesday's report was an upgrade from the 2.6% GDP growth pace the government reported last month based on less-complete data. The upward revision reflected stronger household and business spending, offset in part by a sharper pullback in outlays by state and local governments.

Hitting 3% growth was notable because President Donald Trump has said he wants to lift annual economic growth above 3% in a sustained fashion by rolling back regulations, overhauling the tax code and

enacting other policy changes.

"We just announced that we hit 3% in GDP. It just came out," Mr. Trump said Wednesday during an event in Springfield, Mo., referring to the quarterly figures released by the Commerce Department. "And on a yearly basis, as you know, the last administration during an eight-year period never hit 3%. So we're really on our way."

The quarterly GDP growth rate was above 3% eight times during former President Barack Obama's eight years in office. GDP growth exceeded 3% in four quarters on a year-over-year basis, though it never grew 3% over a calendar year.

Consumer, business and investor optimism have all jumped since Mr. Trump's election last year. Other forces supporting U.S. economic activity were under way well before Mr. Trump took office, including the falling unemployment rate, stabilization in oil prices and an upswing in global growth.

Many forecasters expect economic growth will remain modest in the coming years.

—Sarah Chaney contributed to this article.

SURGE

Continued from Page One
spending \$12 billion over five years for such projects as developing electric cars and fleshing out a skimpy model lineup. Up against Silicon Valley firms investing in moonshot automotive technologies, Cadillac says it is close to releasing a semiautonomous system that allows drivers to take their hands off the wheel for extended periods.

"We need the China volume to make all of these investments work," Mr. de Nysschen said in a recent interview.

GM, in turn, needs Cadillac to work. For auto makers, luxury models are the most profitable. Industrywide, premium models account for just a tenth of vehicles sold but 35% of profits. The parent company wants to boost its operating margin globally to 10% over the coming years, from 7.5% last year, hard to do without success in luxury vehicles.

Mr. de Nysschen has emphasized brand image, even if it means sacrificing market share and cutting into dealers' sales. Cadillac started shipping dealers fewer cars and grew stingier with sales incentives, which don't square with the image of a luxury brand.

Determined to elevate customer service, he has enforced strict new brand standards, requiring larger dealers to invest in costly extras such as roadside assistance. The strategy has pushed Cadillac's average transaction price in the U.S. steadily higher since he arrived, to about \$54,000 in the first half of this year, second only to Mercedes, according to **J.D. Power**.

Mr. de Nysschen, 57, has



QILAI SHEN FOR THE WALL STREET JOURNAL

Zhenyu He of Shanghai says his Cadillac CT6 'sets me apart and represents American heritage.'

spent much of his time at GM preaching that Cadillac must adopt a luxury mind-set to differentiate itself from the rest of the company's brands.

One thing holding Cadillac back was that GM hadn't populated its portfolio with cross-over SUVs—sport-utility vehicles built on a car rather than truck chassis—leaving Cadillac sedan-heavy during a drop in demand for cars in the U.S. That predicament left Cadillac bleeding market share during a boom in U.S. vehicle sales.

What was a problem for the U.S., though, wasn't in China, where sedans remain popular. There, personal ownership of cars caught on just a few decades ago. The century of auto history that imbued Americans with images of the various car brands and where they fit into self-image is absent in China.

"There is no Chinese person whose grandfather owned a Cadillac," said Uwe Ellinghaus,

marketing chief of the brand.

In the U.S., the average age of Cadillac buyers hovers around 60. In China, it is the mid-30s.

Cadillac began in 1902, when a company that had been run by Henry Ford took a new name in honor of Antoine de la Mothe Cadillac, a French explorer who founded Detroit. GM, also not very old, acquired Cadillac in 1909. Its decades of prestige started eroding in the 1980s as engineers began such money-saving techniques as building Cadillacs on the same underpinnings as Oldsmobiles.

By the late 1990s, as Cadillac was losing ground to Lexus and premium German brands, GM sought to boost the growth of its mainstream marques through a joint venture with China's largest auto maker, state-owned SAIC Motor Corp. Today, GM jointly operates 17 assembly plants in China and, with Buick as its main brand, vies with Volkswagen AG for the

sales lead.

In 2004, the venture began selling imported Cadillacs. An ad featured a female fighter pilot chasing Cadillacs through the desert as the voice said, "Cadillac: Dare to be the first."

Kevin Wale, GM's top executive in China from 2005 to 2012, says it took a long time to persuade Detroit to give Cadillacs a small, four-cylinder engine, which appealed to Chinese for tax reasons but struck some Detroit executives as blasphemous.

GM was also slow to add extra creature comforts such as the rear-seat TV screens favored by Chinese luxury-car owners, who often are chauffeured. Cadillac offered a \$93,000 model with rear massage seats in 2006, but it turned out there was a bigger problem. Cadillac had introduced a new styling theme, a mix of sharp edges, blocky forms and blade-like headlamps and taillamps. It wasn't well received in China.

"Chinese premium consumers care about how people view them," said Yale Zhang, managing director of **Automotive Foresight**, a consultancy. "If the car looks so much different from B-B-A, they won't get accepted from their friends." SAIC eventually asserted itself with nudges to soften the styling, one former GM executive said.

Cadillac these days adapts more carefully to Chinese tastes. The CT6 model owned by Mr. Zhenyu, the Shanghai entrepreneur, has a plush rear seat with dual high-definition TV screens that retract into the headrests.

Until a few years ago, most Cadillacs sold in China faced a 25% tariff imposed on imported vehicles. Now, 90% are built in Shanghai, mostly at a recently opened \$1.3 billion GM factory, the company's most advanced assembly plant.

Inside, young Chinese workers in blue pants and white-collar shirts pick parts from automated carts that roam the floor. Huge robots

laser-weld them. A web-like conveyor system ferries components below ground before they pop up on the assembly line at just the right moment.

Local production has made it possible for Cadillac to price its vehicles a little below the German big three. Cadillac also has opened hundreds of dealerships in recent years, under a strategy that predated Mr. de Nysschen.

Inside one bright dealership in Shanghai, framed photos of U.S. presidents and their Caddy limos adorn the walls. Inscribed above in Chinese characters is a definition of Cadillac: "Something that is the most outstanding or prestigious of its kind."

CORRECTIONS & AMPLIFICATIONS

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U.S. NEWS

Voters Urge Lawmakers To Work Together

BY BYRON TAU

SIBLEY, Iowa—On a swing through western Iowa this week, U.S. Sen. Chuck Grassley told constituents he is committed to working in a bipartisan way when Congress returns next month to provide storm relief, stabilize the health-care system and fund the government without drama.

It is a message that has resonated with many voters as Mr. Grassley tours the state during Congress's August recess. It comes as President Donald Trump, a fellow Republican, has criticized lawmakers in his own party and said this month that he is willing to risk a government shutdown if the GOP-controlled Congress declines to appropriate money for additional border fencing between the U.S. and Mexico.

"There's a reason that Congress has such a low approval rating. The view is they don't do anything because they don't talk to each other," said John Daniels, 68, owner of a radio station in Sibley, where Mr. Grassley held a constituent meeting. "They've got to put the ultimatums aside."

Other lawmakers around the country have been greeted with similar appeals to those that Mr. Grassley heard this week about easing gridlock and making the government work. Whether that will lead to a fresh wave of bipartisanship remains to be seen as Congress gets back to work in September.

Mr. Grassley, the state's senior senator who has been serving since 1981, said he was

'There's a reason that Congress has such a low approval rating.'

committed to delivering emergency aid to Texas after it was ravaged this week by a hurricane. He distanced himself from Mr. Trump's recent decision to ban transgender soldiers from serving in the military, saying anyone who met the physical requirements should be allowed to serve.

He said he was encouraged by a bipartisan Senate bill aimed at trying to stabilize the Affordable Care Act's insurance markets, a contrast to Mr. Trump's warnings that he might withhold payments that insurers say they need to offer policies under the law. And Mr. Grassley urged Mr. Trump not to do anything to precipitate a shutdown of the federal government.

"I believe that if the president is thinking about shutting down the government, that's a wrong thing to do. It cost money to shut down the government," he said.

A White House spokeswoman didn't respond to a request to comment.

Mr. Grassley rejected suggestions that a major split was developing between GOP lawmakers and the president. He also said lawmakers on both sides of the aisle could work together, as well, on big issues.

Trump Champions Tax Overhaul

By MICHAEL C. BENDER
AND RICHARD RUBIN

SPRINGFIELD, Mo.—President Donald Trump called on Congress to approve a steep cut in corporate tax rates and simplify the U.S. tax system, urging bipartisan support for a tax plan congressional Republicans are sketching out.

Mr. Trump's remarks were a broad-brush opening pitch for the major tax bill that Republicans aim to pass ahead of the 2018 midterm elections.

Republicans have support from U.S. corporations and a desire to rack up a major legislative victory, but they have little backing from Democrats and must grapple with the competing factions and interest groups that have bedeviled previous tax proposals.

Mr. Trump, a Republican, said he wants to lower business-tax rates to 15% and make it easier for companies to repatriate foreign profits, saying the moves will boost the middle class. But he offered few other details in a 35-minute speech that laid out general principles and flaws in the current system.

The president outlined broad goals to make tax filing easier and lower tax rates on corporations and individuals. He also said he wants to eliminate loopholes that benefit the wealthiest in the nation, though he hasn't offered many specifics beyond repealing the deduction for state and local taxes.

"If we want to renew our prosperity and to restore opportunity then we must reduce

the tax burden on our companies and our workers," Mr. Trump said.

The president said he picked the Midwestern town for the speech because of its proximity to historic Route 66, a symbol of American middle-class prosperity and culture.

Mr. Trump called for the tax plan to be bipartisan and some of the core principles he laid out would appeal to Democrats, including simplification, assistance for middle-class families and economic growth.

Although the president has called for doubling the standard deduction, the administration's vagueness on other tax provisions important to middle-income households makes it hard to calculate how a typical family would benefit;

he didn't offer any such details on Wednesday.

Indeed, Mr. Trump's plans to lower business taxes significantly, lower individual tax rates for high-income households and repeal the estate tax have found little support among Democrats. Some Democrats called his speech deceptive and vague.

"Tax reform should not increase the tax burden on the middle class and there should not be any tax cut for the wealthiest 1% of Americans, period. Not one penny of tax cuts," for the top 1%, Sen. Chuck Schumer of New York, the chamber's Democratic leader, said Wednesday. "It's middle-class Americans, not those in the 1%, that deserve tax relief."

Congress returns next week

from its August recess, and over the next few weeks, Ways and Means Republicans who have been talking about tax policy for years will start making decisions and then attempt to get the bill passed, said Rep. Peter Roskam of Illinois, a senior committee member.

"There's no way you're going to do that without the direct involvement of the president of the United States," said Mr. Roskam, a Republican, in an interview Wednesday. "It's helpful if the president uses the office for that focal point over an extended period of time."

—Peter Nicholas
and Kristina Peterson
contributed to this article.

◆ Tax plan raises red flag for bond market B10

Parents Find Cheaper Medical-Research Path

By AMY DOCKSER MARCUS

Parents of children with rare diseases, faced with costly medical research, are creating an ecosystem of online experts and resources that allow families of any economic means to launch their own initiatives at a discount.

After Luke Rosen's 3-year-old daughter, Susannah, was diagnosed with a rare genetic condition, for example, he wanted to do what many parents have done—help accelerate the search for a treatment.

Mr. Rosen, an actor who doesn't have a science background, quickly learned many of the steps needed to build a research program that would help Susannah and others with KIF1A-related disorder, a neurodegenerative condition that causes some children to lose the ability to walk and speak.

Among them: set up a foundation; find scientists willing to do research; create mouse "models," animals with disease-causing mutations for use in research; establish a patient registry and a biobank for patients' blood and tissue.

The high costs involved—Mr. Rosen made a rough calculation that they needed \$250,000 to get started—are creating a network of parents of any economic means to launch their own research initiatives at a discount.

"We always tell people, getting started is free," said Ron Bartek, who, with his wife, Raychel, founded the Friedreich's Ataxia Research Alliance (FARA). Raychel's son from a previous marriage, Keith Andrus, died from the disease, which damages the nervous system. The alliance was created approximately 11 years before his death.



Susannah Rosen, 3. She was diagnosed with a KIF1A disorder, a rare condition in which children lose the ability to speak and walk.

Mr. Bartek and other advocates running disease foundations have been working since early 2016 with the National Center for Advancing Translational Sciences (Ncats), part of the National Institutes of Health. They had been fielding inquiries from parents and other individuals who wanted to pursue drug development but had no idea how. With Ncats, they created an online portal that will launch in September, offering links to free webinars, inexpensive ways to develop resources and advice on how to advance research.

When Mr. Bartek and his wife set up FARA, he said the foundation had no money to spend. Mr. Bartek gave a presentation about the disease to members of his Rotary Club, one of whom was the dean at a local community college with an information-technology department.

At the Hugh Kaul Personalized Medicine Institute at the University of Alabama at Birmingham School of Medicine, Director Matt Might says one main task is to create a menu of services to help families and patients advance research. Dr. Might draws on his experience helping his son, who has a rare genetic condition, NGLY1 deficiency, a neurological syndrome.

He says parents often think they need to pursue everything at once and may not always realize there are less expensive research options. For example, for some people with mutations in genes that are also found in less-complex organisms such as yeast, it is far cheaper to screen potential drugs than to develop a mouse model; a yeast screen can be done for less than \$10,000, Dr. Might says.

Mr. Rosen says he and his wife, Sally Jackson, an assistant to a chef, have relied on free services to help put together a research program to find treat-

ments for KIF1A-related disorder. There are approximately 100 people worldwide with known KIF1A gene mutations, according to Wendy K. Chung, director of the clinical-genetics program at Columbia University.

Mr. Rosen took free webinars offered by Global Genes, a rare-disease advocacy group. To identify more patients with the KIF1A mutation, Mr. Rosen wrote a piece in "The Mighty," an online community of people with health conditions, describing the obstacles facing families who need gene sequencing, which determines the order of the building blocks in an individual's DNA, but whose insur-

ance doesn't cover it.

There are limitations to what can be accomplished without fully funded research. Anne Pariser, deputy director of the Office of Rare Diseases Research at NCATS, the sponsor of the online portal project, says there are so many rare diseases—more than 7,000—that resources are inevitably stretched thin. While parents and advocates make a big difference, Dr. Pariser says, "there is no getting around the fact that research in all its forms cost money."

◆ Novartis defends price for cancer therapy B1



Sally Jackson, left, holding daughter Susannah in physical therapy.



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Judge Blocks Texas Law on Sanctuary Cities

By ALICIA A. CALDWELL

A federal judge in Texas has temporarily blocked most of a sweeping state immigration law designed to crack down on so-called sanctuary cities, less than two days before the measure was to go into effect.

U.S. District Judge Orlando Garcia in San Antonio said in a 94-page ruling issued Wednesday evening that much of the law is unconstitutional.

The law, which had been set to take effect Friday, would block municipalities and police agencies from adopting policies that limit cooperation with federal immigration authorities.

It also includes provisions that impose criminal penalties, including jail sentences, against police and sheriffs who don't comply with requests from U.S. Immigration and Customs Enforcement.

ment officials to detain illegal immigrants in local jails.

The measure was passed by the Republican-controlled legislature and signed by Gov. Greg Abbott in May.

Mr. Abbott, a Republican, said Wednesday that Judge Garcia's ruling "makes Texas less safe."

"Because of this ruling, gang members and dangerous criminals, like those who have been released by the Travis County sheriff, will be set free to prey upon our communities," he said.

The League of United Latin American Citizens challenged the Texas law in May on behalf of the city of El Cenizo, a small and largely Hispanic border town. Several other jurisdictions, including the state's four largest cities—San Antonio, Austin, Houston and Dallas—joined the case.

Travis County Sheriff Sally Hernandez, a Democrat who ordered her department to stop detaining illegal immigrants for federal immigration

authorities, said Wednesday that "local communities are safer and stronger when justice and security are a reality, not for some, but for all."

The ruling temporarily blocks provisions of the law that allow for disciplinary action against law-enforcement officials who don't comply with federal requests to detain illegal immigrants.

It also halts a provision that would prevent municipalities or police agencies from crafting policies that limit cooperation with federal immigration agents and endorsing such policies.

The Texas law was passed amid a push from the Trump administration to crack down on sanctuary cities. The Justice Department has threatened to block grant funding to jurisdictions that don't comply with the detention requests.

HARVEY'S DESTRUCTION



A man was helped into a garbage truck as he evacuated from the Walker's Mark Townhomes in Houston on Wednesday.

Aid Needs May Top Katrina

Texas governor says federal funding for repairs could be more than \$125 billion

Hurricane Harvey left a rising number of deaths and a widening path of destruction in Texas, where Gov. Greg Abbott forecast federal funding needs are "far in excess" of \$125 billion, topping Hurricane Katrina.

By Erin Ailworth,
Ben Kesling
and Jon Kamp

Mr. Abbott said he expects the congressional appropriation needed for restoration will be larger than the roughly \$120 billion provided to New Orleans after Katrina.

"The worst is not yet over for Southeast Texas as far as the rain is concerned," he said, referring to a region that includes the cities of Beaumont and Port Arthur, where more than 2 feet of rain fell in just 24 hours as Harvey neared land again.

Harvey-related payouts by private-sector insurers are expected to exceed \$10 billion and possibly hit \$20 billion, according to Wall Street analysts. The wide range reflects the many unprecedented aspects of the still-unfolding disaster.

At the top end of that range, it would near the cost of superstorm Sandy in 2012, according to the trade group Insurance Information Institute, but trail Hurricane Andrew in 1992 and Hurricane Katrina in 2005, which cost the insurance industry \$49.79 billion in 2016 dollars.

Mr. Abbott said he expects "ongoing challenges" with flooding for the next four days to a week even though flood-

Stores Struggle to Provide the Basics

HOUSTON—The sun came out over this drenched city early Wednesday, which brought out throngs of people clamoring for groceries, gasoline and other supplies, even as continued flooding shut down roads.

Many people spent the day in a fruitless search for essentials, as stores remained closed due to flooding or power outages. But some bigger stores, like Wal-Mart, were starting to get back to business.

Retailers are struggling to meet the need. Harvey is slated to cause \$1 billion in lost sales for retailers, according to an estimate by the Planalytics weather analytics firm.

A spokeswoman for HEB, a large grocer in Texas, said the company was using helicopters to airlift employees to help get

deliveries into affected stores. "We are diligently working on deliveries and are in a strong position to restock quickly," she said.

A Kroger Co. spokeswoman said the companies has dispatched trucks from distribution centers across the country and "stores are actively being restocked." At 115 stores, Houston is Kroger's third-largest market. "They are reopening with limited quantities of goods," she said.

Wal-Mart Stores Inc. is reopening many stores in the Houston area, some on a limited basis, and trucks are coming from across the country to restock shelves, said Todd Manley a regional vice president for Wal-Mart in Texas.

Around 22 Wal-Marts, Sam's Clubs and warehouses in the storm-affected area were closed Wednesday, down from 134 Tuesday, the company said.

—Heather Haddon
and Sarah Nassauer

waters are receding in the Houston area.

More than 50 inches of rain have created a complex, chaotic and dangerous drainage system, with churning waters rising into neighborhoods that had been spared for days and where neighbors had hoped the worst was over.

"It's been a trying experience," said Curtis Brown, 65, who walked about two hours from his house in Houston's Frenchtown neighborhood to the city's convention center that is swelling with 10,000 evacuees. His house flooded three days ago with about a foot of water, but Wednesday was the first day he could get out. "It's tough but those are the realities," he said.

Harris County, which includes Houston, has now con-

firmed 18 fatalities linked to Hurricane Harvey, the medical examiner's office announced Wednesday night, which brings the tally of confirmed storm-related deaths in the state to at least 29. There are more under investigation, including an additional eight deaths in Harris County that may be connected to the storm, but are still awaiting autopsy, according to the Harris County Institute of Forensic Sciences. An exact death toll has been difficult to compile because state officials haven't been releasing a statewide tally.

The death toll includes a mother who rescuers pulled out of a current alongside her surviving daughter and four children who died in a van with their great-grandpar-

ents.

While Harris County officials said flooding peaked, the receding waters uncovered tragedies. About 20 miles east of downtown, authorities found the van with the children, which had been swept off the road in floodwaters several days ago. "Our worst fears have been realized," said Harris County Sheriff Ed Gonzalez.

More than 24,000 National Guard members are being mobilized into a region of destruction. State officials said they could remain activated for months and it would be the largest deployment in state history. More than 32,000 people were in emergency shelters on Wednesday morning, and another 5,000 people were staying at state parks in cabins, shelters and trailers, said state officials.

The USS Kearsarge will be somewhere off the coast of Texas and Louisiana, a U.S. defense official said. The length of deployment hasn't been determined, but it will be there "as long as needed" the official said.

Residents posted videos of helicopters hovering over Port Arthur, lowering rescue workers to aid residents of the city.

The deluge triggered a call for boats in the badly flooded city of about 55,000. "Harvey was not playing," Mayor Derrick Freeman said on Facebook. "I know one thing, though, it's not going to defeat us."

On Capitol Hill, lawmakers have broadly signaled willingness to approve emergency Harvey relief funding, but aides said Wednesday it is too early to know exactly how much would be needed while the tropical storm is still inflicting damage.

—Russell Gold, Leslie Scism,
and Kristina Peterson
contributed to this article.

ENERGY

Continued from Page One

Saturday. U.S. Coast Guard officials say it could be weeks before large container ships and oil tankers can safely navigate the Houston Ship Channel leading into the port, the second busiest in the U.S. by tonnage, and a U.S. Customs and Border Protection official said Tuesday that Houston's port will likely be closed to large ships "for the foreseeable future."

The flood's fallout also broadened to include the risk of an explosion at an industrial chemical manufacturer, Arkema, 25 miles northeast of Houston. After evacuating the site Tuesday and urging residents within a mile-and-a-half radius of the plant to leave the area, the company said Wednesday that it has "no way to prevent" a potentially large explosion and fire, after flooding led to a refrigeration failure for material that could explode if not kept cold.

Harvey could do some \$10 billion in damage to infrastructure in the Houston area, a significant portion of it tied to energy, according to Adam Kamins, an economist for Moody's Analytics. Businesses,

including energy companies, could also lose as much as \$10 billion in economic output, he said.

The halting of refinery operations is leading gasoline and other fuel prices to rise sharply, especially in the Gulf Coast region, and as shortfalls ripple into the markets that get fuel from the Gulf, the impact is likely to radiate throughout the country. Shortages were projected to show up from Austin to Atlanta to Chicago, analysts said.

While some gas stations around Texas are already re-

porting shortages and some bouts of panic-buying, fuel prices rose across the country anywhere from 5 to 30 cents a gallon, depending on the city, according to several analysts.

Record flooding has also strained the pipelines, fuel racks and trucking routes that comprise the logistical network that gets fuel from refineries to corner filling stations.

Colonial Pipeline Co. expects to shut down its 5,500 mile pipeline from Houston to New Jersey by Thursday, and fuel wholesaler Mansfield Oil Co. said supplies will likely be

tight as far away as Maryland.

"Basically a third of the country more or less is going to be affected," said Mark Andrade, director of supply and trading at TAC Energy, a fuel marketer.

The shutdowns in Texas could also impact global markets, because of the much bigger role the U.S. now plays.

For years, hurricanes in the Gulf have disrupted U.S. supplies of crude oil and refined products, frequently driving up the price of domestic gasoline and crude. But the shale revolution has transformed

the U.S. into the world's largest exporter of refined products.

"Harvey is demonstrating how much more important and different both the risks and resilience of the Gulf are to the global energy system in the age of shale," said Jason Bordoff, director of the Center on Global Energy Policy at Columbia University.

The U.S. Gulf Coast has become an international fuel factory, exporting gasoline to Mexico and Brazil and diesel to Europe. While other countries, such as the U.K., can ship tankers full of gasoline to the U.S., now other countries that used to count on U.S. refineries will be bidding those cargo prices higher.

When hurricane Katrina struck in 2005, the U.S. was the largest importer of gasoline and other refined products. It is now the world's largest exporter of refined products. The U.S. is still a net importer of crude oil, but due to shale drilling, is expected to be the world's largest exporter of light-sweet crude into the next decade, potentially equal to Libya and Nigeria combined on a good day, according to Ed Morse, Citigroup's global head of commodities research.

As the U.S. begins exporting more liquefied natural gas in

coming years, hurricanes could have an even more profound impact on global energy supplies, Mr. Morse said. A glut of natural gas unlocked by shale drilling created a previously nonexistent LNG export trade in the U.S. The U.S. could export more than 12 billion cubic feet of LNG a day by 2030, according to the Energy Information Administration, up from 500 million cubic feet last year.

"The U.S. becoming a major supplier was supposed to reduce volatility," Mr. Morse said. "It actually adds volatility to the market."

Houston's port is believed to have sustained little damage from the storm itself. But vessels need the all-clear from the U.S. Coast Guard to access the Houston Ship Channel, which provides entry to the port and nearby energy complexes.

That could be days or even weeks away, as the Coast Guard must sweep the channel for debris and verify it is deep enough to handle big ships. And even if the port is able to receive ships, flooded roads and railroads could prevent dockworkers, trucks and trains from unloading them.

—Brian Baskin, Christopher Alessi and Lynn Cook contributed to this article.



Rainwater from Harvey surrounded oil-refinery storage tanks in Texas City, Texas, on Wednesday.

Strained Hospitals Brace for a Wave Of New Patients

BY MELANIE EVANS

Already strained hospitals that managed to remain open amid Tropical Storm Harvey's pounding rains and flooding are bracing for an influx of new patients as roadways begin to clear.

In Houston and along the Gulf Coast, 27 hospitals have either closed or evacuated some patients since Harvey made landfall as a Category 4 hurricane Friday, according to the Texas Department of State Health Services.

The closures are increasing the stress on remaining hospitals, which are steeling themselves for a surge in demand.

"We know what's coming," said Alex Loessin, a spokeswoman for Memorial Hermann Health System, which runs hospitals and clinics in the Houston area.

The health system on Tues-

day reopened two urgent-care centers in the Houston area to treat residents who have been cut off from medical care by flooding, with the hope it

would alleviate an expected rush to the health system's emergency rooms in the coming days, Ms. Loessin said. Memorial Hermann planned to open four more urgent-care centers Wednesday, she said.

Beyond the 27 hospitals that have closed or evacuated some patients, another 25 hospitals have reported storm-re-

lated problems that may leave them unable to accept new pa-

tients, said Darrell Pile, chief executive officer of the Southeast Texas Regional Advisory Council, which is coordinating disaster response across coun-

ties hit by the storm.

An estimated 1,500 patients along the Gulf Coast have been evacuated from hospitals as a result of Harvey, Mr. Pile said late Tuesday.

Houston hospitals owned by

HCA Healthcare Inc. said Tues-

day they would transfer two dozen patients to Dallas-area hospitals "due to rising water."

CHI St. Luke's Health com-

pleted its evacuation of hospi-

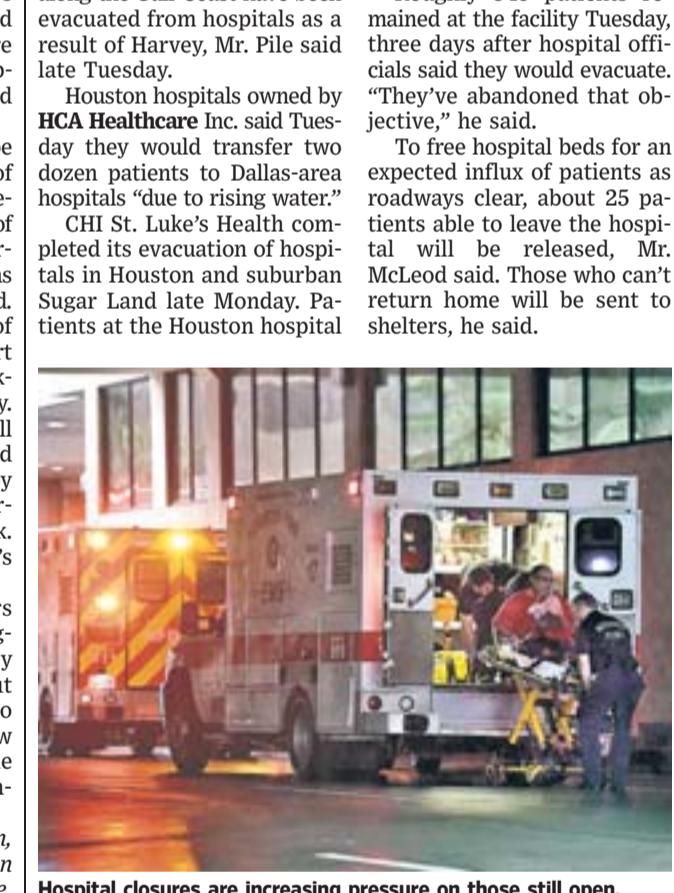
tals in Houston and suburban

Sugar Land late Monday. Pa-

tients at the Houston hospital

1,500

Estimated number of patients evacuated from hospitals



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HARVEY'S DESTRUCTION

City Is Equipped To Bounce Back

BY CHRISTOPHER M. MATTHEWS

Houston's economy will suffer a significant blow from Tropical Storm Harvey. But economists project that unlike New Orleans following Hurricane Katrina, the city's resurrection is nearly certain.

By some estimates, Harvey could be the most expensive U.S. storm ever. Kevin M. Simmons, a disaster economist at Austin College, estimated that \$145 billion in property is at risk of being damaged.

Hurricane Katrina is estimated to have cost about \$100 billion in property damage in 2005, the most costly storm in U.S. history to date.

But unlike New Orleans, the greater Houston area economy is better equipped to absorb the blow because of its size, diversity and prominence as the nation's energy hub.

Houston is the country's fourth-largest city by population and economic output, with 2.3 million people and a gross domestic product of more than \$503 billion in 2015, according

to the Department of Commerce, making it roughly the size of Sweden's economy.

At the time of Katrina, New Orleans had a population of roughly 450,000 and an economy largely dependent on tourism. After the storm, tens of thousands of people fled the city and never returned. Its population today is less than 400,000.

"New Orleans was hurt because people didn't come back," said James Richardson, an economics professor at Louisiana State University.

Mr. Richardson studied Katrina's effect on New Orleans and found it lost 190,000 jobs and employment fell by more than 30% from August to December 2005. "I would be surprised if there's a comparable net loss in Houston," he said.

Mr. Richardson said part of Houston's resilience lies in its diversified economy.

While the city has long been tied to the boom-bust cycle of the oil industry, it has diversified in recent years. Some 84% of Houston's econ-



Economists say Houston can absorb the blow from Harvey because of its size, diversity and prominence as the nation's energy hub.

omy was dependent on the oil-and-gas industry during the 1980s, according to data from the Dallas Federal Reserve. But that had dropped to

about 44% by 2016.

Houston boasts one of the largest medical centers in the world. Its health-care and education industries were the

city's largest employers as of 2014, according to a 2017 study by the Greater Houston Partnership, the region's chamber of commerce.

The region is also experiencing a petrochemical boom, with more than \$50 billion of capital investment projected to create thousands of jobs.

DAVID J. PHILLIP/ASSOCIATED PRESS

STORM

Continued from Page One

The woman lost her grip and was swept away. "It's like losing your mind all over again," Mr. McKinney said. "Watching death happen, losing everything again."

For many Katrina evacuees who ended up settling permanently in Houston, going through Harvey and its aftermath has been like reliving a nightmare—one that surfaced a familiar terror, as well as hard-won experience.

Katrina uprooted residents to cities across the U.S., but Houston received the largest share outside Louisiana. Of the 150,000 to 200,000 evacuees who initially arrived in Houston, as many as 40,000 re-

main, according to estimates by the New Orleans Association of Houston, a networking and support group.

Patricia McGinnis, 72 years old, escaped New Orleans with her family just days before the city's levees burst in Katrina's wake. She prepared methodically for Harvey, packing a suitcase and important documents. Outside her home, she stored makeshift sandbags for floodwaters.

"You can't let this kind of weather catch you sleeping," Ms. McGinnis said. She lives in a housing development in southwest Houston built for

Katrina evacuees in a collaboration between Oprah Winfrey and Habitat for Humanity. Ms. McGinnis also survived Hurricane Betsy in New Orleans, she said, hauled to safety in a canoe past floating bodies

during the 1965 disaster.

Across the street, Ms. McGinnis's daughter, Jamie Cunningham, 39, prepared for Harvey by stowing a pair of propane tanks and a filled gasoline tank on the porch. She propped a metal ladder against a wall in the living room in case rising waters forced her and her two children to the roof. "They've already been trained on how to get on the roof, what to do, how to hold on," she said.

In northwestern Houston, Terrence and Zeeda Veal, who fled together with their six children from Katrina in a crammed Ford Crown Victoria, also decided to ride out Harvey. On Monday afternoon, Mr. Veal, 35, said he watched nervously as floodwaters rose in the street and then submerged the family car in the driveway.

"We've got to go," Mr. Veal said, gathering his wife, two sons and one son's girlfriend. Mrs. Veal, who can't swim, felt terrified and helpless. "How am I going to help my children?" she recalled thinking.

Mr. Veal went outside in waist-deep water to look for help. He found several men with a canoe, and they helped board Mrs. Veal and her son's girlfriend. The rest of the family waded while the men towed the canoe.

The current fought the canoe, nearly tipping it, Mrs. Veal said, until they reached shallower water. A volunteer with a truck drove them to the nearby apartment of one of couple's daughters. They arrived to find a power outage and little food to share beyond bread, peanut butter and jelly.

As they hunkered down in the darkness, two of the Veals' sons arrived and said a 7-year-old boy in the complex was suffering an asthma attack in the stairwell. Mrs. Veal said she found the mother holding her boy, who was barely conscious, his mouth turning purple. Someone arrived with a truck to retrieve him and seek help.

"It was the most horrifying thing I've ever seen," said Mrs. Veal, who returned home Tuesday with her family. "I can't wait for this just to be over."

After watching the swift floodwaters swallow the woman at his apartment complex Monday, Mr. McKinney, 32, and the others headed to a second-floor unit nearby. The water continued to rise, and a group of about two dozen people

who had gathered there broke open a window to reach the roof.

Mr. McKinney's sister-in-law launched pleas for help, trying to reach 911, phoning friends and posting messages on social media. Eventually, she was connected to ABC's "Good Morning America" where she made a nationally televised request: "Please help us, I'm scared."

The group spent hours on the roof without food or water, until rescue boats arrived. Mr. McKinney and his family arrived at the George R. Brown Convention Center, joining thousands of others who found shelter there.

"It's like you're a refugee all over again," Mr. McKinney said Wednesday, as he drove back to his apartment to see what was left.

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WORLD NEWS

U.S. Strikes in Syria to Halt ISIS Evacuees

Actions aim to thwart deal made by Hezbollah to let fighters, families relocate to Iraqi border

The U.S. military on Wednesday carried out two airstrikes aimed at stopping hundreds of Islamic State militants evacuated from the Lebanese-Syrian border from relocating to an extremist stronghold in Syria near the border with Iraq.

By Nancy A. Youssef
in Washington and
Margherita Stancati
in Beirut

The first of the strikes came shortly after the U.S. criticized a deal brokered by the Lebanese militia Hezbollah that allowed hundreds of Islamic State militants and their families free passage out of an area straddling Syria's southwestern border with Lebanon near the Syrian town of Qarah. Their convoy left Monday and was headed to al-Bukamal, a town in eastern Syria's Deir Ezzour province very close to the Iraqi border.

"We created a crater. It was to block them so they could not continue on the road," a U.S. defense official said on Wednesday, adding the coalition didn't strike the buses because family members were present.

That airstrike, which also destroyed a bridge, took place after the convoy entered Deir Ezzour province, one of Islamic State's last strongholds in Syria, from territory controlled by the government of Syrian President Bashar al-Assad.

The U.S. Central Command said that within two hours of the first strike, it conducted a strike west of Deir Ezzour on a handful of logistical vehicles that were known to be affiliated with Islamic State. That strike may have killed Islamic State fighters, the U.S. military said.

"Irreconcilable #ISIS terrorists should be killed on the battlefield, not bused across #Syria to the Iraqi border without #Iraq's consent," Brett McGurk, U.S. President Donald Trump's special envoy for combating Islamic State, tweeted ahead of the airstrike. "Our @coalition will help ensure that these terrorists can never



A bus bearing the Islamic State group leaving Qarah on Monday.

enter #Iraq or escape from what remains of their dwindling 'caliphate.'

U.S. military officials said they would continue to closely watch those in the convoy, but wouldn't specify what action they would take. They could decide to gather intelligence on the group's movements and possibly take action against those confirmed to be Islamic State fighters. U.S. officials say they don't want the fighters to end up on the border of Iraq.

The direct military action to thwart a deal made by Hezbollah comes after the U.S. deliberately targeted the Syrian regime for the first time in April, when it launched nearly 60 Tomahawk missiles on a government air base in response to a chemical weapons attack that killed at least 85 people.

Since then U.S. fighter jets have downed an Iranian drone and a Syrian warplane over Syria. At the same time, however, Washington has signaled

it won't stand in the way of the Assad regime taking back territory U.S.-backed forces have wrested from Islamic State around its former stronghold of Raqqa.

Iraqi Prime Minister Haider al-Abadi, a U.S. ally, criticized the deal setting up the evacuation of Islamic State personnel.

"We consider it an insult to the Iraqi people. Moving this number of terrorists for such a long distance through Syria is unacceptable," Mr. Abadi told reporters on Tuesday night. "We are fighting terrorism in Iraq and we are killing them in Iraq. We don't send them to Syria."

U.S.-backed Iraqi forces are battling Islamic State, recently ousting the group from Mosul, Iraq's second-largest city, and the strategic town of Tal Afar near the Syrian border. Syrian government officials in the past have accused the U.S.-led coalition battling Islamic State of allowing some of the group's fighters to flee Mosul into Syria.

The Lebanese army this month launched a ground operation in the country's mountainous northeast to clear it of Islamic State militants who

controlled the territory for about three years. Syrian government forces and Hezbollah pressed a simultaneous but separate offensive from the Syrian side of the border.

The fighting stopped on Sunday after Hezbollah negotiated the cease-fire and evacuation agreement with Islamic State in return for information on the fate of nine Lebanese soldiers who were kidnapped by the group in 2014. Eight bodies believed to belong to the soldiers have since been retrieved by Lebanese authorities.

Hezbollah leader Hassan Nasrallah on Wednesday defended the agreement, saying it was necessary to establish what had happened to the missing soldiers.

"A comprehensive military solution was possible and easy, but we would have lost the cause [of trying to determine] the fate of the Lebanese soldiers," Mr. Nasrallah said in a statement. He also said the transfer of some 300 militants to Deir Ezzour wouldn't make a difference on the battlefield.

—Nour Alakraa in Berlin contributed to this article.

Kurdish Statehood Referendum Plan Alarms Iraq, U.S.

Ibrahim Mahmood has been waiting to return to his hometown of Zummar in Iraq's Kurdistan region since Kurdish militias kicked him out three years ago, early in the battle against Islamic State.

By Maria Abi-Habib
in Beirut and Ghassan Adnan in Baghdad

But a referendum on Kurdistan's independence—planned for next month and certain to pass—will likely dash the hopes for return. Mr. Mahmood shares with thousands of other Arabs displaced from the semiautonomous northern region during the latest war. American and Iraqi officials say they are worried the vote, hailed by Kurds as an exercise in democracy, will lead to the violent breakup of Iraq just as it is on the verge of expelling Islamic State.

"We will lose everything in this referendum," said Mr. Mahmood from a refugee camp in Baghdad, where he lives in a tent with his wife, three children and his brother's family.

"We thought the end of Islamic State in Mosul would be an end to this violence," the 32-year-old said. "But the Kurds are now making their demands. We need to take the defense of our people into our hands."

The referendum, set for Sept. 25, is an initiative of the Kurdistan Regional Government, which administers a semiautonomous region roughly the size of Ireland and home to some 5.2 million people. Since 1991 Kurdistan has enjoyed broad self-rule under the Iraqi constitution, with its



Kurdish people gathered this month in the city of Kirkuk in support of a plan to hold the vote.

own security forces and immigration controls.

While Washington and Baghdad oppose the independence vote even within that region, they have expressed particular alarm that it is to be held across the far broader, ethnically mixed swath of northern Iraq where Kurdish Peshmerga fighters played a key role in expelling the Sunni Arab extremists of Islamic State.

In three years of chaotic fighting, Peshmerga fighters have grabbed disputed territory from their Arab neighbors, human-rights groups and Iraqi officials say. The referendum, they say, would solidify demographic changes wrought by the conflict, feed longstanding grievances of the Sunni Arab community, and

possibly set off clashes between Kurds and Arabs over contested areas across four provinces.

Mr. Mahmood's hometown of Zummar has a recent history typical of many such disputed territories. Islamic State briefly controlled the town until U.S.-backed Peshmerga fighters expelled the group in August 2014. But then the Kurdish militia kicked out the town's Arab residents and laid claim to their homes, according to residents and human-rights groups.

The Kurdistan Regional Government, or KRG, denies that Kurdish forces forcefully displaced Arabs, and Majid Shigali a senior Kurdish member of Iraq's parliament, defended the referendum and the

ambition to make Kurdistan independent.

"We don't expect there to be any problems as all sides want to live in peace," Mr. Shigali said. "The only problem may surface is that of the disputed territories and in this case, we will craft a constitution to address it."

U.S. and Iraqi officials say disputes won't be easily resolved, particularly in the oil-rich province of Kirkuk, claimed by Kurds and Arabs alike. The Peshmerga seized the ethnically mixed city in northern Iraq in June 2014, after Iraq's army fled south as Islamic State blitzed across lands bordering Kurdistan.

"We oppose the referendum for a number of reasons," a se-

nior U.S. official said. "The key one is the potential for violence, particularly if it is held in disputed territories like Kirkuk with its ethnic mix and various forces."

Arab Iraqis accuse the KRG of taking advantage of Baghdad's preoccupation with fighting Islamic State to seize Kirkuk, where the regional authorities voted on Tuesday to take part in the referendum, over the protests of representatives from the Arab and Turkmen communities.

While optimism over the referendum runs high among many Kurds, an independent Kurdistan would face considerable financial challenges. Like the government in Baghdad, Kurdistan's government has a

cash-strapped economy heavily dependent on oil revenues, which hit historic lows this year.

The U.S. is concerned the referendum will break down the close cooperation between Kurdistan's government and Baghdad, an alliance that has been crucial to defeating Islamic State.

U.S. officials are appealing to KRG President Masoud Barzani to scuttle the vote, partly out of fear that further instability in Iraq would ripple across a region already in upheaval. Turkey worries the referendum could stoke its Kurdish population's desire to break away from Ankara, as Kurds in Syria are building their own semiautonomous region in the country's north.



The U.S. began flying seven F-15C jet fighters from the U.K. out of Lithuania on Wednesday as it took over the Baltic air-policing mission from Poland.

NATO Monitors Will Attend Russian Military Drills

BY JULIAN E. BARNES

BRUSSELS—The North Atlantic Treaty Organization announced it would send three observers to Russia's Zapad military exercise but said Moscow's invitation fell short of Russia's international obligations.

The statement from NATO came as the U.S. took over the Baltic air-policing mission in Lithuania. The U.S. began flying seven F-15C jet fighters from the U.K. out of Lithuania on Wednesday. The U.S. fighters will begin standing alert to

intercept unknown aircraft Thursday, replacing four Polish F-16s.

NATO officials have warned the Zapad maneuvers, planned amid a military buildup in the region by the alliance and Russia, could serve as a screen for Russia to deploy more military equipment and raise the risk of an accident or miscalculation that could spark a crisis.

NATO will send two experts to Belarus and one to Russia. The experts will be allowed to attend the official "Visitor Day" of the exercise, NATO said.

Oana Lungescu, chief NATO spokeswoman, said that although the alliance welcomes the invitation "they are not a substitute" for the kind of observation required under the Vienna Document, an international agreement governing military exercises in Europe.

The Vienna Document, which has no enforcement mechanism, requires briefings on the exercise scenario and events, access to individual soldiers and overflights of the drill area.

"Russia and Belarus are in-

stead choosing a selective approach that falls short," Ms. Lungescu said. "Such avoidance of mandatory transparency only raises questions about the nature and purpose of the exercise." Russian officials said the Zapad exercise would be under the threshold set by Vienna for inviting formal observation teams.

Russia plans to have 12,700 troops participate in Zapad. NATO and U.S. officials have disputed that saying that they expect 70,000 or more troops to take part in Zapad and interconnected exercises.

NATO ambassadors met for an update on the Zapad exercise on Tuesday, according to allied diplomats. While Poland and Sweden, a NATO partner, are conducting drills in September, the alliance as a whole won't hold any of its own exercises during Zapad.

While the alliance has increased the number of planes conducting the air-policing mission, it intends to keep the size of its ground force of roughly 4,000 personnel steady in September, to avoid any moves that look like provocation, allied officials said.

Russia Says It Got Email From Lawyer For Trump

BY THOMAS GROVE

MOSCOW—Kremlin spokesman Dmitry Peskov confirmed that his office received an email from the Trump Organization lawyer Michael Cohen regarding a building project in Moscow but said Russian President Vladimir Putin had never been informed.

"Indeed there was an email," Russian news agency Interfax quoted Mr. Peskov as saying. "We even found a copy of it."

Mr. Cohen said earlier this week that he sent an email in January 2016 to Mr. Putin's spokesman, Mr. Peskov, asking for "assistance" in arranging a prospective real-estate deal in Moscow ahead of President Donald Trump's election.

The lawyer said he hadn't told Mr. Trump he had sent the letter. In October 2015, Mr. Trump signed a nonbinding letter of intent for the project, which ultimately failed to materialize.

Mr. Peskov said the topic wasn't raised with Mr. Putin.

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WORLD NEWS

South Koreans Feel Sidelined in Pyongyang Crisis

'Korea passing' enters the lexicon to describe the view that the U.S. is bypassing Seoul

By JOHN LYONS

SEOUL—Like many in this gleaming South Korean capital, Kim Hyun-soo says he feels like a helpless bystander in the nuclear standoff between the U.S. and North Korea, even though his fate hangs in the balance.

South Koreans are watching from the sidelines as President Donald Trump threatens North Korea with "fire and fury" and North Korea's leader Kim Jong Un vows to reduce the U.S. to "huge heaps of ashes." It's an unnerving position, locals say, since this city of 10 million could be leveled in the first minutes of any conflict.

The feeling of being bypassed even has a name: "Korea passing." The phrase, which gets increasing use these days, is pronounced in English with South Korean inflection—and often with a healthy mix of frustration, resignation and irony.

"It doesn't feel good to be excluded. South Korea is the party with the most at stake," says Mr. Kim, a 38-year-old accountant from Seoul.

Many North Korea watchers in Seoul say the U.S. looks first to China and even puts Japan ahead of South Korea when it comes to dealing with the North. The Trump administration has yet to name an ambassador to Seoul, for example, while it has sent envoys to Beijing and Tokyo.

Following North Korea's

launch Tuesday of a missile over Japan, Mr. Trump spent 40 minutes on the phone with Japanese Prime Minister Shinzo Abe. No such call happened with South Korean President Moon Jae-in, a left-leaning former human-rights lawyer.

Still, U.S. officials have repeatedly reiterated the U.S.'s commitment to protect South Korea. Mr. Moon met with Mr. Trump in June in Washington, while Vice President Mike Pence, Defense Secretary Jim Mattis and Secretary of State Rex Tillerson have each made visits to Seoul, in part to reassure South Korea that the Trump administration stands by its security alliance.

The administration of Mr. Moon says it doesn't recognize the term "Korea passing." The phrase, initially used by experts in Asian policy-making circles to describe the state of U.S.-South Korean relations, has become more commonplace in recent months to describe how Seoul is seemingly ignored by other regional players as well, including North Korea.

South Korean officials say their government is being heard and they don't need to respond every time Mr. Trump fires off a tweet, or North Korea's Mr. Kim issues a threatening statement. South Korea's defense minister, Song Young-moo, met with Mr. Mattis on Wednesday in Washington.

Mr. Moon is seeking to assert a stronger role for South Korea. In a recent speech, he said any military strikes against North Korea would require South Korea's approval, even though many analysts say the U.S. is unlikely to seek permission if its security is threatened.



Protesters rallied against the deployment of the Terminal High-Altitude Area Defense near the Defense Ministry in Seoul on Tuesday.

Missile-Defense System Is Gaining Acceptance

SOSEONG-RI, South Korea—Climbing to a high outcropping in this rural corner of South Korea, a hiker can spot a pair of U.S.-made antimissile launchers parked on a golf course in a forested valley, aimed high over jagged mountains toward North Korea.

The bucolic scene is at odds with the controversy around the launchers, part of a Terminal High-Altitude Area Defense,

or Thaad, battery installed here in April amid mass protests.

For months, a mix of antiwar Buddhists, university activists and local villagers protesting the Thaad system from a roadside encampment seemed to be gaining the upper hand. After taking office in May, President Moon Jae-in halted the deployment of four additional launchers needed to complete the battery, pending environmental review.

Then, North Korea tested an intercontinental ballistic missile July 4. Public approval for deploying the system has surged to 72% from around 50% earlier in the year, a recent Gallup Ko-

rea poll showed. Mr. Moon gave the go-ahead for the completion of the Thaad battery after the launch on July 28 of a second North Korean ICBM.

These days, only a handful of protesters remain camped in blue tents draped with "No Thaad, No War" along the road leading to the now-closed golf course where the Thaad battery sits.

South Korea is paying a price for Thaad, however. Ranked by Thaad's ability to peer into Chinese airspace with powerful X-band radar, the Chinese are making fewer tourist trips to South Korea and boycotting its car makers and other businesses.

Anti-Thaad activists question whether Thaad is meant to protect South Korea. They suspect its true purpose is to pick off missiles aimed at U.S. bases in Korea, Japan and Guam, or even the U.S. mainland.

Protesters from the village of Soseong-ri complain about the installation. Mainly they fear it has made the region a target for North Korea.

"Thaad means everyone in this valley will die in a war," said Do Geum-nyeon, an 81-year-old resident of Soseong-ri. "If President Moon likes Thaad so much, he should bring it to his house."

—John Lyons

proach from Mr. Moon's emphasis on dialogue with Pyongyang.

However, Mr. Mattis, appearing later Wednesday at the Pentagon with his South Korean counterpart, said the U.S. is "never out of diplomatic options."

—Min Sun Lee contributed to this article.

Rohingya Muslims Fleeing Myanmar Violence

By ASSOCIATED PRESS

COX'S BAZAR, Bangladesh—At least 18,000 Rohingya Muslims have fled fresh violence in Myanmar and crossed into Bangladesh in less than a week, with hundreds stranded in no-man's land at the countries' border, the International Organization for Migration said.

Sanjukta Sahany, a spokeswoman for the organization in Cox's Bazar, on the Bangladesh border with Myanmar, released the figures as human-rights advocates for the Rohingya said the Myanmar army was retaliating for attacks last week by Rohingya militants by burning down villages and shooting civilians.

The Myanmar government blames Rohingya insurgents for the violence, including the arson. Government figures put the death toll since last week at a minimum of 103, including 12 members of the security forces, 77 persons described as insurgents and 14 civilians.

Rohingya advocates fear hundreds of civilians may have been killed in army raids.

A report issued Wednesday by Myanmar's Information Ministry said that 45 improvised explosive devices were detonated and seven villages, one security post and two neighborhoods in the township of Maungdaw burned down on Sunday and Monday.

Maungdaw, in the northern part of Rakhine state, is a center for the violence, though villages over a much wider area were also hit.

A majority of Myanmar's estimated one million Rohingya live in northern Rakhine, where they have faced persecution in the Buddhist-majority country.

Myanmar refuses to recognize them as a legitimate native ethnic minority, leaving them without citizenship and basic rights.

Mexican Election Hopeful Bashes Nafta Talks

By SANTIAGO PEREZ

LOS ANGELES—Mexico's leftist presidential hopeful, Andrés Manuel López Obrador, said the renegotiation of the North American Free Trade Agreement should be suspended until the country's election next year, and he warned he would renegotiate any deal that harms Mexico's interests if he wins the vote.

"It's not convenient to pursue a deal under pressure," Mr. López Obrador, the early front-runner for next July's election, said in an interview with The Wall Street Journal

on Wednesday. "Any unfair trade deal can be revised by the Mexican government."

His remarks came as officials from Mexico, the U.S. and Canada prepared to meet Friday in Mexico City for the second round of talks on Nafta's overhaul. Mexican and U.S. officials have said they want to complete renegotiations before the end of the year.

But those talks will become more difficult for the Mexican government the closer the presidential vote gets, as the issues at stake become campaign fodder.

"They should wait, and at

the end it will be that way, because they won't have enough time" to complete a deal, said Mr. López Obrador.

Earlier this week, U.S. President Donald Trump expressed skepticism about a renegotiation and reiterated he could terminate the trade deal. Mex-

ican officials were concerned enough about Mr. Trump's recent statements that Economy Minister Ildefonso Guajardo and Foreign Minister Luis Videgaray flew to Washington to meet on Wednesday with senior White House officials.

Mr. Videgaray told reporters that Mexico would leave the talks if the U.S. began formal proceedings to withdraw from Nafta.

Polls show Mr. López Obrador, a 63-year-old former mayor of Mexico City, is the early front-runner among possible candidates for next July's election. Although he lost two

previous votes for president in 2006 and 2012, he has gotten a boost from the country's repeated corruption scandals, as well as a nationalist surge in response to Mr. Trump's repeated criticism of Mexico.

Though he has adopted a more positive view of Nafta in recent months, Mr. López Obrador has been a sharp critic of Mexico's free-market economic policies. Moody's Investors Service said Wednesday that given Mr. López Obrador's opposition to Mexico's economic overhauls, the election could be a greater risk to the economy than a Nafta renegotiation.

WORLD WATCH



FOOD FIGHT: Revelers paste each other during the Tomatina fiesta in the village of Buñol, Spain. About 160 tons of tomatoes are used up in the annual event.

AFGHANISTAN

U.S. Acknowledges Higher Troop Number

The U.S. military said Wednesday it maintains 11,000 troops in Afghanistan, 2,600 more than it has previously disclosed.

Pentagon officials said they made the announcement to be more transparent about the true number of troops serving in war zones. While revealing

the total number of forces in Afghanistan, the officials couldn't give similar figures for Iraq and Syria, saying that the process of revealing force levels was "under review."

Officially, there are 5,262 and 503 troops, respectively, in Iraq and Syria. Defense officials concede there are thousands more U.S. troops deployed.

Until Wednesday's announcement, the Pentagon repeatedly has said there were 8,400 troops in Afghanistan.

The Pentagon for many years has kept the actual number of forces deployed to a war zone hidden, choosing to publicly disclose only those deployed for longer periods while not counting personnel who slip in and out of war zones on temporary status.

Even the 11,000 figure doesn't fully disclose the number of forces deployed in Afghanistan. That figure also changes frequently.

—Nancy A. Youssef

GERMANY

Schröder to Accept Rosneft Board Seat

Former Chancellor Gerhard Schröder defied a storm of public criticism and confirmed that he would accept a seat on the board of Russian oil giant Rosneft in a controversial move ahead of Germany's September general election.

"I'm going to do it—in the interests of Germany," Mr.

Schröder said at a campaign event in northern Germany.

The Russian government on Aug. 12 nominated Mr. Schröder to join Rosneft's board of directors. A decision is expected on Sept. 29.

Kurt Ringen, a farmer who was at the meeting, said he disagreed with Mr. Schröder. "I wouldn't have done it because what Russia did in Crimea is a violation of international law," he said, referring to the 2014 annexation. —William Boston

IN DEPTH

RUSSIA

Continued from Page One
ing alleged Russian meddling in the 2016 presidential election. Congressional investigators looking into Mr. Manafort's business and political connections want to know more about his history with Mr. Deripaska, according to people with knowledge of the probes.

Mr. Deripaska has offered to give testimony about alleged Russian meddling in the election to the House and Senate intelligence committees in exchange for immunity, according to officials with knowledge of the matter. Congressional officials have rejected that offer, not wanting to interfere with the Federal Bureau of Investigation's own Russia inquiry, they said.

The Justice Department special counsel, Robert Mueller, as part of his inquiry into U.S. intelligence agencies' claims of Russian interference, is investigating Mr. Manafort for possible violations of lobbying and money-laundering laws, the Journal has reported, citing a person familiar with the matter. In July, FBI agents working with Mr. Mueller executed a search warrant at Mr. Manafort's Virginia home.

Though Mr. Manafort and Mr. Deripaska eventually had a falling out over money, culminating in a 2014 legal petition in the Cayman Islands, Mr. Manafort continued to work in Ukraine for years. Earlier this year, Mr. Manafort reported in a government filing that his firm earned more than \$17 million for work for pro-Russian parties in Ukraine from 2012 to 2014. His failure to disclose the full extent of his work in Ukraine led to his departure as Mr. Trump's campaign chairman in August 2016.

Evgeniya Klyukach, a corporate spokeswoman for Mr. Deripaska, said he declined to comment. A May complaint Mr. Deripaska filed in U.S. District Court in Washington, D.C., against the Associated Press, alleging defamation by a March article on alleged financial ties between him and Mr. Manafort, states: "Mr. Deripaska never had any arrangement, whether contractual or otherwise, with Mr. Manafort to advance the interests of the Russian government," and that "Mr. Deripaska severed relations with Mr. Manafort many years ago." The AP is fighting the suit.

Mr. Manafort declined to be interviewed for this article. A spokesman, Jason Maloni, referred to Mr. Manafort's previous written statement, in which he said, "I look forward to meeting with those conducting serious investigations of these issues to discuss the actual facts."

Mr. Deripaska, 49 years old, earned his fortune in the mayhem following the Soviet Union's collapse when he emerged as the principal shareholder of Rusal, once the world's largest aluminum producer.

The U.S. at one time barred Mr. Deripaska from entering America due to U.S. concerns about his possible ties to organized crime that date to the period, the Journal reported in 2009—a contention Mr. Deripaska has publicly disputed. The State Department declined to comment on his current visa status.

After Mr. Putin secured Russia's presidency in 2000, he publicly outlined a covenant with the country's oligarchs: He wouldn't revisit the privatization auctions that converted state assets into personal fortunes if the oligarchs supported



SIMON DAWSON/BLOOMBERG NEWS; MICHAEL ROBINSON CHAVEZ/HE WASHINGTON POST/GETTY IMAGES

The political-consulting firm of Paul Manafort, below, was active for more than a decade doing work in Eastern Europe that often dovetailed with Russian political interests—and that often involved oligarch Oleg Deripaska, above.



national priorities.

Mr. Manafort built a career providing political expertise to international强人 such as Zaire's Mobutu Sese Seko, Ferdinand Marcos of the Philippines and Angolan rebel Jonas Savimbi through several firms over the years. Much of his work with Russia-friendly interests was through Davis Manafort Partners, or DMP, the political-consulting firm he ran with partner Rick Davis.

Dispensing American political wisdom abroad isn't illegal. Rather, Mr. Manafort, working with Mr. Deripaska, sometimes appeared to engage in foreign work that some—including some former U.S. ambassadors in the region—saw as potentially at odds with stated U.S. positions at the time.

Mr. Maloni said: "Mr. Manafort's work for Mr. Deripaska and his company, Rusal, was to advance its commercial interests."

The Georgia project

In one early project, which wasn't previously publicly known, Mr. Manafort's firm worked with Mr. Deripaska to try returning an exiled pro-Russian politician to Georgia, which had elected a Western-leaning president in 2004 after the so-called Rose Revolution in 2003.

In early 2004, one of Mr. Deripaska's investing partners, Nathaniel Rothschild, a scion of the

U.K. business family, invited Mr. Davis, Mr. Manafort's partner, to the Moscow office of the oligarch's holding company, Basic Element, said a political consultant familiar with DMP. There, they met Igor Giorgadze, a former Georgian Minister of State Security, the consultant said—the meeting's objective: Help devise a plan to return Mr. Giorgadze to influence in Georgia.

Mr. Deripaska hired DMP to shepherd the Georgia plan, said the consultant.

Georgian authorities had accused Mr. Giorgadze of orchestrating a 1995 assassination attempt on Georgian President Eduard Shevardnadze. From self-imposed exile in Moscow, Mr. Giorgadze had established a Russian-backed political party.

After the Rose Revolution, the new president tilted Georgia away from the Kremlin. President George W. Bush backed his approach.

Mr. Deripaska was countering with a Russia-friendly strategy, the political consultant said. Mr. Rothschild would invest in Georgia—first in vineyards—then petition the government to let Mr. Giorgadze safely return.

"Giorgadze would have been a loyal, trustworthy subaltern" to Russia, said Kenneth Yalowitz, U.S. ambassador to Georgia from 1998 to 2001, now director of Georgetown University's conflict-resolution program, "who would not have gone Westward."

prison officials and the non-profit Alley Cat Allies clashed over a cat-feeding ban, the non-profit helped neuter and return nearly 150 cats to the grounds the next year, said Becky Robinson, its president.

As for Sing Sing, no one knows how the cats got there. Rumor has it tomcats were brought in to control ubiquitous rats at the aging prison, said Mr. Pica. The problem was they weren't all toms.

Others say feral cats, lured by mess hall scraps, simply showed up. In the 1970s, cats lived out in the open among officers and "really rough guys," he wrote in a letter this month.

Rikers Island, which holds New York City's jail complex, once had about 1,000 outdoor cats, said retired Capt. Gloria Murl. In the early 2000s, volunteers neutered about 400, neatly clipping the tips of one ear to keep track. Once a jail kitty, always a jail kitty, Capt. Murl said. "You can't just take the cat and throw it into some other neighborhood." She hopes to neuter at least 100 more.

At New Jersey's Bayside State Prison, inmates used to catch and raise cats, stashing them in lockers during counts and inspections. In 2014, after

Mr. Rothschild couldn't be reached for comment. Mr. Davis didn't respond to requests for comment, nor did Mr. Giorgadze's lawyer, Gagi Mosiashvili.

In late 2004, Mr. Rothschild and Mr. Davis dined in the capital, Tbilisi, with Georgia's new president, Mikheil Saakashvili, but he scuttled their plans, the consultant said—effectively shelving the project.

Mr. Maloni said DMP was involved in the Georgia project but Mr. Manafort played no personal role; he didn't address whether Mr. Deripaska was involved in the project. Mr. Saakashvili declined to comment.

Orange Revolution

DMP's attention shifted to Ukraine, where the firm again dealt with Mr. Deripaska—this time to gather intelligence for a businessman and political party friendly with Russia, said the political consultant.

On Nov. 21, 2004, Ukraine's Russia-aligned prime minister, Viktor Yanukovych, won a presidential election against Viktor Yushchenko, who favored European integration. The defeated parliamentarian's supporters, along with the U.S. and EU, deemed the election fraudulent, instigating an uprising dubbed the Orange Revolution.

A consultant working with DMP in Georgia, Philip Griffin, said he was traveling home from Tbilisi when Mr. Davis called, rerouting him to Ukraine to help Mr. Deripaska and Mr. Rothschild. Mr. Griffin, who had previously worked in the Moscow office of the International Republican Institute, a U.S. Congress-funded pro-democracy group, said: "The mission to me this time was clear: intelligence gathering."

Mr. Manafort led this project. Between Thanksgiving and Christmas 2004, he and Mr. Griffin huddled in Washington, where they met with political contacts and gauged the U.S. attitude toward events in Ukraine, said Mr. Griffin.

In late December, Mr. Griffin said, Mr. Deripaska dispatched Mr. Manafort to Donetsk, an eastern-Ukraine city with strong business and cultural ties to Moscow. There, Mr. Deripaska arranged for Mr. Manafort to meet Rinat Akhmetov, a coal and steel magnate. Mr. Akhmetov maintained close relations with the Kremlin, said a Ukrainian former anti-organized-

crime chief.

"We told them about the mood in Washington," that the U.S. wasn't going to do anything to counter the Orange Revolution, said Mr. Griffin, now a freelance political consultant.

"We told them this train is not going to be stopped."

A spokesman for Mr. Akhmetov, Jock Mendoza-Wilson, declined to comment. Mr. Maloni confirmed the meeting details.

Mr. Yushchenko, the candidate who favored close European ties, won a new presidential election in January 2005.

Mr. Akhmetov intensified a campaign to Westernize the image of his holding company, System Capital Management, and hired DMP to provide strategy and branding assistance to help SCM survive in Kiev's new political atmosphere, Mr. Griffin said.

Mr. Akhmetov agreed to pay DMP €10 million, roughly \$12 million, said the political consultant familiar with DMP. Mr. Maloni didn't respond to requests for comment on the payment.

Mr. Manafort developed a relationship with Mr. Yanukovych.

Messrs. Manafort and Yanukovych were comfortable with each other, said the consultant.

Mr. Manafort visited Mr. Yanukovych to share a sauna or to play tennis, the consultant said, with Mr. Yanukovych's bodyguards acting as ball boys.

Investigators want to know more about Mr. Manafort's history with Mr. Deripaska.

Mr. Yanukovych leaned on Mr. Manafort to manage his public profile and generate talking points, Mr. Griffin said. In concert with other strategists, Mr. Manafort also advised the Yanukovych campaign to stoke issues that excited his base in the Russia-friendly Ukrainian east, Mr. Griffin said, in line with Moscow's policy. That included opposition to a proposed declaration of Ukrainian as the national language and disapproval of Mr. Yushchenko's dalliance with the North Atlantic Treaty Organization.

A spokesman for Mr. Yanukovych, Yuri Kirasir, didn't respond to inquiries.

As Washington's relations soured with Moscow, some American officials grew con-

cerned about Mr. Manafort's support for a candidate in Ukraine who appeared to be working counter to U.S. interests. "We didn't see it as helpful," said William Taylor, then U.S. ambassador to Ukraine and now executive vice president of the United States Institute of Peace, a federal body devoted to the reduction of violent conflict.

Mr. Manafort adjusted his approach, selling Mr. Yanukovych as a Western-friendly candidate, said a former U.S. government official. "He was trying to polish an unpolishable stone."

Mr. Maloni said: "For years Ukraine was caught in a proxy war between the West and Russia. Mr. Manafort's work for the Party of Regions aimed to bridge this divide, bring Ukraine closer to the West, and provide greater economic stability and security."

Mr. Deripaska went on in 2005 to hire DMP to work in Montenegro, which was progressing toward independence from the State Union of Serbia and Montenegro. Mr. Deripaska was completing his acquisition of a smelter and bauxite mine there.

Mr. Deripaska's purchase "was all part of the broader effort to determine what Montenegro's future was going to be and who was going to be holding the major economic and political levers," said Michael Polt, the U.S. ambassador to Serbia and Montenegro from 2004 to 2007, now senior director of Arizona State University's McCain Institute for International Leadership.

Mr. Maloni said Mr. Manafort's work for Mr. Deripaska was to advance his client's company's commercial interests

and that: "One of the projects involved supporting a referendum in Montenegro that allowed that country to choose membership in the EU, a measure that Russia strongly opposed."

When the independence referendum passed by a slim margin in May 2006, Russia quickly recognized Montenegrin sovereignty. Mr. Deripaska ultimately left Montenegro when pro-EU forces gained the upper hand politically and the state cut subsidies to his business there, crippling it, said Mr. Polt, the former ambassador.

In 2007, Mr. Deripaska pledged \$19 million for Messrs. Davis and Manafort's Cayman Islands-registered private-equity fund, Pericles Emerging Market Partners, to invest in a Ukrainian telecommunications company. Mr. Deripaska also paid the partners a \$7.3 million management fee.

Those details are part of a petition Mr. Deripaska filed in 2014 in the Grand Court of the Cayman Islands against Pericles for the recovery of funds. Mr. Maloni didn't respond to requests for comment on the petition. The Ogier law firm, which represents Mr. Deripaska in the Caymans, declined to comment, as did the court.

Mr. Manafort advised Mr. Yanukovych through the violent 2014 protests in Ukraine, Mr. Maloni said. After Mr. Yanukovych fled to Russia, Mr. Manafort stayed on in Kiev, counseling his Party of Regions to re-form as the parliamentary Opposition Bloc. He continued to travel to Kiev until late 2015, Mr. Maloni said.

In June, Mr. Manafort retroactively registered in the U.S. under the Foreign Agents Registration Act for his activities in Ukraine from 2012 to 2014.

—Michael Rothfeld and Shane Harris contributed to this article.

CAT

Continued from Page One

tional Facility. The tabby is among the last cats of Sing Sing, which once had hundreds of resident felines freely roaming its buildings and grounds. While other prisons have struggled with feline invaders, the position of cats at Sing Sing, where the creatures once had remarkable privileges, was unusual. Today, fewer than a dozen remain.

This is a tale of men and cats. A tale of how hardened convicts can be softened by furry tails among them. And of how, in a suburb 30 miles north of New York City, unsanctioned felines once thrived behind the aging walls of a formerly notorious prison. "You're in a place where everything is stripped from you, and you can't go to the bathroom without permission," said former inmate Sean Pica, who left Sing Sing in 2002, "and you find this animal who doesn't

look at you differently."

Rikers Island, which holds New York City's jail complex, once had about 1,000 outdoor cats, said retired Capt. Gloria Murl. In the early 2000s, volunteers neutered about 400, neatly clipping the tips of one ear to keep track. Once a jail kitty, always a jail kitty, Capt. Murl said. "You can't just take the cat and throw it into some other neighborhood." She hopes to neuter at least 100 more.

At New Jersey's Bayside State Prison, inmates used to catch and raise cats, stashing them in lockers during counts and inspections. In 2014, after

said filmmaker David Hoffman, who taught a drama class at the prison. "The sweetness of the way inmates treated the animals was beautiful to me."

When inmate Todd Young, who was at Sing Sing from 1996 to 2011, talked on the phone in the yard, a black cat named Stinky and a gray one, Mita, would climb all over him.

"Stinky would be on my left and Mita on my right," said Mr. Young, adding he's "like Dr. Dolittle with animals."

On March 11, 2001, correction officer Ronald Hunlock discovered a box with five kittens under an inmate's bunk, court documents say. Mr. Hunlock ordered the inmate, John Williams, to crush the kittens and their mother in a trash compactor. When he refused, the guard did it himself.

Midnight, the mother cat, jumped out of the compactor and came back to Mr. Williams's cell, meowing, pacing and looking for her kittens, "black fury little things and very cute," he wrote in a letter this month.

Others say feral cats, lured by mess hall scraps, simply showed up. In the 1970s, cats lived out in the open among officers and "really rough guys," he wrote in a letter this month.

prison officials and the non-profit Alley Cat Allies clashed over a cat-feeding ban, the non-profit helped neuter and return nearly 150 cats to the grounds the next year, said Becky Robinson, its president.

As for Sing Sing, no one knows how the cats got there. Rumor has it tomcats were brought in to control ubiquitous rats at the aging prison, said Mr. Pica. The problem was they weren't all toms.

Others say feral cats, lured by mess hall scraps, simply showed up. In the 1970s, cats lived out in the open among officers and "really rough guys," he wrote in a letter this month.

That "horrific" day remains fresh in his memory, he added. "I'm a 3x offender for armed robbery's [sic], but God is my witness; I've never physically hurt anyone, nor have I ever harmed any animals!"

Mr. Hunlock was convicted of one felony per kitten and sentenced to a year in the slammer—as an inmate. The former guard and his lawyer didn't respond to requests for comment. Court papers say he contended the kittens were sick, dangerous and violated facility rules.

After the trial, animal-welfare groups neutered Sing Sing's cats and returned many to prison. Cat life at Sing Sing took on a semblance of order, with inmates building wooden feline houses and officials installing outdoor feeding stations.

Joel Jimenez, who spent from 2005 to 2011 at Sing Sing, said cats were still "everywhere" when he arrived. "Some of the most hardened inmates were totally antisocial and hated other people, but you would see them caring for these cats," Mr.

Jimenez said.

Tiger slept in Mr. Jimenez's cell. At 6 a.m., the tabby would jump on his bed to get his attention, then leap to the window and wait for him to get up. He could once enter the prison through barred windows but has since gotten too fat to squeeze through. When Tiger caught mice, Mr. Jimenez recalled, he would proudly sit by his trophies. Trotting with his tail in the air, he liked to pounce on joggers in the yard.

Current inmates say Tiger obeys the officers. He once scared off a groundhog that menaced lettuce in the garden and once beat up a possum. On a recent morning, the tabby kept his distance from a visitor. "Tiger's scared of women," another inmate explained, noting a previous female caller carted him off to the vet.

"It's kind of ironic you have violent criminals ready to defend him," said inmate Jermaine Archer, 44. Tiger, Mr. Archer said, was getting old, fat and slow. "But we love him."

An inmate at Sing Sing tries to coax Tiger outside.

MARK KAHLARICH FOR THE WALL STREET JOURNAL

GREATER NEW YORK

Commuting 'Fling' Winds Down

As Penn Station rail service is set to return to normal, some say it's been a good ride

BY PAUL BERGER

As suburban commuters prepare to return to normal rail service into New York Penn Station after Labor Day, some may miss a "summer of hell" schedule that failed to live up to fears and that even provided some welcome surprises.

Although many commutes have been longer since Amtrak reduced capacity at Penn Station by more than 20% starting on July 10, diverting thousands of people to other stations, rail service has been consistent. NJ Transit and the Long Island Rail Road reported some of their best on-time performance figures for July.

"This commute is like a summer fling," said Courtney Bryan, an NJ Transit passenger.

Ms. Bryan is among thousands of New Jersey commuters who were offered reduced price tickets and diverted to Hoboken where passes were cross-honored on the PATH rail system and ferries to Manhattan.



A Hoboken-Manhattan ferry helped ease the summer commute.

Standing in line for the ferry one recent morning, Ms. Bryan said the diversion added about 40 minutes to her usual commute of 45 minutes to Midtown Manhattan from South Orange, but she has enjoyed taking the boat. "It's kind of been a fun summer activity," she said.

Amtrak reduced service into Penn Station so it could carry out emergency repairs to tracks and switches following two derailments at the station earlier this year.

New York Gov. Andrew Cuomo warned in May that

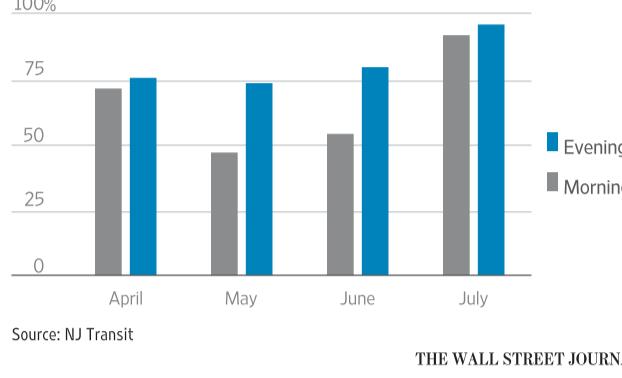
commuters faced a "summer of hell" with extended commute times and the prospect of having to transfer onto roads, buses and other mass-transit systems already running at capacity.

In July, weekday ridership on PATH averaged nearly 300,000 passengers, a record figure and a 9.2% increase over the same period last year, according to the Port Authority of New York and New Jersey. Even so, the agency reported that 98% of its trains ran on time.

The Metropolitan Transpor-

Getting on Track

NJ Transit on-time performance during rush hour at New York Penn Station



Source: NJ Transit

THE WALL STREET JOURNAL

tation Authority, which runs the LIRR, diverted thousands of passengers to stations in Brooklyn and Queens where they transferred to the subway to reach Manhattan. The agency also added extra cars to train services into Penn Station to carry more passengers.

In a statement Wednesday, Mr. Cuomo praised New York state's mitigation plan, which included halting construction work on roads and bridges during peak travel hours. "This was a potential crisis and it was averted due to gov-

ernment response," he said. Service this summer contrasts with almost daily disruptions in May and June caused by track and equipment failures, as well as speed restrictions put in place at Penn Station by Amtrak.

In July, 91% of LIRR trains operated on time during the evening rush hour, compared with 79% of trains during the same period in May. NJ Transit's on-time performance for morning rush services at Penn Station improved to 91% in July from 46% in May.

Impasse Frustrates Municipal Leaders

BY JOSEPH DE AVILA

Municipal officials from across Connecticut called on state lawmakers Wednesday to end a budget impasse to avoid painful cuts to local services and to stave off potential property tax increases.

An after-school program for 1,100 students will run out of money by October, according to the city of Bridgeport. Officials in the town of Newtown said its coffers will run dry by as early as April. And the first selectman in North Haven said the town and others across

\$5.1B

Money Connecticut gave to cities and towns in the last fiscal year

the state may have to raise property taxes unless the legislature passes a budget plan that is fair to municipalities.

"If actions aren't taken soon in this room, there will be very real consequences for families, for taxpayers all over the state of Connecticut," said Av Harris, director of legislative affairs for Bridgeport, at a press conference at the state capitol in Hartford.

The state hasn't had a budget since the fiscal year ended in June. State lawmakers have said they expect to vote on a budget in September, but they still haven't agreed on a spending plan to close a two-year, \$3.5 billion deficit.

Until a budget is passed, state operations will be funded by an executive order signed by Gov. Dannel Malloy, a Democrat. Under the executive order, the state is short \$1 billion needed to maintain operations, including municipal funding, at a steady level, according to the state budget office.

Newtown First Selectman Pat Llodra said the town will run out of money by the fourth quarter of the fiscal year, which starts in April. At that point, the town will need to raid its reserve funds or raise property taxes or possibly both.

"Either of those actions end up on the backs of property owners," Ms. Llodra said.

Mr. Malloy has been pushing for municipalities to shoulder more costs, including moving \$400 million in teacher pension expenses from the state to cities and towns, which municipal leaders say would force them to raise property taxes.

The governor said last week that towns can't continue to expect the state to provide increasing amounts of funding while Connecticut is in the middle of fiscal crisis. State funding for cities and towns reached \$5.1 billion for the fiscal year that ended in June, a 21% increase over the past five years, according to a report by the budget office.

"The administration is acutely aware of the dire situation some towns and cities will face if the state continues without a budget," said a spokesman for Mr. Malloy's budget office. He said that the executive order wasn't the governor's preference.

A Past Champion Returns to Flushing Meadows



MATCH PLAY: Fans soaked up a game Wednesday between Argentina's Juan Martín del Potro and Switzerland's Henri Laaksonen during day three of the 2017 U.S. Open Men's Singles at the USTA Billie Jean King National Tennis Center in New York. Mr. Del Potro, the 2009 winner, won and will face Spaniard Adrián Menéndez-Maceiras next.

N.J. Lawmaker Criticized Over Flag Photo

BY KATE KING

A New Jersey Assemblyman has come under fire for posing in front of a Confederate flag in a photograph on his personal Facebook page.

It is the latest local controversy involving Confederate imagery since violent clashes erupted at a white nationalist rally in Charlottesville, Va., earlier this month.

Parker Space, a Republican representing New Jersey's northwestern Sussex and Warren counties, said the photo was taken at a Hank Williams Jr. concert he attended last weekend at the Bethel Woods Center for the Arts in New York.

In it, Mr. Space and his wife are seen standing in front of a

Confederate flag superimposed with the country musician's face and the lyrics "we would've had it made" from his song, "If the South Woulda Won."

Mr. Space posted the photo with the comment: "Tailgating waiting for Hank. Hope no one is offended!"

Democrats in New Jersey, including Mr. Space's challengers in the November legislative election, said they were offended by his post. Gina Trish, a resident of Blairstown, N.J., who is running against Mr. Space, said the Confederate flag symbolizes "division and hate."

Democrats, Mr. Space said, were taking the photo out of context and blowing the con-

troversy out of proportion. "One of the problems I see in today's world is everyone is offended over everything," he said. "The Confederate flag itself is part of history."

Mr. Space, a farmer and volunteer firefighter who owns a 100-acre zoo and museum in Wantage, N.J., said in a separate written statement that he represents "a forgotten group of people in America: the working class."

"I am sorry if you don't understand our sense of humor," he said. "Maybe you have to bale hay to get it. So no offense meant, if any of you were truly offended."

Not all of Mr. Space's constituents said they appreciated his characterization of the legisla-

tive district, which includes many rural towns and typically votes Republican. Chris Skalecky, a 40-year-old Branchville resident who works in construction and landscaping, said it was inappropriate for an elected official to be photographed with the Confederate flag.

"There are a lot of people in Sussex County who are progressive, who are forward thinking," Mr. Skalecky said.

Assemblyman Jon Bramnick, who serves as the chamber's GOP leader, said he doesn't support the Confederate flag but considers Mr. Space a good legislator and friend. "I can't speak for him," Mr. Bramnick said. "I like Parker a lot, but I'm not a fan of the Confederate flag."



Assemblyman Parker Space

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GREATER NEW YORK

Private Island With Wright History for Sale

A guesthouse built by Frank Lloyd Wright and another residence will set you back \$14.92 million—the island is included

By JOSH BARBANEL

PROPERTY Quiet descends on Petre Island in the afternoon. One can sit on the mahogany porch of a house built into native stone, watch ripples on the water and feel at one with nature—at least until the buzzing of passing Jet Skis intrudes.

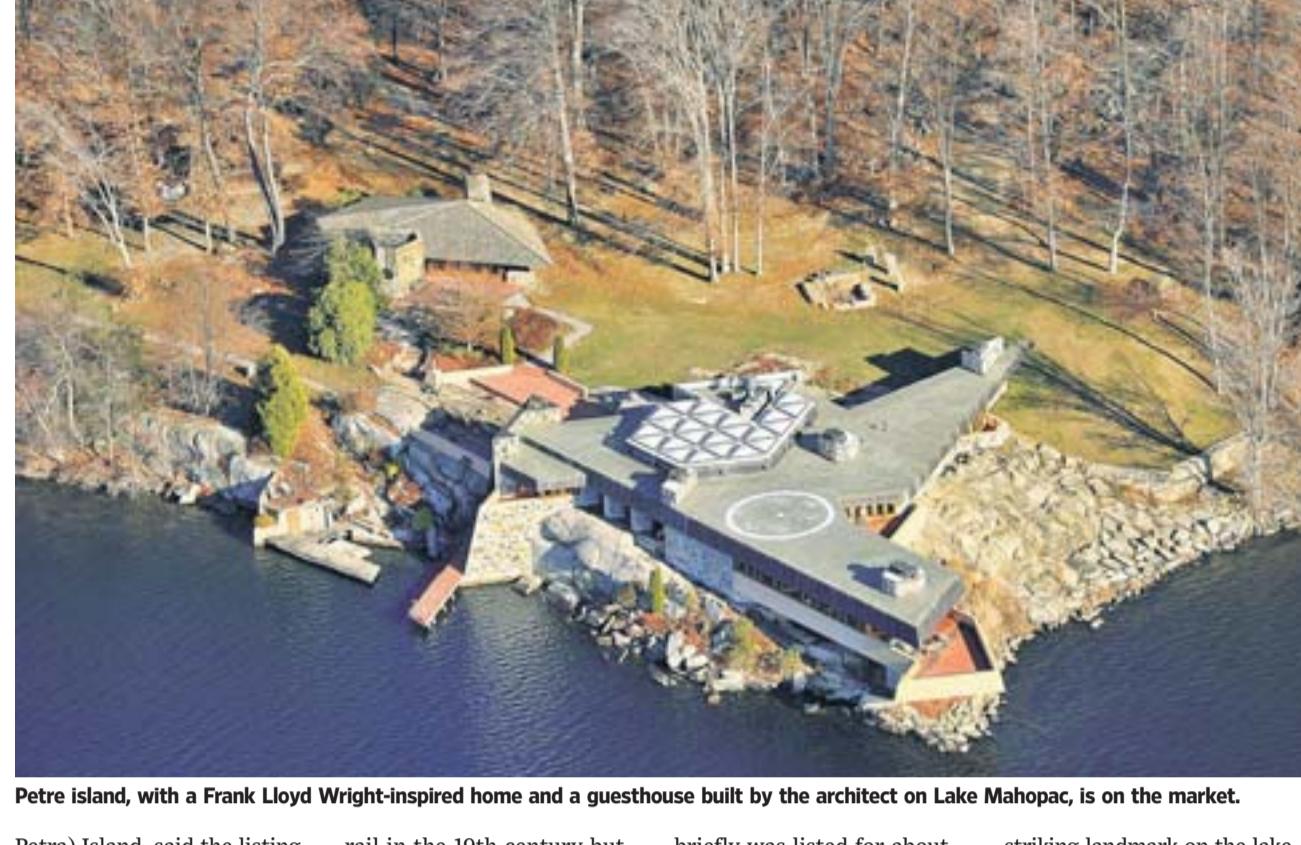
The concrete house was built a decade ago with protruding stones and copper paneling on a site selected by Frank Lloyd Wright in about 1950. It includes a man-made pond of rushing water, and a hilltop forest of trees more than 100 years old.

The home, and a smaller guesthouse designed and built by Wright, came on the market last month, along with the entire 10.37-acre island. It includes a rooftop helicopter. The asking price: \$14.92 million.

This island paradise, however, has a potential drawback. It isn't in the Caribbean or Long Island Sound, but on a spring-fed freshwater lake, Lake Mahopac, in Putnam County, N.Y., about 50 miles north of Manhattan.

Demand has been weak for the most expensive luxury waterfront properties in the New York area in recent years, especially for private island homes accessible mainly by boat, brokers said.

Chadwick Ciocci, the broker offering Petre (also known as



CHINTON & CHADWICK

Petre island, with a Frank Lloyd Wright-inspired home and a guesthouse built by the architect on Lake Mahopac, is on the market.

Petra) Island, said the listing was a challenge, even though it was properly priced. The link to Frank Lloyd Wright should be a lure, he said.

Lake Mahopac is a 587-acre body of water in Putnam County with 3.8 miles of privately owned shoreline. It is one of the few lakes in the area that permit motor boats. The lake was developed as a resort served by

rail in the 19th century but declined in the age of the automobile. Now, the lakefront houses have had comeback, with a mix of year-round residents and summer dwellers. There are some waterfront mansions, but at prices far below the asking price for Petre Island, by far the most expensive property in the neighborhood.

In 2009, the property

briefly was listed for about \$20 million by the current owner, Joseph Massaro.

The highest recent transaction in Mahopac was a \$3.02 million sale of a four-bedroom, 8,325-square-foot lakefront house in September 2016, said Justin Pieragostini, a broker at Keller Williams Realty Partners.

The 5,540-square-foot main house on Petre Island is a

striking landmark on the lake visible from much of the surrounding shore. Mr. Massaro, former sheet-metal contractor, built it in 2007, based on Frank Lloyd Wright's drawings from half a century earlier.

A low-slung, 75-foot-long concrete platform thrusts out over the rocks and into the lake with a 25-foot-long cantilever hovering above the water.

Natural rock protrudes into the house, a roughly five-to-10-minute boat ride from the lake shore. The main house has four bedrooms and 2 1/2 bathrooms, according to the broker. The guesthouse has three bedrooms and one bathroom.

In 1950, Wright built a low-slung, 1,339-square-foot cottage with a peaked wooden roof and a base of concrete with embedded stone on Petre Island.

The architect worked on a larger house on the island but the project was shelved until Mr. Massaro took it up around 2000. He erected what he believes to be an authentic creation of what Wright intended to build. The provenance of the house, however, has been in dispute.

After Mr. Massaro dropped an architect recommended by the Frank Lloyd Wright Foundation, he struck out on his own. The foundation objected to the project and Mr. Massaro filed suit in federal court in 2000. In a settlement he moved forward with the house but agreed to describe it as "inspired by" Frank Lloyd Wright.

Stuart Graff, president of the foundation, said Wright's designs often evolved during construction. For that reason the foundation "believes unbuilt works should remain unbuilt."

Market Can Be Tough to Navigate

Buyers looking for a private island getaway in and around New York have many to choose from. In Norwalk, Conn., Tavern Island, a 3.5-acre island featuring a boathouse, granite pool, deep water dock, beach, manicured lawns and an English colonial house, has been on the market for a year. The asking price is \$10.995 million.

In June 2016, a wealthy family put a collection of eight islands in the Thimble archipelago off the coast of Branford, Conn., on the market for \$78 million. Rogers Island, the larg-

est, is 7.7 acres with a 10-bedroom house, swimming pool, tennis court and putting green.

In March, after another broker, Melissa Frank Lutz at Douglas Elliman Real Estate, took over the listing, the price was trimmed to \$50 million for the eight islands, including Rogers Island. In addition, Rogers Island was listed separately for \$35 million.

Joe Piscitelli, a broker with Coldwell Banker Global Luxury in Milford, Conn., also is selling an island. His listing is located in Guilford, Conn., and is connected to the mainland by a narrow causeway fringed with a beach. The island, 4.24 acres with a Georgian mansion, is listed at \$9.875 million. It has

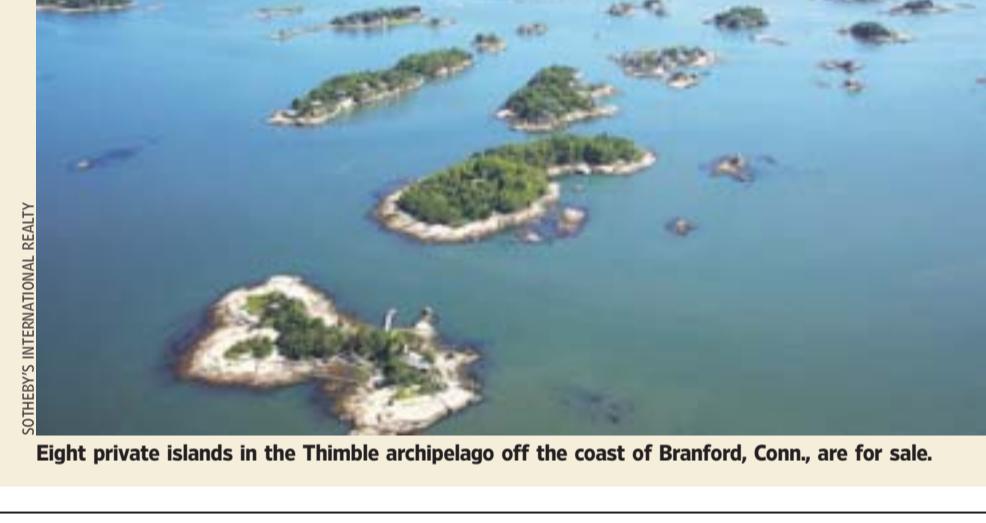
been on the market since 2015.

Mr. Piscitelli said falling prices for the most expensive mainland waterfront properties are putting pressure on the New York-area island market. "The island prices need to be adjusted to more in line with the waterfront," he said.

Most of the mansions on the islands originally were modest summer cottages, Mr. Piscitelli said. Now, he noted, taxes are high and flood-insurance rates are rising, making them affordable to only affluent buyers.

Ms. Lutz of Douglas Elliman, who is listing the eight Thimble Islands, said the market for private islands is strong and not under pressure.

—Josh Barbanell



Eight private islands in the Thimble archipelago off the coast of Branford, Conn., are for sale.

N.Y. GOP Aims to Avoid a Primary

By MIKE VILENSKY

Republicans eyeing a 2018 run against Gov. Andrew Cuomo have been crisscrossing New York meeting with party leaders as the GOP looks to close ranks early around a candidate and avoid a primary.

The meetings between potential gubernatorial hopefuls and Republican county chairs have an outsize importance because the local officials are hoping to agree on a nominee and clear the field for him or her.

"A primary is one of the most foolish exercises our party could engage in coming into 2018," said Nick Langworthy, chairman of the Erie County Republicans, who has been meeting with possible candidates. "We cannot afford an intramural among ourselves when the numbers aren't on our side."

Democrats hold a roughly two-to-one registration advantage in New York.

The GOP's 2014 gubernatorial nominee, Westchester County Executive Rob Astorino, didn't face a primary. Mr. Cuomo won the general election that year with some 54% of the vote.

Early front-runners for the party's backing this year include Harry Wilson, a corporate turnaround expert and former member of the Obama adminis-

tration, and John DeFrancisco, a longtime upstate legislator.

The two men have been racking up the miles, shaking hands and holding court with GOP county chairs and committee members from Buffalo to Queens, strategizing about how the Democratic governor could be toppled and pitching their strengths to the party.

"I'm going around to let people know who I am, what I stand for, and what my record in the Senate is," Mr. DeFrancisco said in an interview.

Mr. Wilson said, "The great early support I have received has been incredibly encouraging, and I certainly feel my turnaround skills could make a big difference for working

people across this state."

The two offer starkly different options.

Mr. Wilson, 45 years old, is a downstate moderate who has never held public office. He is best known for helping President Barack Obama navigate the economic crisis as a member of the auto task force that restructured General Motors.

In his meetings with Republican activists, Mr. Wilson has pitched himself as a problem-solver who could use his business acumen to help with an ailing economy upstate and aging infrastructure downstate.

He also has told Republicans he is prepared to put up to \$10 million of his own fortune into the campaign if he moves for-

ward, said people familiar with the meetings, a boost for the GOP as it goes up against Mr. Cuomo's \$25 million war chest.

But he said he is still considering how a campaign might impact his family.

Mr. DeFrancisco, 70, is a more ideological conservative who has represented the Syracuse area in the state Legislature for more than two decades.

His pitch to the party focuses on longtime priorities: Concerns about New York's population declining, the struggle to create jobs outside New York City, and his frustrations with Mr. Cuomo.

Republicans haven't won a New York gubernatorial race since George Pataki defeated Mr. Cuomo's father, the late Mario Cuomo, in 1994. They are hoping next year to capitalize on criticisms of Mr. Cuomo's handling of the New York City subways and economic concerns among the upstate electorate.

It isn't clear if all Republicans would step aside for the sake of party unity. Others considering a bid include Mr. Astorino; Carl Paladino, an ally of President Donald Trump; New York Senate Majority Leader John Flanagan; and Dutchess County Executive Marc Molinaro.



John DeFrancisco, left, and Harry Wilson are considering bids.



HANS PENNINK/ASSOCIATED PRESS

SCOTT ELLIS/BLOOMBERG

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GREATER NEW YORK WATCH

NEW JERSEY

Christie: Hiring Bridge Figures Was Mistake

Gov. Chris Christie said his biggest mistake was "hiring the people who pulled the shenanigans" at the George Washington Bridge in 2013.

The Republican, speaking Wednesday on MSNBC's "Morning Joe" program, said the lane closures were "done by a group

of folks who clearly were on their own agenda and not mine." Mr. Christie says he doesn't want to see anyone go to jail, "but people have to be held responsible for their conduct."

Bridget Kelly, Mr. Christie's former chief of staff, and Bill Baroni, his appointee to the Port Authority, were convicted of charges including conspiracy. Both have appealed and say their actions didn't amount to criminal conduct under the law.

Another Christie appointee pleaded guilty to orchestrating the traffic jams to punish a Democratic mayor who didn't endorse Mr. Christie's re-election bid.

—Associated Press

NEW YORK

State Commissioner Hits Hudson Cleanup

The \$1.7 billion Superfund cleanup of the Hudson River is

not protecting the public's health and the river as initially promised, according to New York's environmental commissioner.

Commissioner Basil Seggos criticized the six-year dredging project in a letter to Environmental Protection Agency Administrator Scott Pruitt.

An EPA spokeswoman said Wednesday that the agency would consider Mr. Seggos' comments along with others it got.

—Associated Press

LIFE & ARTS



TRAVIS DOVE FOR THE WALL STREET JOURNAL

THE MIDDLE SEAT | By Scott McCartney

Every Inch of a Plane, Inspected

American Airlines pilots, mechanics and flight attendants kick the tires on a new \$270 million Boeing 787-9

North Charleston, S.C.
IMAGINE YOU'RE BUYING a \$270 million car. You'd want to kick the tires pretty hard. That's what airlines do with new airplanes.

Some carriers station their own engineers at Boeing and Airbus factories to watch their flying machines get built and check parts as they arrive. Finicky buyers send flight attendants, mechanics and pilots for what are called shake-down inspections. They get to be the worst passengers and pilots ever—yanking seat backs, punching all the call buttons and flying the plane aggressively right up to its limits before the deal is done.

"The rubber meets the road here," says Timothy Jackson, an American Airlines aircraft acquisitions manager, as he begins checking a brand new Boeing 787-9 Dreamliner. "It's inspected and it's inspected and it's inspected. And yet we still find things."

Delivering one widebody airplane is a big deal—each plane has a list price roughly the cost of a high-rise hotel.

American is taking delivery of 57 new Airbus and Boeing planes this year, or more than one a week. Like other carriers, American has been using profits to upgrade to jets that have more seats, longer range and better fuel efficiency. Five years ago, American's fleet averaged 15 years old. Now the average age is 10 years.

But getting that new airplane smell into service isn't like ordering pants on Amazon Prime. Boeing does its own testing, but most airline buyers repeat the same tests and do their own extra inspection. Some carriers are more

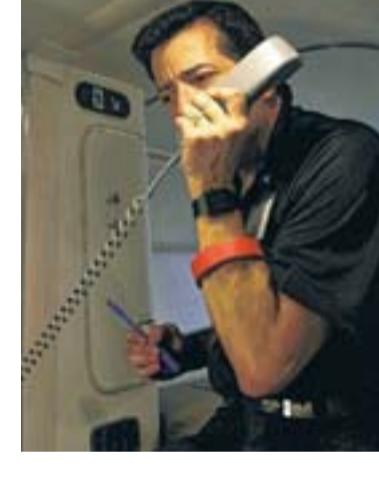


persnickety than others, Boeing executives say, but the airline is always right. Unhappy customers could lead to lost future orders.

"If I was buying the airplane, I'd probably want to fly it, too," says David Carbon, Boeing's vice president of 787 operations in South Carolina.

Tagging along with a team of experienced American tire-kickers at Boeing's factory here over two steamy days last week shows just how carefully airlines check out their purchases before passengers ever board.

Armed with rolls of red tape used to mark problems, five flight attendants, a couple of mechanical



American sends a crew of testers to Boeing's South Carolina plant before accepting delivery of its new planes. Flight attendant Tom Baldwin tests cabin communication systems, left.

experts and a test pilot attack the 285-passenger plane. All the doors and panels are opened for inspection. In the cabin everyone wears booties over shoes to keep dirt out. Like an operating room nurse counting sponges, Boeing counts flashlights and mirrors to make sure nothing gets left behind in an engine or mechanical compartment.

Joseph Maloy, American's director of aircraft acquisition, dispositions and records, heads straight

to the tail of the airplane to inspect the auxiliary power unit—a small engine that provides power on the ground and in emergencies. He checks the oil level and insulation and looks for any leaks. He makes sure safety wiring is correct and fire-detection tubes are properly positioned and haven't been bumped or bent. It all looks OK.

Then Mr. Maloy climbs into what mechanics affectionately call the "hell hole"—a small access door to a hot, dark compartment housing a giant jack screw. On the 787, it's the size of a basketball player's leg. It controls movement of the horizontal stabilizer, the panel in the tail that pitches the plane up or down, and is crucial to a smooth ride. It also checks out.

"It's a lot of money to spend and not pay attention," Mr. Maloy says.

Not everything looks perfect. Another mechanic shows him a cooling tube inside the General Electric engine that appears bent. Mr. Maloy thinks it's probably within limits, but the tube gets written up for GE inspection.

Inside the cabin, flight attendants shake each seat violently, grab the headrest and pull it up as if curling weights and jerk the cord on each entertainment controller. They test power ports, USB ports, audio jacks and the entertainment system. They open all tray tables, turn all lights on and off. Then they recline each seat with knee-knocking force.

One squeaks like a mouse on an exercise wheel. "Write it up," says Joyce Adkins, a veteran flight attendant from Los Angeles who's been part of the new-plane inspection.

Please see BOEING page A12

FROM LEFT: CBS; PHOTO ILLUSTRATION BY THE WALL STREET JOURNAL; PHOTOS: HULU; ROADSIDE ATTRACTIONS; EPA/SHUTTERSTOCK; NETFLIX; LUCASFILM LTD; APPLE

ANALYSIS

THE STREAMING AGE IS UPON US —AND IT'S GOING TO GET UGLY

Streaming was supposed to save us money but we may end up spending more

BY BEN FRITZ

A NEW FUTURE FOR

television is on the horizon: One in which we all cut the cord from our costly cable packages stuffed with channels we don't watch. Instead, we'll subscribe one-by-one to the streaming video services we actually want, on which everything is available on-demand on any device.

It could be total chaos.

Disney's recent announcement that it will launch an ESPN streaming service in 2018 and a family-friendly one in 2019 will one day be remembered as the inflection point in how we consume media.

After years of talking about how they needed to adapt their business



Where's my show? CBS All Access's 'Star Trek: Discovery,' above. Right from top: Hulu's 'The Handmaid's Tale,' 'Manchester by the Sea' on Amazon; Patriots on ESPN; Netflix's 'House of Cards'; Disney's 'Rogue One: A Star Wars Story.'

ertainment giants are rushing in the opposite direction.

More consumers are cutting the cord—or in the case of millennials, never connecting one in the first place—and the TV business has gone from growth engine to albatross for companies like Disney. That's why they're rushing to sell their content directly to consumers over the Internet.

Soon you'll be able to get sports without the entertainment you don't like on ESPN's streaming service. Or, if you prefer, Disney's animated movies without the sports that evoke unpleasant

memories of being picked last for the dodgeball team in gym class.

All of Disney's competitors, like Time Warner and NBCUniversal,

Please see STREAMING page A13

models to be more appealing to consumers but doing nothing because the checks from Comcast and DirecTV to maintain the status quo were too enticing, Hollywood's en-



LIFE & ARTS

BOOKS

Rushdie's Gamble

In his risk-taking new novel, prize-winning author Salman Rushdie jumps into presidential politics

BY ELLEN GAMERMAN

SALMAN RUSHDIE was working on a politically charged novel while the 2016 presidential campaign was in full swing. The author wanted to include the election's outcome in his book, so he imagined and wrote an ending where Donald Trump won.

"The Golden House," his 18th book, comes out Tuesday. It contains links to real events in ways Mr. Rushdie's fans might not expect, including references to campaign stories in the news not long ago.

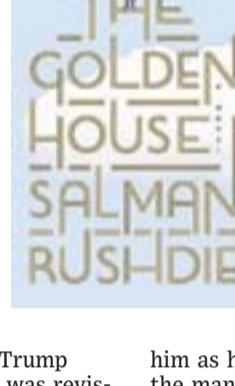
"I like that having just turned 70 I can do something different," Mr. Rushdie said in a recent interview. "Not dead yet!"

The novel, a drama about a rich Indian businessman exiled with his three sons in New York City, starts with the dawn of the Obama era and ends at the beginning of the Trump presidency. Mr. Rushdie was revising the book until it went to press this summer and said he would have changed the ending if Hillary Clinton had won.

The author, born in India and raised in the U.K., moved to the U.S. in 1999 and recently became an American citizen. Last year, he voted in his first U.S. presidential election.

"The Golden House" mixes fact and fiction, telling the story of a tycoon with ties to Indian gangsters who leaves his native country after his wife is killed inside the Taj Mahal Palace and Tower Hotel during the 2008 terrorist attacks in Mumbai. He arrives in Manhattan, where he renames himself Nero Golden. The old man promptly marries a much younger Russian gold digger who presents him with a multiple-choice survey of luxury items he must buy her. His adult children—an autistic video-game genius, a man questioning his gender identity and an artist—spin beyond his control in their new American lives.

The novel has received starred reviews in Booklist, which praised



its "scorching immediacy," and Kirkus Reviews, which dubbed it "a sort of *Great Gatsby* for our time."

Mr. Rushdie was aware of the artistic dangers of including ripped-from-the-headlines material even if it came with various twists (his Trump character, who goes unnamed in the book, has green hair). "That was the gamble," he said, "that I'm not going to do the thing that makes the book irrelevant in five minutes but try and do something which will endure by, if I do it right, capturing something about the feeling of the moment."

Like some others who have been in New York a while, Mr. Rushdie has his own Trump stories, recalling when the two crossed paths long before the developer's political ambitions became known. The author described bumping into him at the opera, where he said Mr. Trump pointed both index fingers at

him as he passed and said, "You're the man." He also mentioned sharing a row with Mr. Trump at a Crosby, Stills, Nash & Young concert, adding: "He was on his feet and he knew the words to all the songs. I thought, 'Really? Donald Trump knows the words to Woodstock?'"

It has been decades since Mr. Rushdie required security because of an assassination order by the late Ayatollah Khomeini. That ruling, or fatwa, was based on what the Iranian leader called the blasphemous portrayal of Islam in Mr. Rushdie's 1988 novel "The Satanic Verses." The case was effectively closed in the late 1990s when Iran and the U.K. brokered a deal at the United Nations to end the death sentence, Mr. Rushdie said. Still, unorganized individuals he called "freelancers" occasionally level threats.

The writer's experiences with British and American spies during his international ordeal could end up in an espionage thriller one day. Mr. Rushdie described meeting the head of the British secret intelligence service MI6—a commander addressed as "C," not the



Salman Rushdie, seen last year in Paris, likes that at age 70, he can do something different.

HUGO AYMAR/HAYTHAM-REA/REUTERS

"M" of James Bond movies, he said—and talking with agents who sought his confidence by swearing they were using their real names. (He laughs, calling that an obvious lie.) In that period, he masked his identity under the name Joseph Anton, a mix of Joseph Conrad and Anton Chekhov.

The tabloids have followed Mr. Rushdie periodically since he arrived in New York. At first, city dwellers weren't used to seeing him and assumed he was still an

active target, albeit one who occasionally showed up at red-carpet events. Another factor: The woman at his side was model-actress-TV personality-author Padma Lakshmi, who became his fourth wife. Their three-year marriage ended in 2007.

Next, Mr. Rushdie may revive an attempt to work in TV, but he said he doesn't put much stock in promises from the entertainment industry. A science-fiction project he developed for Showtime called

"The Next People" went nowhere in 2012. Mr. Rushdie co-wrote and executive produced the 2012 film adaptation of his Booker-prize-winning novel "Midnight's Children."

He is mulling a book set in the U.S., but not New York. "I have to get out of the bubble," he said. "I have this urge to get on the road and try and have a look at these other Americas that are out there—you know, not composed entirely of people who agree with me."

BOEING

Continued from page A11
tion team for 17 years. "No one wants to hear that in the middle of the night."

The team leaves the seats reclined during a lunch break to see if any creep back up, which would indicate a mechanical defect.

In galleys, flight attendants verify temperature readings on ovens and chillers. (On one plane, Ms. Adkins says she discovered a chiller wired backward, so off was on and on was off.) They flush all the toilets, blow fake smoke into smoke alarms, make sure all pre-recorded emergency messages sound when required. They check to make sure carpet seams line up. They look for scuffs and scratches.

"We basically touch everything on the airplane that the crew and customers contact," says Steve Young, a Los Angeles-based flight attendant. "We're all airplane geeks, very detail-oriented."

In the cockpit, Gary Beam, an American pilot whose main job is to test new and overhauled airplanes, checks systems on the ground with a Boeing analyst sitting beside him. He shuts off systems to see if backups kick in and warning lights come on, tests he'll repeat the following day in the air.

Capt. Beam cuts all the power—emergency lights illuminate the cockpit, as expected. He tests evacuation alarms and fire alarms. With no air conditioning in the cockpit because normal electrical power has been cut, sweat runs down his face.

"Everything here is pristine. It will never look this good again," he says.

The next day, Capt. Beam and a Boeing test pilot fly the plane south from Charleston to the Flor-



Scenes from the test in South Carolina: A technician tracks problems in the cabin, above. A wonky tray table is marked with red tape, above right. Flight attendant Steve Young tests passenger lights in the coach section, bottom left.



amazing flight. You learn so much about the airplane doing this," he says back on the ground.

Flight attendant Tom Baldwin says about 20 cabin items needed to be checked after the test flight. One major squawk: The crew couldn't connect to the Wi-Fi system. The day before, 120 issues were recorded, most of them cosmetic and minor, like seat squeaks. "It was pretty routine," he says, except for the Wi-Fi failure.

Those 140 punch list items, about average for a widebody, Mr. Baldwin says, will be addressed this week by Boeing and its suppliers.

The airplane will be officially delivered to American on Friday, 74 days after assembly began, with tail number N830AN and American's fleet number 8LL. Mr. Jackson, the acquisitions manager, gets to sign the paperwork on 8LL and start the money transfer. The 787-9 will be flown to a Dallas-Fort Worth maintenance hangar, outfitted with American safety cards, armrest seat numbers and other gear, and then worked into the airline's schedule, most likely headed to Seoul, Paris or Madrid.

ida panhandle, taking it up to 38,000 feet. Before takeoff, Capt. Beam slams brakes and checks reverse thrust. In the air, he simulates depressurization to make sure warning alarms sound and oxygen-mask compartments open.

Capt. Beam flies the jet to its limits, making sure alarms sound when he increases air speed or slows the plane down to stall speed. Even at 690 mph, the ride is smooth, he says later. He turns it sharply until "bank angle" warnings

sound. Each engine gets shut down and restarted in the air. Every backup and emergency system is put into use to make sure it works.

After three hours of flight testing, Capt. Beam is pleased with the product. "It's really kind of an

LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

A Cultural Legacy Rescued

A chance to hear the popular music of Somalia from the 1970s and '80s, informed in part by the country's chaotic politics

LARGELY IGNORED by audiences outside its borders, the popular music of Somalia in the 1970s and '80s was informed in part by culture-quaking politics: the establishment in 1969 of the Somali Democratic Republic led by President Mohamed Siad Barre and a socialist system that supported the arts but also promoted nationalism, curtailed freedoms, often violently, and led to a civil war during which the country disintegrated into a failed state. Somali musicians of that tumultuous era experienced both the ecstasy of liberation and the terror of war, chaos and brutality.

Because Barre had nationalized the arts, Somali music was owned by the government and performed on government-owned national radio or in its national theater in Mogadishu. Perhaps he thought it was his to destroy. When Barre's fighter jets attacked Somaliland, the former British protectorate in the northwest part of the country, in 1988 to thwart an independence movement, they bombed Radio Hargeisa, home to some 50 years of recorded music by Somalis, very little of which had been properly commercialized. In advance of the airstrikes, some tapes were hurried to Djibouti and Ethiopia. Others were buried underground.

Some of those tapes are among the 10,000 cassettes in the Red Sea Foundation's archives at the Hargeisa Cultural Center, and 15 tracks culled from them constitute "Sweet as Broken Dates: Lost Somali Tapes From the Horn of Africa" (Ostinato), available now. The collection sparkles with superior voices, superb musicians, and sounds that are both familiar and refreshingly new to Western listeners. They provide transportation to, as Vik Sohoni, founder of Ostinato Records, said when we spoke by phone earlier this week, a time and place most music fans have never been to.

As best it can in 15 tracks, "Sweet as Broken Dates" captures the diversity of Somali music in its golden era. Prior to the civil war, Mogadishu was home to a sophisticated music scene where the players moved easily among genres. American funk, pop and soul were influences, but not more so than traditional and modern Somali music as well as the sounds of India and Sudan. The scene was dominated by female singers; women are featured prominently in the collection. Their approaches vary as required. On "The Highest Mount-



Clockwise from above: A tape of composer Axmed Naaji at the Red Sea Foundation archive in Hargeisa; Hibo Nuura in the 1980s; a master reel recording of singer Shimaali Axmed Shimaali at the Radio Hargeisa archive

tains," which opens the album, Nimco Jamaac sings in a devotional style, her high voice conveying a tale that has its roots in the nomadic culture of the Horn of Africa. In contrast, Hibo Nuura is defiant atop the whip-snap rock of the robust "If the Artist Lets You Down," which features electronic sounds and a male choir. (Titles are listed here in their English translations.)

None of the tracks on "Sweet as Broken Dreams" were cut in a recording studio; most were captured by fans who placed a microphone against a radio. "Romeo & Juliet" by the Sharero Band featuring Faadumo Qasim was recorded in concert by someone who stationed his tape recorder on the stage. As stated in the extraordinary liner notes, largely written and edited by Mr. Sohoni, a former journalist: "These



recordings carry the trauma of Somalia. They have been remastered without abandoning the sweeteness in their brokenness." The result is near miraculous in its quality.

Mr. Sohoni and his associate Nicolas Sheikholeslami sequenced the collection so that it would flow like a mixtape, the kind passed among friends who share music. The album moves easily among tracks deeply rooted in traditional Somali sounds and oth-

ers that reveal their Western sources. "He Who Does Not Know" by Gacaltooyo Band featuring Fadumina and "This Love Has No Boundaries" by Iftiin Band with Mahmud Abdalla Husseyn and Maryan Naasir are very close kin to soul ballads, the smoldering kind recorded in the U.S. South in the mid-1960s. An electric guitar and snaking keyboard provide the singer with support in the former, while in the latter a stuttering



electric bass rules the mix as Mr. Husseyn, who goes by the name Jerry, and Ms. Naasir take turns singing the stirring top line. "Romeo & Juliet" kicks off like a number by the Clash and shifts into what sounds like knotty ska behind the superb Ms. Qasim, while "Mother's Womb" by Danan Hargeysa featuring Mohamed "Huro" Abdihashi pops with the rhythm of a biting electric guitar and savvy horn play. If "Mother's Womb," like some other tracks on the album, calls reggae to mind, Danan Hargeysa's founder, Abdinaasir Aideed, states in the liner notes that Somalia's *dhaant* and reggae are identical.

With its joys and sorrows, "Sweet as Broken Dreams" is a portrait of a complex yet accessible musical culture whose control and destruction by government and subsequent violent factions denied its gifted proponents much-deserved acknowledgment and the world its stylish inventiveness. An intriguing treat, the album all but demands the release of more recordings from a country whose musical near-past should no longer go unheralded.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.

CLOCKWISE FROM TOP LEFT: HULU; CBS; EVERETT COLLECTION; AMAZON PRIME VIDEO; NETFLIX

STREAMING

Continued from page A11
are discussing or actively working on similar services featuring their most popular brands and some of their best programming. You can hardly talk to anyone in Hollywood these days without hearing the words "direct-to-consumer."

What's not to love? A lot, once you start digging into the details. Because the more entertainment companies start dividing their content into separate, and separately priced, services, the harder it could be to find what you love and the faster the costs for your household will add up.

The future is ideal for the single person who just wants to watch sports, or Disney animated movies, or the new "Star Trek" show CBS debuts next month on its digital app.

Many of us, though, live in households with people who have varying tastes. Someone likes sports, someone else likes animated movies, and yet another person loves super-heroes. That means a subscription to ESPN, Disney's family service, and one for Warner's DC Comics that will launch in 2018.

What about the new shows and movies that debut with mind-boggling frequency on Netflix and Amazon Prime and Hulu and HBO (available digitally as HBO Now)? Gotta have those if you want to keep up with "Fuller House" and "Transparent" and "The Handmaid's Tale" and "Game of Thrones."

Those four services alone currently cost \$41 per month. If you're a "Star Trek" nerd, add \$6 for CBS All Access and \$10 if you want to skip the commercials.

Disney hasn't announced prices for its services, but \$10 per month sounds like a safe bet. Warner charges \$5 per month for Boomerang, which features animated



shows like the Looney Tunes, and will probably charge at least as much for the DC service.

Expect something similar for future apps that may be built around Universal's kid-friendly Minions, Fox's X-Men super-heroes, or Star Wars.

Did I mention Apple? They're about to start spending \$1 billion per year to produce television shows and they're certainly not going to give it away.

We won't all subscribe to every service, of course, but if you and your family want a reasonably broad selection of the best programming available, it's easy to imagine paying \$60 or \$80 or \$100-plus per month. And don't forget high-speed Internet for \$50 or more.

It's enough to make you nostalgic for a cable bill.

Proliferating digital video services will also make turning on our TV or tablets feel like a research project: Quick quiz: Which app has the new marijuana comedy from "Big Bang Theory" creator Chuck Lorre? Where can you watch super-hero comedy "The Tick"? What

Clockwise from top left:
Hulu's 'Difficult People';
CBS All Access's 'Star Trek: Discovery';
Disney's 'Pirates of the Caribbean'; Netflix's 'War Machine';
Amazon's 'Transparent.'



about the upcoming super-hero drama "Titans?" Where can you stream the World Series?

The answers are Netflix, Amazon, DC, and nowhere—you still need TV to watch the biggest sporting events.

Oftentimes, the answer will be the latest new service that we don't yet subscribe to. Is that show everyone's buzzing about really worth another \$10 per month? Wouldn't it be

nice if you could just change the channel and check it out, like we did in the good old days?

It's easy to imagine a solution to these problems. What if your Internet company (which probably used to be your cable company) offered you several video streaming services together, at a discounted price? They might force you to take a few services as part of the package that you don't use much, but it would probably be worth it for the discount and the convenience.

It's a cable TV bundle for the Internet age, in other words, and it's inevitable. For most of us, managing a dozen or more individual subscriptions to streaming services simply won't be worth the time or cost.

The cable bundle of today is an obese anachronism, packed with channels like MTV2 and ESPNU that nobody watches and designed by people who think TV Guide was the ultimate consumer-friendly interface.

But despite the greed of entertainment companies responsible for those failings, the basic idea behind the bundle is sound. Without one, the future of video will quickly become a mind-numbing, wallet-draining nightmare.

OPINION

Democrats Inch Right on Abortion

By Fred Barnes

House Minority Leader Nancy Pelosi said in May that the Democratic Party should not require its candidates to support the right to an abortion. "This is not a rubber-stamp party," she told the Washington Post. Senate Minority Leader Chuck Schumer agreed.

In July Rep. Ben Ray Luján of Texas, the head of the Democratic Congressional Campaign Committee, told the Hill he would be open to funding pro-life candidates in 2018 House races. California Gov. Jerry Brown said on "Meet the Press" that candidates' positions on abortion "should not be the basis for their exclusion."

We've heard this talk before about a "big tent" party. What's new is the sudden emphasis on accepting antiabortion Democrats as candidates and funding their campaigns. Last year this was not in Democrats' plans. The Democratic platform took a rigid pro-choice position that called for taxpayer funding of abortions. The advocacy group NARAL Pro-Choice America was thrilled, calling it "the best ever for reproductive freedom."

That was before Donald Trump had won the presidency with a boost from traditionally Democratic voters. It turned out they were attracted more by his conservative stances on social issues like abortion than by his economic views, a poll by the Voter Study Group discovered. Mr. Trump wound up capturing five Midwestern states—Iowa, Michigan, Ohio,

Pennsylvania and Wisconsin—where social issues resonated. Barack Obama won each of those states twice.

The Democrats' recent step to the right on abortion is small but significant. It shows party leaders have awakened to their weakness on social issues. "Pelosi knows that if

Even Nancy Pelosi is open to dissent. But that approach carries risks of its own.

Democrats run fanatical pro-abortion candidates in purple districts, they're not going to win the House" in 2018, says Jeff Bell, a Republican strategist at the American Principles Project.

Yet while easing up on pro-life candidates may soften the Democrats' image as the party of abortion, it brings at least two troubles of its own.

The first is an increasingly bitter debate inside the party. Howard Dean, a former Democratic National Committee chairman, reacted to Mrs. Pelosi's comment by pledging not to contribute to the congressional campaign committee if it funds antiabortion candidates. Sens. Kirsten Gillibrand (D., N.Y.) and Dianne Feinstein (D., Calif.) opposed the Pelosi position. Planned Parenthood and NARAL took strong exception.

The argument quickly spread to the states. Missouri's Democratic chairman, Stephen Webber, told the Kansas City Star

he's eager to recruit good candidates, and if the only recourse is candidates who oppose abortion, he'll settle for them. State Rep. Stacey Newman, who heads a group called ProgressWomen, said Mr. Webber was "plain wrong." But he's not alone. John Gibson, party chairman in Kansas, said if an antiabortion candidate wins the primary, that's fine with him.

Fighting over abortion isn't likely to aid a party trying to recover after a stinging defeat. Resentments are raw. When Kristen Day of Democrats for Life suggested her group would work with the Democratic Congressional Campaign Committee, DCCC spokeswoman Meredith Kelly rebuked her: "The DCCC has no interest in working with Democrats for Life of America, despite their attempts." Polls, by the way, show 3 in 10 Democratic voters are pro-life.

The other problem is the political landscape. It's changed. For decades Democrats skillfully used the abortion issue to tar pro-life Republicans as enemies of women's health, among other unsavory things. Republican candidates were on the defensive and not very good at it. Many wished the issue would fade away.

Today the roles are reversed. When Democrats move their way, even slightly, it means the pro-life movement is gaining, says Marjorie Dannenfelser, president of the Susan B. Anthony List. "We're on offense."

The pro-life movement has

a large field to play on. Republicans control 32 state legislatures, 26 of them in states with Republican governors and another one with a Democratic governor but a veto-proof GOP majority. Republican legislators are overwhelmingly pro-life, which wasn't always the case in the years following the Supreme Court's 1973 *Roe v. Wade* decision that legalized abortion nationwide.

With power comes accountability. It's no longer enough for a Republican lawmaker to say "I'm pro-life" and leave it at that. Led by Ms. Dannenfelser and the Susan B. Anthony List, groups opposed to abortion insist legislators vote their way. Like the National Rifle Association, they keep score.

"We've gotten savvy as a movement," says Michael New, a professor at Florida's Ave Maria Law School. Sen. Heidi Heitkamp (D., N.D.) faces a tough re-election next year. She'll have to explain why she voted against a bill to bar abortion after 20 weeks, while the North Dakota Legislature had passed a state version.

As a coalition party of liberal identity groups, Democrats have few options on social issues. Minorities, gay people and immigrants will erupt should their interests be threatened. Tinkering with the party's image on abortion was less risky. But it doesn't offer much of a reward either.

*M*r. Barnes is an executive editor of the *Weekly Standard*.

Daniel Henninger is away.

Texans Will Tough This Hurricane Out

By Karl Rove

From Corpus Christi to Port Arthur, the Texas Gulf Coast has been hit by a natural disaster of biblical proportions. Hurricane Harvey has wrought such devastation that it's hard to comprehend. Entire towns like Rockport and Aransas Pass look like bombed-out war zones. Houses were smashed to bits, with roofs torn off and water pouring in through doors and windows. Survivors waited out the storm in closets, bathtubs and second-floor bedrooms.

Boats sank at their docks, or were reduced inside their storage sheds to heaps of crumpled metal and shattered plastic. As garages collapsed, SUVs and pickups were crushed, their trunks and front grilles tilted and sticking out of the water.

The wind was so powerful that it peeled thick steel plates off giant oil-storage tanks. An American flag was ripped from its pole and left tangled in a power line. Eighteen-wheelers were flipped on their sides and thrown cattawampus across highways. Trees were shorn of their leaves so they looked as if it were mid-February, not late August.

Then there are the enormous, brown, swirling, ugly expanses of water, covering roads, turning neighborhoods into lakes, drowning everything in their path.

Yet this record-shattering hurricane brought out the best in Texans. Neighbors created human chains to help each other through treacherous currents. A TV reporter flagged down a sheriff's car to implore officers to save a trucker, tucked under an overpass, whose cab was filling with water. No one was left behind, not even pets.

The "Texas Navy" and the "Cajun Navy"—volunteer rescue squads—appeared with fishing boats, skiffs, Jet Skis and kayaks. Among their ranks was an oil-field salesman from Victoria, about 125 miles away. When his town was put under mandatory evacuation, he headed toward Houston, towing his boat behind his pickup. God knows if his home is still standing. Victoria took a direct hit from Harvey soon after the storm came ashore.

Another unforgettable scene

took place inside La Vita Bella senior home in Dickinson, southeast of Houston. There,

15 residents sat in waist-high water, hoping help was coming to ferry them to safety. It was.

Every Texan knows someone Harvey has hurt. A woman I used to work with took her family to a shelter after the rising water blocked their path out of town. The ranch house of other friends of mine, which took eight years to build, was near the

hurricane's eye in the Coastal Bend and torn apart in minutes.

Texans are a gritty people who believe in toughing it out no matter what's thrown our way. We are a resilient lot, and will rise again. But for now, there are more people to rescue, shelters to open, and families to help. By caring for our communities, Texans are providing America an inspiring civics lesson.

Entrire towns look like war zones. But we Lone Star Staters are a resilient people.

We'll need every bit of tenacity we can muster to work and serve, to help and care. The worst may still be to come. There will be more rain, raising waters even higher before they slowly recede into the Gulf of Mexico. There will be more wind, causing more damage and putting more people in need of rescue, food and shelter. The searing pain will grow as those who perished in the wind and water are found.

President Trump's visit on Tuesday was a tonic, and his administration has been quick to provide what state officials have requested. But it is important to remember that under federal law, governors—

not the feds—are in charge of disaster planning, relief and recovery.

What the Trump administration does is critical, but it will work only if Texas Gov. Greg Abbott is prepared to tell Washington what his state needs. So it is fortunate that long before this hurricane appeared, Mr. Abbott and his team were planning, training and organizing for a challenge like this. They are now coordinating with local officials to get resources to where they will save lives and protect property.

That preparation is paying off as Mr. Abbott spends most of his long days in the State Operations Center, working with county and city officials along the nearly 400-mile Texas coast. Mistakes will be made. That's inevitable in a crisis of this magnitude.

But the governor of Texas and his army of first responders, local officials, guardsmen and volunteers are showing America the difference Lone Star leadership can make.

Rather than bring this great state to its knees, Harvey has summoned forth acts of courage and compassion. God bless Texas in these trying days.

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

Help Afghans Exploit Their Mineral Riches

By Michael Silver

Imet with President Trump recently to discuss America's development of Afghanistan's mineral deposits. Afghanistan owns one of the world's richest untapped deposits of rare-earth and critical metals. The Afghans cannot develop these vast deposits on their own, but if they get U.S. help to do the job right, they will have an opportunity to move from a war-torn nation to a self-sustaining economy.

These materials are essential to green technology. A misconception in the environmental movement is that green technology eliminates mining.

In fact it simply changes what you mine. You can't build an electric car without neodymium and lanthanum, or produce solar or wind energy without indium and gallium.

No doubt the entire supply chain, from rare-earth ore to a solar panel, has less environmental impact than mining and

burning coal, but bottom line it's still mining. And building a multitrillion-dollar infrastructure of wind and solar farms and millions of electric vehicles is going to involve a lot of

China controls the supply of rare-earth and critical metals.

mining. The Afghans are fortunate that plate tectonics pushed much of the good stuff their way, and they are now well-positioned to take advantage.

I proposed this idea to the White House along with a package of suggestions to fill a gaping hole in the plan to rebuild America's manufacturing base. At its most basic, manufacturing has two key operating costs: labor and materials. While the U.S. does a lot of hand-wringing over labor costs, the Chinese are

quietly on their way to controlling every important deposit of rare-earth and critical metals on the planet. The only operating rare-earth mine outside China is in California—and three months ago, it was bought by a consortium that granted its Chinese shareholder the exclusive license to sell the ore.

The Chinese aren't evil, merely smart. The U.S. has taken its eyes off the ball, and Afghanistan provides an opportunity to regain the right focus.

One obstacle is a media narrative of rapacious Americans stealing the riches of a defenseless nation, while destroying its environment. One recent article opined: "This isn't to say that Afghanistan cannot profit from its resource wealth—it can and should—but that the United States is not the right country to lead that charge."

Have we forgotten our long history of leading the charge, starting with the Marshall Plan?

If America is serious about bringing manufacturing back, it needs to get in the minerals game—and to do so in a way that benefits the Afghans and other sovereign owners of these deposits. It's what the Chinese are doing all over the world—building roads, rail lines and power plants in exchange for ground leases.

The U.S. can do it too. It has in the past. I was personally involved in assisting the Chinese government when it began exporting rare-earth metals in the 1990s under Deng Xiaoping's policy of global engagement. Postwar Afghanistan is the perfect test case for Americans to prove that we are as generous to other nations and as thoughtful in advancing our own interests as the earlier Americans who wrote and implemented the Marshall Plan.

*M*r. Silver is chairman and CEO of American Elements.

BOOKSHELF | By Joanna Bourke

Staring At the Void

The Human Predicament

By David Benatar

(Oxford, 264 pages, \$24.95)

There are books that one should never give to depressed friends. David Benatar's "The Human Predicament: A Candid Guide to Life's Biggest Questions" is one. Although Mr. Benatar doesn't want to be one of those malicious people who yell "jump" to the man on the ledge, he is merciless in spelling out his message: Ultimately, our lives are meaningless. Evolution is blind and serves no intrinsic purpose; in a cosmic sense, we each live for an insignificant amount of time. Furthermore, the lives we do lead are often suffused with suffering. Roughly 40% of us will develop cancer during our lifetimes. The misery of people currently living in war zones or in regions suffering from famine is painful to contemplate. There is no such thing as "chronic pleasure," but "chronic pain" is all too common. Life is terrible, and some people are unluckier than others.

This does not mean that our lives have no value—after all, life can be valuable to the person who lives, even if none of us can transcend the limits of being human. Mr. Benatar, a professor of philosophy at the University of Cape Town, argues that humans can enjoy "terrestrial" meanings—nurturing children, fighting for the rights of refugees, composing a symphony or making a delicious breakfast, for example. His pessimistic doctrine should not be seen as the first step leading to an argument for the euthanasia of people who fail to "make a mark." Nevertheless, we are each but a "blip in cosmic time and space." Mr. Benatar insists that most of us are terminally anxious about this lack of cosmic meaning.

Mr. Benatar claims that his arguments could be called "unpopular philosophy," but I am not so sure. I did a very unscientific poll of my friends. None of them believe that there is some wider purpose to human existence. This may say a great deal about the kinds of people who are willing to befriend me, but I think it also says something about the kinds of people who circulate in Mr. Benatar's world. They clearly "abhor a meaning vacuum" (for which Mr. Benatar deploys the Latin tag *horror vacui*), and many might cope by inventing a God or another unseen, spiritual world. Maybe others believe that they don't need God in order to have purpose. Surely the purpose of every living organism is to reproduce? In other words, "Nature" is sufficient. Mr. Benatar argues that this position confuses causality with purposefulness. It "merely provides an explanation of how rather than why we came into existence."

Though the universe is a cold, indifferent place, we can still find value in 'terrestrial' meanings, like raising children or making breakfast.

For those unable to sustain comforting beliefs about Higher Beings, "Nature" or other philosophical creations that provide intrinsic purposefulness, Mr. Benatar has further bad news: Suicide will exacerbate the meaninglessness of our lives. Of course, once a person is dead, he or she can't feel anything at all—even the uneasy foreboding that nothing really matters. Mr. Benatar does argue, however, that suicide can be rational, especially for people overly burdened with the bad things in this world. People contemplating suicide should consider the lives of others—family and friends, for example—but they should not be condemned if they take the decision to end it all. Mr. Benatar tells us that, for the same reason that the universe is "indifferent to our coming" into this world, it will be "indifferent to our going." In fact, the universe does not care, he adds, because "it has no attitudes at all."

To those who think we should focus on terrestrial meanings (and I think he would include me and my friends here), Mr. Benatar has a strange response. In effect, he claims that such people "do not explicitly argue that the cosmic perspective is irrelevant... Instead, they frame the entire issue of meaningfulness of life in terms of terrestrial meaning." He accuses us, therefore, of "begging the key question." This riposte seems to be assuming that "cosmic meaningfulness" is actually the question. I don't think it is. In fact, I think that question is irrelevant. I don't think that recognizing that "our lives lack the cosmic meaning for which humans so often yearn" is an "ugly truth." In fact, I find it liberating.

In my book "What It Means to Be Human," I invented a term for this philosophical position: negative zoology (from the Greek *zoé*, meaning "life"). Negative zoology is a celebration of life that is always unstable and indeterminate. It serves as a reminder that we are not masters of the universe and that all our knowledges are contingent. Crucially, negative zoology pays homage to the desire for meaning, certainty and community but acknowledges its impossibility. In our century, I find its negativity generative: It incites imagination.

This is also one of the reasons I enjoyed reading Mr. Benatar's book. It is less grim than it sounds. In fact, Mr. Benatar has a lively sense of humor, which unfortunately he often saves for his footnotes. In one, he tells a tale about Sherlock Holmes and Dr. Watson going camping. Asleep in their tent, they both suddenly wake up. Holmes tells Watson to "look up and tell me what you see." Watson replies, "I see the starry heavens above." Holmes asks him, "And what do you deduce from that?" Watson thinks for a moment, then says: "I deduce that we are small and insignificant beings in a vast cosmos." An exasperated Holmes shouts, "No, you—ing moron! Somebody stole our tent!"

After I stopped laughing, I got the message. We are wasting our time thinking about the human predicament and the unimaginable vastness of the sky: What is really staring us in the face is the need to prepare breakfast. And that is what I intend to do now.

*M*s. Bourke, a professor of history at Birkbeck, University of London, is the author of "What It Means to Be Human."

OPINION

REVIEW & OUTLOOK

The GOP's Tax Reform Baseline

President Trump began his sales pitch on Wednesday for tax reform, and it's not too much to say the Republican majority in Congress hangs on success. One big question is whether the party will let itself be held hostage by processes that favor higher taxes and more spending as it did on health care.

Outfits like the Center on Budget and Policy Priorities have been ringing alarms that Republicans are trying to hide the cost of their tax plan "in a seemingly arcane maneuver." At issue is the budget baseline, a benchmark for predicting how much tax revenue will flow into the Treasury. Gaming the baseline has been a bipartisan pastime since Democrats invented it in 1974. But here the question is whether the GOP should surrender \$500 billion that could be deployed to reduce tax rates.

The debate is over what assumptions House and Senate Budget Committees should make about the future, which requires rehearsing some history. For years a Christmas tradition in Congress has been to jam through a "tax extenders" package that extends putatively temporary breaks for anything from electric motorcycles to rum from the Virgin Islands.

In 2015 Congress made permanent some preferences, including a research and development credit, in a chess move by House Speaker Paul Ryan. Permanence meant that the credits would be counted in the budget baseline. Congress can now nix the credits to finance cuts in personal and corporate tax rates.

Yet Congress did not enshrine all of the preferences, which are set to expire at various points in coming years. One of the biggest is "bonus depreciation" for businesses. The question is whether the House and Senate baseline should assume these tax preferences will be extended by Congress—as they have been in the past—or not.

The academic distinction is whether the baseline should be scored under "current law" or "current policy." The self-styled purists say the budget must be tallied under current law, which would assume that, say, energy credits expire and the extra tax revenue accrues to the government.

The current policy approach makes the

Congress shouldn't let Beltway process ruin good policy.

concession to reality that Congress will not dump a popular and powerful tax preference such as business depreciation, among other handouts, at least not without larger reform to the tax code. The difference is in the ballpark of \$500 billion over 10 years, which is enough to finance a roughly five-percentage point reduction in

tax rates for corporations.

One reason this is so important is that a tax plan must be "revenue neutral" to qualify under the Senate's arcane reconciliation process, which allows the upper chamber to pass reform with a 51-vote majority. Tax writers in Congress must find ways to offset the cost of rate cuts, and succumbing to a current law approach would deprive the GOP of \$500 billion that will be spent by government anyway.

All of this is a case study of broader budget dysfunction, and the Heritage Foundation's Romina Boccia and Adam Michel offer another great example. The Congressional Budget Office's baseline for spending assumes current policy. CBO predicts that money for highways or other funding from Congress will continue even after an appropriation expires.

Yet not so on tax revenues, which CBO's baseline scores under current law. The budget gnomes assume that tax cuts will end on the scheduled expiration date, though many if not most are granted a stay of execution. As Ms. Boccia and Mr. Michel point out, the practical effect of the disparate assumptions is to make spending easier and tax cuts harder.

Republicans in Congress are considering the current policy approach, and the left is accusing the GOP of pulling a fast one. Yet the House's "Better Way" document, which has been on the internet for a year, notes that deploying current policy "more closely resembles historical experience" and does not invent a tax increase that may never materialize.

The GOP ought to press ahead with the baseline that best reflects reality, which in this case is current policy, and it is rich to see anyone who supported the Affordable Care Act deplore budget gimmicks. The test is whether Republicans will work to make the tax overhaul as powerful as possible for economic growth—or fall to the same Washington process traps that scuttled the effort to replace ObamaCare.

Rauner's Big School Victory

Illinois residents have watched for years as their taxes go up while public services and schools deteriorate. But GOP Gov. Bruce Rauner will deliver Prairie Staters some good news Thursday by signing into law an inaugural state private-school choice program.

The Democratic legislature this week approved a \$100 million tax-credit scholarship program along with a new school funding formula that provides an additional \$450 million for the insolvent Chicago Public Schools. The Governor earlier this summer vetoed legislation that appropriated \$300 million more for Chicago schools, but Democrats lacked the votes to override him.

Mr. Rauner demanded a private school tax-credit scholarship program in return for his signature, and Democrats ultimately conceded despite union protests. Illinois businesses and individuals will receive a 75% tax credit for donations that support scholarships for low-income kids to attend private schools.

Families earning up to 300% of the poverty line—\$73,000 for a household of four—will be eligible in the first year and could continue to receive scholarships if their income rises to 400%. The program is capped at \$100 million,

which is still the largest first year allocation of any state scholarship program. Kids who attend failing schools or come from low-income families will have priority.

Unions howled that the tax-credit program will undermine public schools. But public schools won't lose any money, and \$100 million is a pittance compared to the \$8.2 billion the state will spend on public education this year or the \$5 billion in income and corporate tax hikes that Democrats passed last month over Mr. Rauner's veto.

As for Chicago, most of the state bailout will go toward propping up the teachers' pension fund, which is 50% funded. Mayor Rahm Emanuel also won state approval to raise city property taxes by \$125 million to fund teacher pensions, which comes on top of last year's \$250 million increase. The school budget that the Chicago Board of Education approved this week still relies on hundreds of millions of dollars in aid from the city that is likewise broke.

After the state House approved the tax-credit scholarships, the Chicago Teachers Union declared that the "Illinois Democratic Party has crossed a line which no spin or talk of 'compromise' can ever erase." Sounds like the good guys won for a change.

An Obama Pay Rule Dies

A long-time progressive goal has been to use charges of a gender pay gap to begin dictating salaries in the private economy. This week the Trump Administration halted an Obama Administration step toward that end.

The Office of Management and Budget on Tuesday stayed an Equal Employment Opportunity Commission (EEOC) rule dealing with a bureaucratic form known as EEO-1. The old EEO-1 required federal contractors and any company with more than 100 employees to submit data about their workforces—including breakdowns by race, ethnicity, gender and job category. In 2016 Team Obama added a demand for data on pay, effective March 2018.

The rule is a typical end-run around Congress, which refused to enact President Obama's Paycheck Fairness Act that would have enabled such wage-data collection. Mr. Obama also tried to coerce such data through the Office of Federal Contract Compliance Programs. When that failed, EEOC got the mission.

The Trump OMB cited the exorbitant cost and hassle of compliance for staying the rule, and that's reason enough. The old EEO-1 form required about 180 pieces of information, while the Obama form increased that 20-fold to 3,660 data points per report.

The Obama EEOC said the rule would cost about \$50 million a year and 1.9 million hours to comply. But a Chamber of Commerce survey found the direct compliance costs alone would

Companies won't have to disclose reams of wage and salary data.

be closer to \$400 million and eight million hours of labor. Add indirect overhead and annual costs jumped to \$1.3 billion.

The Paperwork Reduction Act requires agencies to show that regulations have value and to minimize their cost. Yet the new EEO-1 form would have provided little real insight into pay disparity. The

form would not have provided information about employee experience, education, flex-time, benefits, hours worked, or myriad other factors that go into pay decisions.

The rule would have created a sweeping database that bureaucrats could manipulate to engineer accusations against corporations. Recall how the Consumer Financial Protection Bureau inferred discrimination in auto lending based on borrower names like Johnson. The EEOC can already subpoena pay information if it has a credible allegation of discrimination.

The rule would also have turbocharged pay litigation, as tort attorneys capitalized on EEOC assertions. A federal judge in July required Google to hand over employee records to Labor Department investigators looking at a supposed "systematic" pay gap, and a class-action suit can't be far behind.

The stay is among the first recommendations by Neomi Rao, who now runs the White House regulatory shop, and it is good news for employers and workers who want to be paid on the basis of their talent and effort, not the dictates of government.

OPINION

LETTERS TO THE EDITOR

Navy Has Many Causes for Its Poor Sailing

Regarding your editorial "The Navy's McCain Moment" (Aug. 22) and Seth Cropsey's "Has the Navy Reached Its Breaking Point?" (op-ed, Aug. 24): I served on a carrier during the Vietnam War and my principal duty was that of a watch officer. I went through countless hours of trading watches, serving first as a junior officer of the deck under instruction, then a junior officer of the deck and finally reached the pinnacle of officer of the deck underway.

We had captain's standing orders for use when the captain wasn't on the bridge. One of the most important was when to call him when we had a contact that was CBDR, constant bearing-closing range. That indicated a potential collision. When passing through heavily transited areas, i.e., Gibraltar, which we always did at night, we had the captain, executive officer, navigator and, of course, the officer of the desk (OOD) on the bridge. We posted extra lookouts for boats which didn't show navigation lights. When in the Mediterranean we were constantly shadowed by Russian trawlers which harassed us. I never heard of any collisions during that period.

I'm struck by the spate of collisions, but even more concerned when I enlarged the photo of the USS McCain, which showed a rusting, ill-kept warship. We had paint crews out every time we entered or anchored in ports. The discipline to keep shipshape was imbued in us, as was the safety of the ship.

The captain bears the ultimate responsibility, and the OOD is in total command of the ship. These collisions are unacceptable, and I would expect both the captain and OOD of the McCain to be court-martialed for dereliction of duty and manslaughter. And I suggest rather than having our fleet standing down, the CNO enact training standards for OOD's in the Navy.

DAVID A. ROSOW, LT. J.G. USNR (RET.)
Palm Beach, Fla.

I was the officer of the deck on the USS Santa Barbara when we

sailed through the Singapore Strait in the dead of night. It was tense due to all the traffic. I changed course and speed multiple times, following the rules of the sea to prevent any collision.

I was trained by a very experienced Navy destroyer captain who told us never ever be in a situation where you had to rely on another ship to follow the rules of the sea to avoid a collision.

BILL PERSON
Bloomfield Village, Mich.

Another Naval collision. More U.S. sailors killed and injured. Yet, all the Journal editors can do is demand more spending. Military sources claim that during the last six years over 200 generals and admirals were ousted by the Obama administration. Retired Maj. Gen. Robert Dees stated the political "mandate for social agendas . . . declines our readiness. We're spending more time on some of these social engineering projects than on developing and maintaining readiness in our force."

How is it possible that swift, maneuverable U.S. Navy combat ships have twice collided with lumbering cargo ships? Is it possible officers are promoted to command not only on merit, but due to their conformity with a social agenda ahead of military readiness? Could it be possible that families are burying their sailors at the altar of politically imposed social engineering?

Before throwing money at the problem shouldn't we seek answers?

TIM SCHEFTER
Loveland, Colo.

Your editors are much too forgiving of those in command of the McCain. The facts are seemingly self-evident that the accident was caused principally by failure of the McCain's commander and subordinates to maintain adequate "watch" and control of their ship.

C.A. ERICKSON
Bonsall, Calif.

Maybe the Tragic Distance Isn't All That Far

It is true, as Bernard-Henri Levy states, that there were differences between the tragedies in Charlottesville, Va., and Barcelona last week ("The Distance Between Two Tragedies," op-ed, Aug. 25). However there were also strong similarities. The most important of the similarities was that in both cases the perpetrators of the tragedy (and that includes Antifa and their cronies) had turned to violence to accomplish what they can't accomplish through the legitimate established processes.

The solution in both cases is for government to fulfill its responsibility to protect the innocent citizens from the hooligans and protect the hooligans from each other. When those hooligans come to the "demonstration" armed with clubs, the official response should be obvious to even the most politically correct of politicians. That was the case in Charlottesville when the police stood aside and let the two sides go at it. The result was very predictable.

The situation in Barcelona was much more difficult to predict and

is therefore more difficult to fix. The biggest distance is that between Mr. Levy's Charlottesville narrative and the whole truth. He omits the Antifa role in the riot. That conflict resembled Germany's 1930s Communist and Nazi street battles.

By not naming and condemning the alt-left, does Mr. Levy indicate he approves of its other exploits: the shutdown of the free speech rally in Boston and Berkeley's destructive black-hood riot?

VIRGIL WEATHERFORD
Woodland Hills, Calif.

Without, I hope, being branded as a Nazi sympathizer or racist, I have several problems with Mr. Levy's assessment of what happened in Charlottesville.

But what is truly troubling about his article is his apparent advocacy of laws to suppress the airing of opinions that he finds despicable.

That's exactly what the Nazis and other odious regimes did, Mr. Levy.

GERALD KATZ
Edwards, Colo.

The SPLC Defends Its Hate-Group Labeling

From reading Kimberley A. Strassel's description of the Southern Poverty Law Center's work ("J.P. Morgan's Hate List," Aug. 25), I get the impression that she doesn't have a high opinion of us. She also doesn't seem to have much regard for the facts. Take, for example, her first assertion—her claim that we list organizations like the Family Research Council (FRC) and Alliance Defending Freedom as hate groups because they're "Christian organizations that oppose gay marriage." Ms. Strassel surely knows this isn't accurate. We've explained it over and over. But she chooses to parrot the FRC's line, which it uses to deflect attention from the real reasons we list it as a hate group—it's incendiary name-calling and demonizing lies about the LGBT community. And she calls us the propagandists?

J. RICHARD COHEN
President
Southern Poverty Law Center
Montgomery, Ala.

open. On the landing page of the SPLC website, it claims to, *inter alia*, "teach tolerance." Yet it is intolerant of any organization that does not share its views—it is a hate group by its own definition. If an organization must define itself by applying the "hate group" label as a first recourse, it is likely a case of the pot calling the kettle black.

Companies large and small that support the SPLC need to be identified and publicly shamed for supporting and financing extremism and hate.

DAVE ERCHULL
Tucson, Ariz.

Pepper ... And Salt

THE WALL STREET JOURNAL



"The key to making the right decision is knowing which coin to flip."

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



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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, August 31, 2017 | B1

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FDA approves cancer treatment that breaks new ground—and costs \$475,000

BY DENISE ROLAND
AND PETER LOFTUS

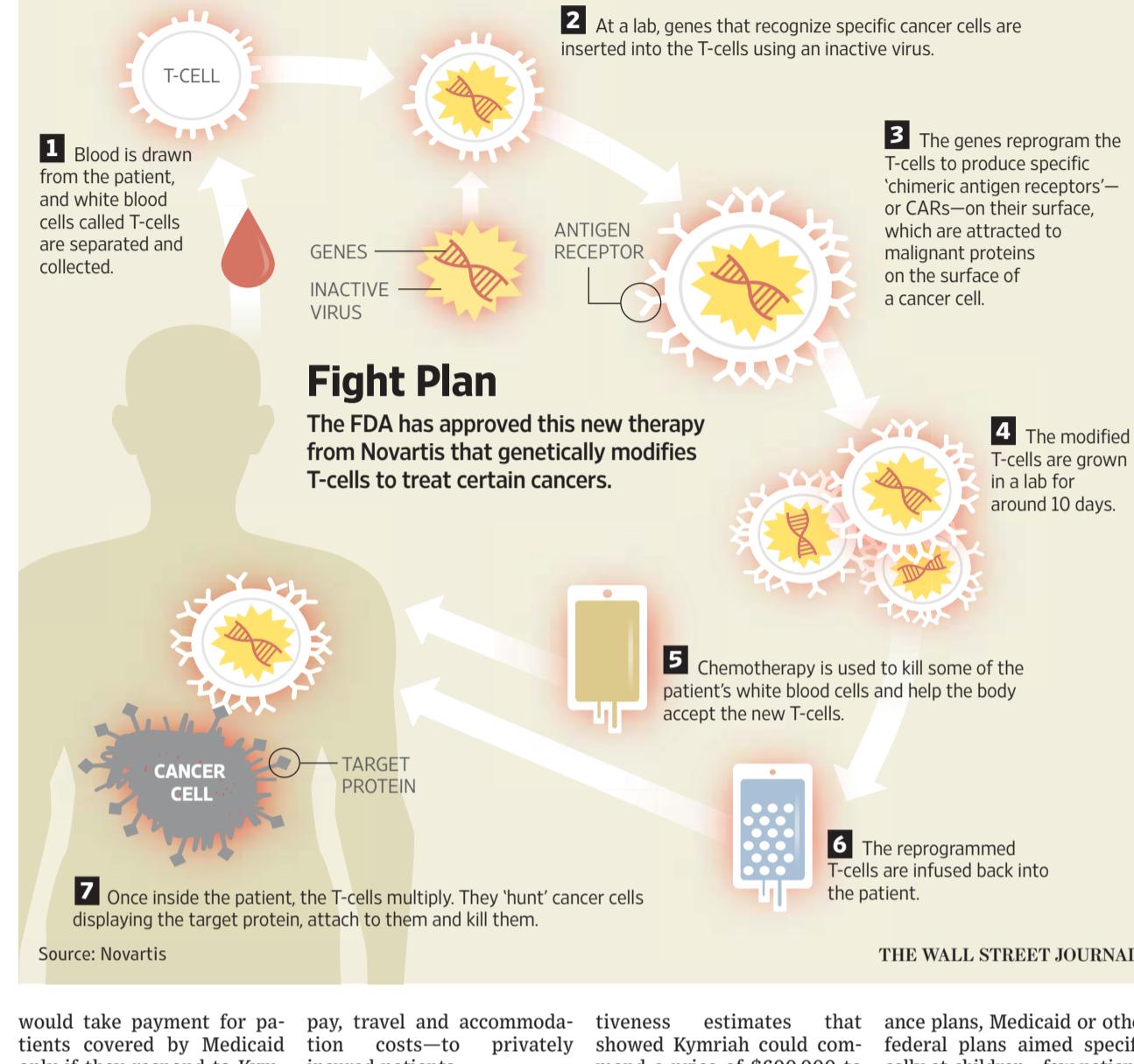
The Food and Drug Administration approved a first-of-its-kind cancer therapy aimed at bolstering a patient's own immune cells, while the drugmaker behind the treatment attempted to allay worry over the high cost of the procedure.

Swiss pharmaceuticals giant Novartis AG said it would charge \$475,000 for the treatment, which involves extracting a patient's disease-fighting blood cells, modifying them to attack cancer cells more vigorously and then re-injecting them in the patient. The \$475,000 price tag was significantly lower than many analysts had expected.

The procedure can only be undertaken at a limited number of facilities in the U.S. It is highly tailored to individual patients and can take the better part of a month to complete. Those logistical hurdles and its expected high price had cast a shadow over what has otherwise been seen as a groundbreaking treatment.

The treatment, called CLT019 but rechristened by Novartis after the FDA approval as Kymriah, has been shown to dramatically raise the chances of survival for children and young people with an aggressive form of leukemia who don't respond to standard treatment.

In a bid to blunt criticism over the price, Novartis said it



would take payment for patients covered by Medicaid only if they respond to Kymriah within a month of treatment.

The company also said it would offer financial assistance—such as help with co-

pay, travel and accommodation costs—to privately insured patients.

"We have taken a very responsible approach" to pricing, said Bill Hinshaw, Novartis' U.S. oncology head. He cited independent cost-effec-

tiveness estimates that showed Kymriah could command a price of \$600,000 to \$750,000. He said that because patients will be children or young adults—who typically fall under their parents' or caregivers' private insur-

ance plans, Medicaid or other federal plans aimed specifically at children—few patients would likely end up paying near the full price out of pocket. That cost will fall to the employers, insurers and

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One Bank Dominates 'Repo' Market

BY KATY BURNE

When ED&F Man Capital Markets in June opened a settlement account for government bonds at **Bank of New York Mellon** Corp., it was a watershed moment in an obscure but vital corner of the global financial system.

That was when London-based ED&F became the first bond broker to change "repo" clearing banks in nearly a decade.

ED&F's move, and other brokers doing the same, shift more of the market onto Bank of New York, which already dominated that sector with an 85% share.

That exacerbates concerns many traders have about the safety of repos, or repurchase agreements, in which lenders such as money-market funds make short-term loans, often using government bonds as collateral.

Bank of New York's one-time sole rival in the business of clearing U.S. Treasuries and repos backed by them, **J.P. Morgan Chase & Co.**, in 2016 decided to exit from the business, prompting more than two dozen brokers including ED&F to move to Bank of New York.

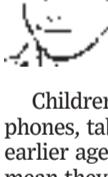
With J.P. Morgan's retreat, concerns about the market's stability began falling squarely on Bank of New York. The company this past May formed a new unit with a separate governance team to

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PERSONAL TECHNOLOGY

By Wilson Rothman

Keeping An Eye On Young Browsers

 Parents, it's OK—essential, even—to spy on your children's internet use.

Children are getting smartphones, tablets and iPods at earlier ages, but that doesn't mean they're laying low in "Daniel Tiger's Neighborhood." Just peek at your child's browsing history; sometimes elementary schoolers google like teenagers.

Even if children don't get lost in the internet forest, they can develop bad habits that are hard to spot day-to-day. This is the Big Parental Concern: Are we ruining our children with screens? What's the middle ground between no tech and an internet and app free-for-all?

The built-in restrictions on iPhones and Android devices give parents the ability to lock down many functions and set content filters for media and web browsing. Still, they don't tell parents anything.

So a whole industry has developed around monitoring devices, both at home and away. These services, which often borrow tools used by businesses for managing company-issued phones, have a lot to offer: GPS tracking, time limits, daily usage reports, bedtime blackouts and content filtering.

But add monitoring and you add to the ethical dilemma: Does keeping up with technology mean condemning our children to a parental police state? Before planting any virtual bugs, I sought absolution—or at least permission—from a leading parenting researcher.

"Monitoring is critically im-

Please see WEB page B4

Amazon's Alexa Meets Microsoft's Cortana



KIND WORDS: Fierce rivals Amazon.com and Microsoft announced they will cooperate in voice computing, allowing their digital assistants to link with one another. A U.K. Amazon facility. B4

Disney Readies Cuts At Television Group

By JOE FLINT

Walt Disney Co. is preparing significant budget cuts at its Disney/ABC Television Group that will include staff reductions and restructuring, people familiar with the matter said.

The bulk of the cuts is expected to take place at the ABC broadcast network, its television production studio, ABC News and local television stations. Cable networks Disney Channel and Freeform will also likely see their workforces reduced as well, the people said.

Overall, the cuts, expected to be 10% of the unit's annual costs, are to be identified by the end of September, which is the end of Disney's current fiscal year.

The Disney/ABC TV Group employs close to 10,000 people and is looking to reduce employees through a combination of layoffs and attrition, two people with knowledge of the situation said.

The total number of positions being eliminated could be as many as 300, these people said.

The cable-sports unit ESPN, which is enduring its own tough times with declining ratings and subscribers, isn't part of the Disney/ABC TV

Group but has also gone through employee reductions this year.

The cuts are being orchestrated by Ben Sherwood, president of the Disney/ABC TV Group who promised Disney Chief Executive Robert Iger that he could shave up to \$300 million in costs six months, one of the knowledgeable people said. Mr. Sherwood has told staffers the unit has to "transform into a 21st century broadcaster" and learn to do more with less, according to an executive.

Details of where the cuts will come from and what will be restructured are still being hammered out. Mr. Sherwood is expected to present Mr. Iger a plan in the coming weeks.

The moves come as Disney's ABC broadcast network and its major cable channels have struggled to find new hit shows. ABC finished last season third in viewers behind CBS and NBC and was also down 11% in the adults 18-49 demographic that advertisers favor.

The Disney Channel and Freeform have suffered similar declines in ratings. Both have seen viewership fall by over 20% this year in their respective target demographics.

—Ben Fritz contributed to this article.

Uber's New CEO Is Aiming For an IPO as Soon as 2019

By GREG BENINGER

Uber Technologies Inc.'s new chief executive, Dara Khosrowshahi, said he would start on Tuesday and aim for an initial public offering as soon as 2019, setting the stage for what would be one of the most highly anticipated market debuts in memory.

At his first appearance in front of employees for the ride-hailing firm Wednesday, Mr. Khosrowshahi set a timeline for an IPO of between 18 and 36 months, though he indicated that wasn't a firm deadline, according to a person who attended the meeting. The wide range gives Mr. Khosrowshahi some leeway to restore order to a company beset by months of scandals and legal issues, as well as to shore up losses that totaled over \$3 billion last year.

Meanwhile, online travel giant **Expedia** Inc. elevated its current operations and finance chief to succeed its former CEO, Mr. Khosrowshahi. Mark

Okerstrom, a 10-year veteran at Expedia who has served as chief financial officer and executive vice president of operations since 2011, was widely seen as a likely successor to Mr. Khosrowshahi, who will remain on Expedia's board.

Mr. Khosrowshahi was introduced to employees at Uber's San Francisco headquarters by the man he is replacing, Travis Kalanick, who reluctantly resigned in late June under investor pressure. Mr. Kalanick appeared emotional as he praised Mr. Khosrowshahi and said he would support the new CEO however he could, according to the person who attended the meeting.

"This company has to change," said Mr. Khosrowshahi, according to Uber. "What got us here is not what's going to get us to the next level."

The 48-year-old CEO told employees he wants to bring in a chairman "to be my partner at the board level." Uber's cur-

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DRUG

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taxpayer-funded government programs that fund health-care costs.

Novartis Chief Executive Joe Jimenez said the company may charge a lower price in cancer types where the benefit is less dramatic. Novartis is testing Kymriah in adults with diffuse large B cell lymphoma, another form of blood cancer, but its remission rates are lower than in childhood leukemia.

Still, the company has already faced backlash over the announced price. "While Novartis's decision to set a price at \$475,000 per treatment may be seen by some as restraint, we believe it is excessive," said David Mitchell, president of Patients for Affordable Drugs, a campaign group backed by the Laura and John Arnold Foundation, which supports efforts to make prescription drugs more affordable in the U.S. "Novartis should not get credit for bringing a \$475,000 drug to

In the early days of CAR-T research in the late 1990s, "no one ever thought it would be possible to commercialize a therapy like this," said Carl June, a professor of immunotherapy at the University of Pennsylvania's medical school whose research led to the development of Kymriah.

"I think the whole cancer world's going to be changed forever," he said, referring to the potential of CAR-T to treat more types of cancer.

So far, it has only shown promise in a few blood cancers, but Novartis is in the early stages of testing CAR-T in some forms of lung and brain cancer.

Dr. June said that some of the first leukemia patients to receive the CAR-T treatments about seven years ago remain cancer-free, but it will take longer-term follow-up to see if the therapy completely eradicates cancer in these patients. Dr. June will receive royalties from the product's sales; he said he couldn't disclose specifics.

Acute lymphoblastic leukemia affects bone marrow and blood and is the most common childhood cancer in the U.S. There are about 3,100 patients ages 20 and younger diagnosed with the disease each year, according to the National Cancer Institute.

The roughly 600 of these who don't respond to standard treatment would be eligible for Kymriah.

The new treatment field is growing quickly, with the FDA saying it has approved 76 applications by companies and researchers to test CAR-T treatments.

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This week, Gilead Sciences Inc. agreed to pay about \$11 billion for Kite Pharma Inc., in an ambitious bet on the new type of cancer therapy.

The decision was expected, following the backing of an

FDA advisory committee of experts, who voted unanimously in favor of approval in July.

Kymriah is a form of personalized immunotherapy known as CAR-T, or chimeric antigen receptor T-cell therapy. A patient's T-cells, which are a type of white blood cell, are removed and then sent to a manufacturing center where they are genetically programmed to target leukemia cells. The cells are then infused back into the patient to kill cancer cells.

In the early days of CAR-T research in the late 1990s, "no one ever thought it would be possible to commercialize a therapy like this," said Carl June, a professor of immunotherapy at the University of Pennsylvania's medical school whose research led to the development of Kymriah.

"I think the whole cancer world's going to be changed forever," he said, referring to the potential of CAR-T to treat more types of cancer.

So far, it has only shown promise in a few blood cancers, but Novartis is in the early stages of testing CAR-T in some forms of lung and brain cancer.

Dr. June said that some of the first leukemia patients to receive the CAR-T treatments about seven years ago remain cancer-free, but it will take longer-term follow-up to see if the therapy completely eradicates cancer in these patients. Dr. June will receive royalties from the product's sales; he said he couldn't disclose specifics.

Acute lymphoblastic leukemia affects bone marrow and blood and is the most common childhood cancer in the U.S. There are about 3,100 patients ages 20 and younger diagnosed with the disease each year, according to the National Cancer Institute.

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Novartis Chief Executive Joe Jimenez said the company may charge a lower price in cancer types where the benefit is less dramatic. Novartis is testing Kymriah in adults with diffuse large B cell lymphoma, another form of blood cancer, but its remission rates are lower than in childhood leukemia.

Still, the company has already faced backlash over the announced price. "While Novartis's decision to set a price at \$475,000 per treatment may be seen by some as restraint, we believe it is excessive," said David Mitchell, president of Patients for Affordable Drugs, a campaign group backed by the Laura and John Arnold Foundation, which supports efforts to make prescription drugs more affordable in the U.S. "Novartis should not get credit for bringing a \$475,000 drug to

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In the early days of CAR

BUSINESS NEWS



Police officers got breakfast Wednesday at the headquarters of Academy Sports, whose offices are now temporarily home base for 400 first responders.

Retailer Offers Shelter From Storm

Academy Sports is home base for first responders, providing boats, life preservers

By LYNN COOK

A sporting-goods retailer found itself at the center of the rescue effort in flooded Houston, first opening its stores to rescuers in need of boats, life preservers and other supplies, and then converting its headquarters into temporary residences for hundreds of police and other emergency responders.

As of Wednesday morning, retail chain **Academy Sports + Outdoors** was hosting more than 400 rescue-team members at its corporate campus west of Houston, with people coming to work in 12-hour shifts from as close as Waco, Texas, and as far away as Connecticut.

Academy employees who were flooded out of their homes have also started to take shelter at work. One of the first to do so: Chief Executive J.K. Symancyk, along with his wife, two children and dog Sammy. They live in a mandatory evacuation zone near the swollen Brazos River and don't yet know if their house is flooded.

"This was as democratic a catastrophe as could possibly be. It didn't pick one part of town," Mr. Symancyk said. The 45-year-old CEO has led Academy since November 2015.

Academy has a history of contact with law enforcement because it sells firearms in its chain of 235 sporting-goods stores. Dealing with the Federal Bureau of Investigation and other federal agencies is a daily part of its business. So when the first call came in Sunday from the Houston Police Department requesting

flat-bottomed jon boats and paddles, Academy brass weren't all that surprised.

But the calls kept coming—from the Webster Police in Houston's suburbs to the mayor of Missouri City, another suburb, to the Waco Police, which was sending people down to help. They wanted kayaks, canoes, ponchos and pontoon boats. In many cases, Academy opened the doors of closed stores so first responders could grab what they needed.

As waterlogged evacuees made it to dry land, they needed more. Sleeping bags, air beds, backpacks, fresh T-shirts, socks, shoes and underwear.

Rescuers needed all those goods, too, and a safe, dry place to rest. So Academy opened up its four-story sport-themed headquarters, which hasn't flooded and still has power. It also has gyms for sleeping and places to

shower.

Then the governor's office called requesting that National Guard members be able to take shelter at Academy because the buildings are between two flooded areas, the Addicks and Barker reservoirs

about 200 buses on the parking lot for evacuations. A mobile surgical unit was set up and 50 ambulances are on standby, ready to move when they can.

"It started with us being willing, but the logistics have to line up for this to make sense," Mr. Symancyk said.

That takes food, which Wal-Mart Stores Inc., typically a fierce retail competitor, has donated from nearby stores, he said.

Academy is offering financial assistance for immediate needs like hotels for about 150 employees, but many of the retailer's 5,500 local staff are trying to assess damage and reopen Academy's 30 stores in Houston and more around the state.

All told, 125 jon boats have been deployed from Academy stores and another 75 reserved for this week's rescue efforts if they are needed, Mr. Symancyk said.

Estée Lauder Faces Suit Over Leave

By MICHELLE MA

The Equal Employment Opportunity Commission has sued **Estée Lauder Cos.**, accusing the beauty company of violating federal law when it awarded male employees fewer weeks of parental leave than female workers receive.

The EEOC said Wednesday that the discrimination suit began when a male stock worker in Maryland was denied the six weeks of paid parental leave for child-bonding that new mothers receive, getting two weeks instead. Estée Lauder's child-bonding leave is in addition to the paid leave new mothers receive for childbirth recovery.

The EEOC claims the policy violated the Equal Pay Act and Title VII of the Civil Rights Act, and its suit seeks back pay, damages and injunctive relief for the stock worker and other male employees affected by the discrepancy in leave benefits. The suit, which was filed in the U.S. District Court for the Eastern District of Pennsylvania, also claims that new mothers at the company have flexible return-to-work benefits that aren't available to new fathers.

"Federal law requires equal pay, including benefits, for equal work, and that applies to men as well as women," said the EEOC's Washington field office acting director, Mindy Weinstein.

A spokeswoman for New York-based Estée Lauder said the company doesn't comment on pending litigation.

The lawsuit is the latest to be filed against a company regarding parental-leave policies for their female and male employees. In June, a man who works as a fraud investigator at J.P. Morgan Chase & Co. charged the bank with discrimination, saying fathers were denied paid parental leave on the same terms as mothers.

According to a 2016 report from the Society for Human Resource Management, 26% of U.S. employers offer paid maternity leave beyond what is covered by state law or short-term disability plans, while 21% offer paid paternity leave. However, women typically receive far more time off than men: an average of 41 days for mothers and 22 days for fathers.

The imbalance, according to the report, reinforces traditional gender roles because it "may force mothers to stay at home and discourage fathers from taking time off to care for a newborn."

—Lauren Weber contributed to this article.

High Returns Wither for Marijuana Growers

As more states legalize pot, some farmers tout natural growing methods to win over Patagonia, Prius crowd

By JACOB BUNGE

After decades of dodging law enforcement and fighting for legalization, U.S. marijuana growers face a new challenge: low prices.

From Washington to Colorado, wholesale cannabis prices are tumbling as dozens of states have legalized the drug for recreational and medicinal uses, seeding a boom in marijuana production.

The market is still tiny compared with the U.S. tobacco industry's \$119 billion in annual retail sales, but the nascent cannabis business has grown to more than \$6 billion a year at retail, according to data from Euromonitor International Ltd. and Cowen & Co.

For marijuana smokers, the price drop is sweet news. Recreational users and those prescribed cannabis for health reasons have seen prices decline as wholesale prices have fallen, though some retailers have pocketed part of the difference, according to **New Leaf Data Services LLC**, which researches the U.S. cannabis market.

At Hashtag Cannabis, a Seattle-based retailer running two dispensaries, co-owner Jerina Pillert said wholesale price declines show up on the plastic vials holding green-and-tan nuggets of "Super Silver Lemon Haze" marijuana produced by Longview, Wash.-based Bondi Farms. A gram sells for about \$10 currently, down by a third from the \$15 a gram it fetched in September 2015, she said.

But for growers—ranging from high-tech warehouse operations to backcountry pot farmers gone legit—the price drop has been painful.

Since peaking in September 2015 at about \$2,133 a



Since peaking in 2015 at \$2,133 a pound, average U.S. wholesale cannabis prices fell to \$1,614 in July.

pound, average U.S. wholesale cannabis prices fell to \$1,614 in July, according to New Leaf. That is the sort of market decline that hit Midwest corn and soybean growers in recent years after a string of record-breaking crops.

In response, some producers are taking a page from the food industry, where farmers and food companies increasingly appeal to health- and environment-conscious consumers.

Growth in organic food products for years has outpaced conventional grocery sales, and products made without genetically modified crops, gluten and artificial flavorings can command premium pricing and shelf space.

Stephen Jensen, who secured a state license to grow cannabis in Washington in 2015, has yet to turn a profit. He is promoting what he described as natural growing methods.

"We needed to give people a reason to select us," said Mr. Jensen. He said his Green Barn Farms eschews syn-

thetic pesticides and relies on natural light over high-powered lamps, which he said helps his cannabis stand out among more than 1,100 other Washington farms.

Because cannabis remains illegal under federal law, growers can't get their crops certified as organic, a label that can only be bestowed by the U.S. Department of Agriculture.

Cannabis farmers instead have turned to alternative labels such as SunGrown Certified, which requires that growers use sunlight and water-conservation practices. They hope such labels will entice smokers and secure shelf space in the 29 states where marijuana is legal in some form.

Another label, Clean Green Certified, is modeled on U.S. organic standards. It bars synthetic pesticides and emphasizes what the program deems fair labor practices. In May, Washington state passed a law that would set up a state-level organic-certification program, though it

may need to have a label that doesn't use that word.

That push to differentiate is splitting pot farmers into rival camps.

Indoor-grown cannabis, where climate controls and high-powered lights allow several crops a year, typically is of a more consistent quality, industry officials say. Its dense, often bright-green buds catch consumers' eyes, often sell at a higher price and can be costlier to produce.

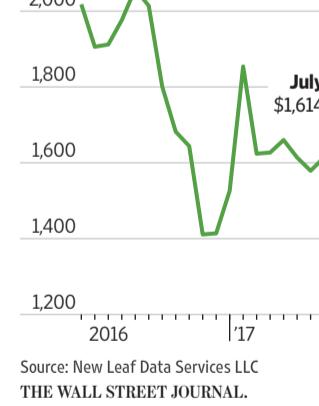
Proponents of marijuana grown outdoors and in greenhouses say indoor facilities rely on synthetic fertilizers and heavily consume electricity. They point to a 2012 paper by University of California senior scientist Evan Mills, who estimated that indoor cannabis production accounted for 1% of national electricity use, though some growers have been adopting LED lights, which consume less electricity.

Jeremy Moberg, owner of Riverside, Wash.-based CanaSol Farms and head of the

Cheaper High

Cannabis' U.S. wholesale price

\$2,200 a pound



Source: New Leaf Data Services LLC

THE WALL STREET JOURNAL.

Washington Sungrowers Industry Association, says marijuana smokers will come to care about the environmental cost of their high.

"The socially conscious, premium customer is going to want us because we're sustainable," he said. "It only takes me 30 seconds to convert somebody wearing Patagonia and driving a Prius that they should never smoke indoor weed again."

At Hashtag Cannabis in Seattle, Ms. Pillert said customers occasionally ask for pesticide-free or sun-grown varieties. Smokers' main fixation, she said, is the potency rating for the key active ingredient, tetrahydrocannabinol, or THC: "They want to make sure they are getting the biggest bang for their buck."

Many in the emergent industry expect marijuana to eventually resemble the beer business, where pricier craft brews have built followings in the shadow of cheaper mass-market beers like Budweiser and Busch.

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TECHNOLOGY

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'Alexa, open Cortana,' and 'Cortana, open Alexa' will both work. Above, voice-activated Echo speakers at an Amazon fulfillment center.

Rivals on Speaking Terms

Digital assistants from Microsoft and Amazon will begin working together

By JAY GREENE
AND LAURA STEVENS

Microsoft Corp. and **Amazon.com** Inc., fierce rivals in cloud computing, are collaborating in another emerging field: voice computing.

The companies on Wednesday announced plans to allow their voice-enabled digital assistants—Microsoft's Cortana and Amazon's Alexa—to work together beginning later this year. The agreement provides each assistant with capabilities they lacked, and poses new challenges to **Apple** Inc. and **Alphabet** Inc.'s Google, which have their own voice-enabled assistants.

Amazon customers who use the company's voice-activated Echo speakers will be able to tap into Microsoft's artificial-

intelligence capabilities by saying, "Alexa, open Cortana." They can check their Outlook calendar for coming appointments, for example. At the same time, customers using computers running Windows 10 will be able to say, "Hey Cortana, open Alexa," to turn on the lights in their homes or add items to shopping lists.

By joining with Microsoft, Amazon expands Alexa's reach. Morgan Stanley estimates Amazon has sold more than 11 million Echo devices through last year, while Cortana is available on the 500 million computers running Windows 10—though Microsoft said in May Cortana has 141 million monthly users. Both services also run on apps available on the mobile operating systems from Apple and Google.

"This is a great move for Alexa, but also a necessary move," said Gene Munster, head of research at venture-capital firm Loup Ventures. Right now, Alexa is lacking in some aspects such as email and

calendar options, which it gains through the partnership, he said.

One thing the companies won't share is data. An Amazon spokeswoman said the companies will only exchange necessary information to process requests that is consistent with both companies' privacy policies. "Once you open Cortana, all voice data goes to Microsoft and not Amazon," she said.

Alexa, which surfaced in 2014 when Amazon introduced the Echo, has focused on consumer and home-automation needs. Cortana, which made its debut in 2014, works in personal computers as well as Microsoft's Xbox One game consoles.

Cortana's strength is in its integration with Microsoft's productivity software, said Patrick Moorhead, an analyst with research firm Moor Insights & Strategy.

The digital-assistant market is still emerging, with no clear leader. Apple's Siri is on as many as a billion devices, Mr.

Moorhead estimates. The company will start selling its HomePod speaker later this year, a device that likely will tie into millions of iPhones and iPads and their calendar and email information.

Google Assistant is on about 150 million devices that run the latest versions of its Android operating system, Mr. Moorhead said. The company is racing to catch up to Alexa with Google Home, a voice-activated speaker similar to Amazon's Echo.

"There are going to be multiple successful intelligent agents, each with access to different sets of data and with different specialized skill areas," Amazon Chief Executive Jeff Bezos said in a statement.

The tie-up is a signal the companies realize the future of voice assistants may be more about the content rather than how it is delivered, said Ahmed Bouzid, a former member of the Alexa team and founder and CEO of Witlingo, which builds voice products for Alexa, Google and Cortana.

In China, Apple Eases Payment For WeChat Users

By ALYSSA ABKOWITZ

BEIJING—**Apple** Inc. is now allowing Chinese customers to use local mobile-payment system WeChat Pay for purchases in its App Store, underscoring the expanding reach of the service owned by technology firm **Tencent Holdings** Ltd.

Apple's decision to accept payments from the service came despite recent tensions with Tencent, including over the Chinese company's rollout of a system that has been seen as a rival to the App Store.

"We are committed to offering customers across our ecosystem a variety of payment options that are simple and convenient," Apple said in a written statement.

In the second quarter of this year, Apple's App Store pulled in more revenue in China—an estimated \$2.2 billion—than in any other market, according to mobile-analytics firm App Annie.

Tencent's latest victory comes as it challenges the Alipay mobile-payment system backed by local rival **Alibaba Group Holding** Ltd. As WeChat Pay, which controls 40% of the Chinese market, has gained wider acceptance, Alipay's market share has fallen from 80% in 2014 to about 50% currently, according to iResearch Consulting Group.

Apple began accepting App Store payments from Alipay in November 2016 and from state-backed network UnionPay two years earlier.

WeChat has become an all-purpose smartphone utility in China, with nearly one billion monthly active users who rely on it for mobile payments, social messaging and entertainment, among other functions.

Chinese smartphone users spend so much time on WeChat that some analysts say it could hurt sales of Ap-

ple's 10th-anniversary iPhone expected in September, because consumers here won't see the need to upgrade their handsets as long as they can access the platform.

Apple has said it views Tencent, one of the biggest competitors in mobile games, as a partner. On an earnings call with analysts this month, Chief Executive Tim Cook said Tencent is "one of our biggest and best developers."

However, the decision to accept WeChat Pay comes as Apple struggles to gain traction with its own mobile-payment system, Apple Pay, which made its debut in China in May 2016. The system's footprint in the country's market is negligible, iResearch says.

Also, Apple has sparred with Tencent recently over purchases in the App Store. Earlier this year, Apple forced Tencent's WeChat messaging app to disable its "tip" function to comply with App Store rules. The function allowed WeChat users to give small amounts of money to authors and other content creators as gratuities via transfers from mobile-wallet accounts.

Apple considered these payments to be in-app purchases, of which it takes a 30% cut.

This month, a group of 28 Chinese app developers filed a complaint alleging antitrust violations by Apple, including excessive fees for in-app purchases. The State Administration for Industry and Commerce told The Wall Street Journal in mid-August that it was reviewing the complaint.

Apple has said "most submissions in China are reviewed and approved to be on the store within 48 hours, or less." It also has said its App Store guidelines apply equally to all developers.

—Xiao Xiao contributed to this article.

Think Tank Fires Scholar Who Praised Fine Against Google

BY BRODY MULLINS
AND JOHN D. MCKINNON

WASHINGTON—A Washington think tank backed by Google Inc. and parent **Alphabet** Inc.'s executive chairman, Eric Schmidt, has fired a prominent scholar who praised the \$2.7 billion fine recently issued by European regulators against Google for antitrust violations.

Anne-Marie Slaughter, the chief executive of the New America Foundation, said in a statement Wednesday that she fired the scholar, Barry Lynn, because his "repeated refusal to adhere to New America's standards of openness and institutional collegiality meant that we could no longer work

together." She said the firing was unrelated to his June criticism of Google.

Mr. Lynn said he was given two months to leave the foundation in late June, a few days after his Open Markets initiative issued a statement applauding the European Commission for taking action against Google. "Google's market power is one of the most critical challenges for competition policy makers in the world today," Mr. Lynn wrote in a statement June 27.

In an interview with The Wall Street Journal on Wednesday, Mr. Lynn said that a few hours after he published the June statement, Ms. Slaughter called him and said: "I just got off the phone with

Eric Schmidt and he is pulling all of his money."

The New America Foundation didn't immediately respond to a request for comment about Mr. Lynn's recollection of the call. In its statement, New America said it is "absolutely false" that Google lobbied New America to expel the Open Markets unit. Mr. Schmidt never threatened to cut off funding to the foundation, it added. The company

also noted that Google has continued to fund the foundation.

Ms. Slaughter said the foundation worked with Mr. Lynn for two months to spin out Open Markets as an independent program in an effort to seek a "cooperative solution." That effort wasn't successful, she said.

Ms. Slaughter said her organization is an "intellectually diverse organization" that has "always encouraged many different viewpoints and our funders are aware of and support this philosophy."

The New America Foundation, which focuses on a range of policy issues including digital issues, has received about \$20 million from Google, Mr.

Schmidt and his wife, Wendy, a

family foundation and other entities since 2002, according to New America. In addition to Google-related donors, New America received significant

Anne-Marie Slaughter said the scholar's firing was unrelated to his criticism of Google.

funding in 2016-2017 from foundations including the Ford Foundation, Bill and Melinda Gates Foundation and the William and Flora Hewlett Foundation, according to its website.

Google spokeswoman Riva

Sciuto said that the firm donates to hundreds of organizations that "promote a free and open Internet, greater access to information, and increased opportunity." She added: "We don't agree with every group 100% of the time, and while we sometimes respectfully disagree, we respect each group's independence, personnel decisions, and policy perspectives."

The incident was earlier reported by the New York Times.

The episode highlights the political perils Google is facing as it seeks to maintain and even expand its influence in Washington at a time when some lawmakers in both political parties are increasingly wary of the company's impact and market power.

WEB

Continued from page B1
portant for pre-adolescents and adolescents," Alan E. Kazdin, professor of psychology and child psychiatry at Yale University and director of the Yale Parenting Center, told me. "Risky behavior starts at that time." With dangers ranging from violent videogames to pornography, you'd be tempted to keep children away from machines entirely, but "homework is all online, so you can't say no to web browsers," he says.

Dr. Kazdin recommends ways to monitor children without feeling like a spy. But first, let's talk about the tools.

In the past year, we've seen an explosion of monitoring services that work anywhere, separating them from the networking products that have powered at-home parental internet controls. The services often use common elements: child-safe browsers, which funnel web traffic through servers to filter out any naughty material; virtual private networks, which can filter all of a device's traffic; and mobile device management, which gives control of certain functions to a remote IT manager—that is, the service. Parents get a web or app dash-



A whole industry has developed around monitoring use of mobile devices, both at home and away.

board to control the settings.

Android phones and tablets take to deep monitoring better than **Apple** Inc.'s iOS devices, because **Alphabet** Inc.'s **Google** allows developers plenty of under-the-hood access, says Josh Gabel, co-founder and product lead for Qustodio LLC (for \$55 and up a year). For both iOS and Android, Qustodio can provide web-browsing filters, internet-access time limits, app time limits and location tracking, but only Android devices get

call and text monitoring, and a panic button that lets children send location information to trusted contacts.

Likewise, **Symantec** Corp.'s Norton Family service (\$50 a year) provides location, web and search supervision to all platforms, and replaces the iPhone's mobile Safari browser with its own child-proofed one. But only on Android can it offer time limits and monitoring of apps, social networks and text messages.

If you want this level of ac-

cess, Android really is the way to go. Google even offers its own free Android parental control system. Just note:

While Amazon tablets run a version of Android, they aren't typically compatible with these tools.

Circle Go provides parents with a breakdown of the amount of time children spend on different apps, and lets parents pause internet access, set bedtimes and adjust content filters. Its developers decided to keep Android and iOS

features equal, and are rolling out a system for children to earn screen time by completing chores or hitting fitness goals.

Previously only offered as a \$5-a-month add-on to **Circle Media** Inc.'s parental-control networking hardware, Circle Go will be relaunched as a stand-alone service before the end of 2017.

The closed nature of iOS can cause problems. Norton Family and Qustodio let parents make all of the icons disappear from their children's screens as an ultimate "shut off" move. But when the apps come back, iOS arranges them in alphabetical order, not as they were. Mr. Gabel says Qustodio will soon fix this; Symantec says it's looking for potential workarounds.

And then there's the matter of the management profile, which gives the service control of the device. The child can find and delete it.

"For us, it's really important that kids don't feel like they're being stuck inside a prison cell," Circle founder Jelani Memory says, "and that the social contract is enforced not by the app itself but by the parent and child."

But Mr. Gabel at Qustodio says he would prefer Apple allow parents to lock device management and VPN settings as part of the built-in restric-

tions. Apple declined to comment.

While no service I looked at offers a perfect solution, they do offer limited free trials or plans. There are other tools out there that may tackle your specific concerns, so ask friends and family for recommendations, too. Just steer clear of services promising deeper iOS surveillance in exchange for your Apple iCloud login. Aside from the obvious security concern, they might not actually work as advertised.

Dr. Kazdin doesn't advocate any particular child-monitoring software, but he encourages keeping tabs on children...openly. "You say, 'Here's the situation: I need to know what you're doing, and you need your freedom. Help me come up with something we agree on,'" Dr. Kazdin says.

But he also warned there may not be an easy solution if bad behavior comes to light. "That's when you turn righteous, turn into a police officer," which won't help things, he says. "Punishment doesn't change behavior." That too, must be a negotiation: "If we find out you were doing this, what do you think would be a fair consequence?" Then Dr. Kazdin said the most consoling/frustrating thing: "The challenges for us as parents are like never before."

BUSINESS NEWS

Hotel Building Boom Stalls in U.S.

Tighter lending, surging supply of rooms are cooling plans for new projects

Hotel developers are slowing down new U.S. construction projects after years of rapid growth, a result of tighter lending conditions and a ballooning supply of rooms in large markets.

By Sharon Nunn,
Chris Kirkham
and Sarah Chaney

Though consumer demand remains healthy, hotel construction spending was down 2% to \$27.5 billion in June at a seasonally adjusted annual rate from December, according to Census Bureau data, after more than tripling since bottoming in 2011. A combination of increased travel spending, growing consumer confidence and cheap credit prompted developers to pour money into construction projects in the aftermath of the 2007-09 recession. Now, growth in new hotel rooms is outpacing the number of consumers able to stay in them in cities like New York, Houston and Miami, prompting banks and developers to take a breather.

"As soon as they started seeing a lot of cranes in the air, people started getting cautious again," said Iñigo Ardid, co-president of **Key International**, a Miami real-estate investment and development company for hotels throughout Florida.

Overall growth in the supply of U.S. hotel rooms has been slower in recent years than it was going into the last downturn, but there has been rapid growth in the nation's largest markets, leading to pockets of oversupply. Hotel-room supply has grown 2.5% in the nation's top 25 markets so far this year, according to STR Inc., a data company that tracks the hotel industry, compared with 1.5% in all other markets.

Adding to the challenge: Construction labor shortages have



The Faena Hotel under construction in Miami in 2015. Some large U.S. cities have seen slowing revenue growth for hotel rooms.

pushed up the cost of building hotels at a time when revenue growth for hotel rooms across the U.S. is beginning to slow.

"That kind of one-two punch doesn't make it exciting to build another hotel," said Mark Laport, president and chief executive of Concord Hospitality Enterprises Co., which develops, owns and manages properties across the U.S. for most major chains.

Banks tightened commercial real-estate lending standards in the second quarter across categories including construction, nonresidential and multifamily development, according to a July survey of 76 U.S. banks and 22 U.S. branches of foreign banks conducted by the Federal Reserve.

David Kong, president and CEO of **Best Western Hotels & Resorts**, said his company created a team last year to work with owners and developers who were having difficulty getting construction financing.

He said the company has been more focused on acquiring existing hotels under its brands because "we recognize there are going to be less and less new construction projects."

Some large cities that bounced back early in the economic recovery have seen huge growth in the number of new rooms, dragging down revenue from each available room. New York, Miami, Austin and Dallas all saw declines in revenue per available room for the first seven months of this year compared with a year earlier. Given the pipeline of projects, growth in new hotel rooms is projected to accelerate over the next two years in these four major markets, according to a forecast from CBRE Hotels Americas Research.

Developers said the construction-lending environment has tightened as the cycle has gotten longer, with wounds from the financial crisis and recession

weighing on investors' minds.

"If we were going to market with a new project three years ago, we would maybe have had 10 lenders that were interested in the project," said Amit Patel, president of Winwood Hospitality Group, which owns and develops hotels in North Carolina and has an existing hotel investment in Nashville. "That number today is probably closer to three."

Miami's growing supply and recently declining lodging market is a microcosm of the trend and a warning; almost 3,500 rooms were under construction in the city as of March, which is 6% of Miami's existing supply, and the city's occupancy rates and revenue per room have ticked down by almost 7% since 2015.

Houston was experiencing similar perils before flooding hit the city this week. The oil-rich city had almost 5,000 rooms under construction as of

March, which is 6% of Houston's existing supply. Almost half of Houston-area hotel loans are distressed because of declines in hotel-room occupancy and dwindling income to pay back mortgages, according to Kroll Bond Rating Agency.

Still, some fundamentals point in the sector's favor. The average annual U.S. occupancy rate at the peak of hotel construction last cycle was 62.8%, and was rapidly declining. By comparison, occupancy was at 65.5% over the last year, which is a slight uptick from a year earlier.

Unlike in past cycles, when developers overbuilt across the board, this last growth period has been much more moderate. Average room-supply growth was less than 2% across the U.S. in June, according to STR. That is in line with long-term averages and lower than supply growth of about 3% going into the 2007-09 recession and 4% growth before the 2001 recession.

Fox Names Television Veteran to Lead Role

By Joe Flint

Fox Broadcasting has tapped a new head of entertainment on the eve of the 2017-18 television season.

David Madden, who has been Fox's president of entertainment for the past three years, is leaving. He will be succeeded by Michael Thorn, a senior development executive at Twentieth Century Fox Television, the sister production company that makes shows for Fox and other networks.

Mr. Madden is in negotiations to join **AMC Networks** Inc. as head of programming for its AMC and SundanceTV networks as well as to play a role in the operations of AMC Studios, which produces shows for its networks, a person familiar with the matter said.

The shift at Fox comes just weeks before the 2017-18 television season starts. That means Mr. Thorn won't have an opportunity to make significant changes to the network's programming until next year. Shows for the coming season have already been selected, and now networks are in the early stages of developing projects for next season.

As executive vice president of development at Twentieth Century Fox Television, Mr. Thorn played a key role in the development of the successful drama "This Is Us" for NBC and "Speechless" for ABC. He also has worked on Fox's hit drama "Empire."

Fox Broadcasting is launching six new series this season, including a new drama from producer Ryan Murphy and a science-fiction show from "Family Guy" creator Seth MacFarlane.

Fox parent **21st Century Fox** and The Wall Street Journal parent **News Corp** share common ownership.

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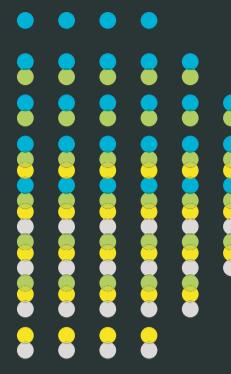
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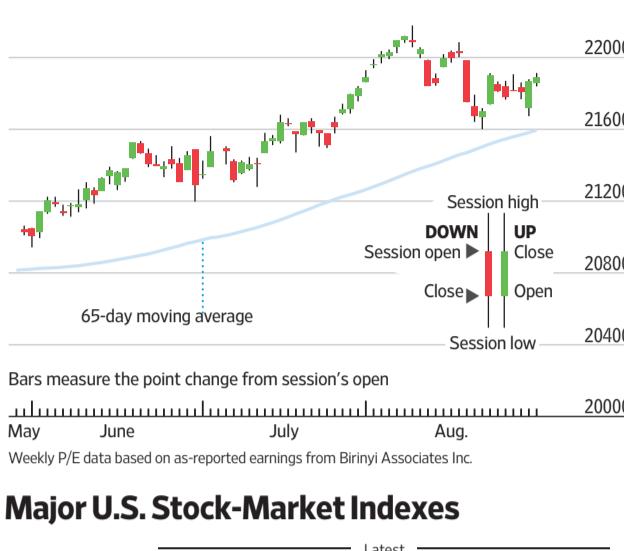


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21892.43 ▲ 27.06, or 0.12%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

May June July Aug.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2457.59 ▲ 11.29, or 0.46%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

6368.31 ▲ 66.42, or 1.05%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21914.26	21839.47	21892.43	27.06	0.12	22118.42	17888.28	19.0	10.8	8.6
Transportation Avg	9343.12	9249.40	9309.79	72.61	0.79	9742.76	7755.40	18.2	2.9	3.5
Utility Average	745.47	742.34	743.16	-3.31	-0.44	748.16	625.44	11.4	12.7	9.6
Total Stock Market	25417.71	25242.48	25395.32	127.14	0.50	25692.25	21514.15	13.1	9.1	6.6
Barron's 400	640.09	634.44	639.49	4.99	0.79	661.93	521.59	15.6	6.3	5.8

Nasdaq Stock Market

Nasdaq Composite	6374.47	6303.57	6368.31	66.42	1.05	6422.75	5046.37	22.2	18.3	11.6
Nasdaq 100	5940.57	5865.34	5932.90	70.76	1.21	5950.73	4660.46	24.4	22.0	13.3

Standard & Poor's

500 Index	2460.31	2443.77	2457.59	11.29	0.46	2480.91	2085.18	13.2	9.8	7.0
MidCap 400	1718.00	1702.82	1716.67	9.99	0.59	1791.93	1476.68	9.7	3.4	6.1
SmallCap 600	833.03	826.70	832.27	4.01	0.48	876.06	703.64	10.5	-0.7	7.4

Other Indexes

Russell 2000	1392.77	1381.20	1391.32	7.64	0.55	1450.39	1156.89	12.2	2.5	5.8
NYSE Composite	11818.68	11770.06	11805.07	13.19	0.11	12000.02	10289.35	9.7	6.8	2.2
Value Line	512.34	508.67	511.94	2.44	0.48	533.62	455.65	6.2	1.1	0.6
NYSE Arca Biotech	4118.20	4037.70	4102.41	56.11	1.39	4102.41	2834.14	26.5	33.4	9.4
NYSE Arca Pharma	523.13	520.47	521.74	-1.02	-0.20	549.20	463.78	0.3	8.3	-0.1
KBW Bank	93.77	92.97	93.33	0.35	0.37	99.33	69.71	28.5	1.7	9.3
PHLX® Gold/Silver	89.14	88.03	88.16	-1.22	-1.36	101.55	73.03	-2.2	11.8	-4.8
PHLX® Oil Service	120.75	119.00	119.85	-1.31	-1.08	192.66	117.79	-23.5	-34.8	-26.0
PHLX® Semiconductor	1104.81	1086.86	1103.69	18.83	1.74	1138.25	768.37	37.7	21.8	19.6
CBOE Volatility	11.98	10.96	11.22	-0.48	-4.10	22.51	9.36	-16.4	-20.1	-2.2

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	9,139.0	245.93	-0.08	-0.03	246.08	244.91
Van Eck Vectors Gold Miner	GDX	7,959.7	24.16	...	unch.	24.20	24.03
Automatic Data	ADP	7,087.2	105.93	...	unch.	105.93	105.75
iShares MSCI Emg Markets	EEM	6,458.6	44.65	-0.11	-0.25	44.81	44.46
Nabors Industries	NBR	3,732.7	6.47	-0.0008	-0.01	6.47	6.47
Intel	INTC	3,298.0	34.89	...	unch.	34.94	34.68
Bank of America	BAC	2,856.6	23.89	0.02	0.08	23.89	23.83
UltraPro Short S&P 500	SPXU	1,774.6	14.90	0.03	0.20	14.91	14.86

Percentage gainers...

Shoe Carnival	SCVL	55.4	19.05	2.63	16.02	19.10	16.39
Sonic Automotive Cl A	SAH	7.7	18.70	1.65	9.68	18.70	17.04
Control4	CTRL	10.6	25.75	1.02	4.12	25.75	24.68
Newfield Exploration	NFX	34.1	26.53	1.02	4.00	26.53	25.51
Otonomy	OTIC	202.5	3.70	0.13	3.50	3.75	3.50

...And losers

Semtech	SMTC	49.8	34.40	-4.66	**-11.92**	39.10	33.75

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables
 The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.
 The list comprises the 1,000 largest companies based on market capitalization.
Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.
Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, August 30, 2017		Net		Stock Sym Close Chg		Net		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg		Stock Sym Close Chg			
NYSE																					
ABB	ABB	22.84	-0.08	BkNov Scotia	BNS	61.59	-0.16	CIBC	CM	83.35	-0.16	DiscoverInSvs	DFS	58.97	0.52	Gallagher	AJG	57.82	0.17	MarathonPetrol	MPC
AES	AES	11.06	-0.11	Barclays	BCS	9.83	-0.03	CanNtrIwv	CN	79.76	-0.39	Disney	DIS	102.87	0.30	Gap	GPS	23.48	-0.11	Market	MKT
Aflac	AFL	82.05	-0.06	Ametrp	AMP	17.20	-0.18	CanNaturalRes	CNQ	30.39	-0.74	DollarGeneral	DG	76.73	-0.16	Gartner	IT	120.29	2.21	MarshMcLennan	MMC
AT&T	T	37.67	-0.18	BarrickGold	BGY	17.75	-0.07	CapnRivw	CP	154.23	0.58	DominionNer	D	78.82	-0.67	GazitGlobe	GZT	9.68	-0.08	MartinMarietta	MIL
AbbottLabs	ABT	50.11	-0.04	BaxterIntl	BAX	61.48	-0.32	CapitalOne	COF	80.09	0.35	Domino's	DPZ	178.93	0.55	GeneralDynamics	GD	201.22	0.27	Masco	MAS
AbbVie	ABBV	73.92	-0.03	BectonDickinson	BDX	19.70	-1.00	CardinalHealth	CAH	66.49	0.09	Donaldson	D	46.74	0.22	GeneralElec	GE	24.28	-0.16	Mastercard	MAS
Academy	ADY	106.02	1.81	Berkley	WRLB	65.86	-0.83	Carlisle	CSL	94.66	0.61	Dover	DVO	84.74	0.89	GenMotors	GM	35.82	0.30	McDonalds	MCD
AbbVieCap	NLY	117.76	0.91	Berkhathy A	BRKA	2704.0230	0.00	CarMax	CAR	65.99	2.43	DowChemical	DOW	64.98	0.68	Genpact	G	28.26	-0.12	McKesson	MCK
Accenture	ACN	129.79	0.13	Berkhathy B	BRBW	180.35	1.73	Carnival	CEL	68.54	0.43	DiscoverInSvs	DPS	90.79	0.39	GenuineParts	GPC	82.90	1.07	Medtronic	MDT
AcuityBrands	AVY	174.40	0.41	Bethco	BCN	31.06	-0.46	Caterpillar	CAT	117.55	1.54	DuPont	DD	83.19	0.55	Gap	GDP	3.70	0.14	Merck	MRK
Adient	ADNT	69.66	1.36	Bio-RadLab	BIO	21.74	1.08	Chesapeake	CE	40.52	-0.19	BectonDickinson	BDX	19.70	-1.00	Gartner	IT	120.29	2.21	MarshMcLennan	MMC
AdvanceAuto	AAP	96.81	1.69	BioTech	BTK	42.16	2.07	Cemex	CX	9.51	0.35	Bio-RadLab	BIO	29.47	0.06	GazitGlobe	GZT	9.68	-0.08	MartinMarietta	MIL
AdvSemInsy	ASX	6.10	-0.03	Bio-Net	BIN	45.39	0.21	CenovusEnergy	CVE	7.46	-0.04	Eduardo	EDU	83.67	0.52	Domino's	DPZ	178.93	0.55	Mastercard	MAS
Aegon	AEG	5.65	-0.02	Bio-Net	BIN	45.39	0.21	Centene	CEN	86.43	0.21	Eduardo	EDU	83.67	0.52	McDonalds	MCD	159.53	1.09	McDonalds	MCD
AerCap	AER	49.66	0.18	Bio-Net	BIN	45.39	0.21	Chile	CHL	65.99	0.61	Evergreen	EVG	84.74	0.89	McKesson	MCK	95.58	0.22	McKesson	MCK
Aetna	AET	156.90	0.48	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	Medtronic	MDT	79.86	0.14	Medtronic	MDT
AffiliatedMtrs	AMG	174.00	0.41	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	Merck	MRK	120.29	2.21	Merck	MRK
AgileTechs	A	63.90	0.41	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	MarshMcLennan	MMC	120.29	2.21	MarshMcLennan	MMC
Aigcagle	AEM	50.49	-0.43	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McDonalds	MCD	159.53	1.09	McDonalds	MCD
Aigru	AGU	97.01	-0.19	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AirProducts	APD	145.51	0.14	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
Ailair	ALR	74.23	-0.25	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
Albermarle	ALB	115.17	0.71	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
Alcoa	AA	43.09	0.09	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmericaMovil	AMX	18.83	0.09	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmericaMovil	AMV	18.65	-0.10	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
Amcampus	ATC	47.72	0.62	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AEP	AEP	73.75	-0.19	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmericanExpress	AXP	85.69	0.27	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmericaFirst	AFN	101.64	0.32	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmericaFirst	AFN	102.32	0.34	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AIG	AIG	60.20	-0.01	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmerTowerPlan	ATP	147.52	1.63	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
AmerWaterWorks	AWK	80.85	-0.51	Bio-Net	BIN	45.39	0.21	ChinaMobile	CM	65.99	2.43	Fidelity	FID	64.98	0.68	McKesson	MCK	95.58	0.22	McKesson	MCK
NASDAQ																					
Smucker	SJM	104.24	-0.46	Guidewell	GWRE	75.98	1.89	Hologic	HOC	20.60	-0.11	MobileSystems	MDS	97.61	0.35	MotorolaSolutions	MSS	87.			

COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract			Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.									
Sept. 3,0810	3,0940		3,0600	3,0645	-0.0165	15,940			
Dec. 3,1050	3,1175		3,0840	3,0870	-0.0175	220,489			
Gold (CMX)-100 troy oz.; \$ per troy oz.									
Sept. 1308.20	1312.50		1304.90	1308.10	-5.00	1,027			
Oct. 1311.40	1315.00		1306.40	1310.40	-4.90	51,867			
Dec. 1314.80	1319.30		1310.10	1314.10	-4.80	423,858			
Feb'18 1318.60	1322.20		1315.00	1317.80	-4.90	28,056			
June 1327.30	1330.30		1323.50	1324.90	-4.80	9,641			
Dec. 1335.20	1336.50		1334.40	1335.80	-4.80	8,275			
Palladium (NYM)-50 troy oz.; \$ per troy oz.									
Sept. 944.20	945.50		926.65	931.35	-13.70	1,309			
Dec. 941.90	944.35		926.75	931.05	-12.65	33,124			
March'18 939.75	939.75	▲	924.75	927.05	-12.60	567			
Platinum (NYM)-50 troy oz.; \$ per troy oz.									
Sept. 991.20	1006.90	▲	991.20	993.50	-8.60	20			
Oct. 997.30	1003.40		986.10	995.20	-8.30	65,066			
Silver (CMX)-5,000 troy oz.; \$ per troy oz.									
Sept. 17,339.00	17,460		17,285	17,404	-0.022	14,334			
Dec. 17,440	17,555		17,370	17,503	-0.013	152,069			
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.									
Oct. 46.31	46.72		45.84	45.96	-0.48	525,791			
Nov. 46.88	47.31		46.41	46.51	-0.49	235,295			
Dec. 47.38	47.77		46.84	46.94	-0.51	317,423			
Jan'18 47.73	48.13		47.15	47.25	-0.54	172,874			
June 48.56	48.90		47.91	47.99	-0.58	152,992			
Dec. 48.97	49.23		48.31	48.40	-0.53	188,157			
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.									
Sept. 1,6856	1,7161		1,6467	1,6738	.0083	10,662			
Oct. 1,6661	1,6893		1,6337	1,6554	.0014	101,996			
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.									
Sept. 1,8154	1,9231	▲	1,8076	1,8847	.0104	13,624			
Oct. 1,6215	1,6692		1,6042	1,6375	.0356	128,716			
Natural Gas (NYM)-10,000 MMBtu's per MMBtu.									
Oct. 2,973	2,980		2,928	2,939	-.044	323,887			
Nov. 3,047	3,052		3,001	3,014	-.039	137,917			
Dec. 3,186	3,191		3,146	3,155	-.038	92,186			
Jan'18 3,281	3,284		3,244	3,252	-.035	144,569			
March 3,234	3,237		3,205	3,212	-.030	100,148			
April 2,902	2,905		2,890	2,895	-.015	116,104			

Agriculture Futures

	Contract			Open	High	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.									
Sept. 333.00	334.00	▼	329.00	329.50	-4.00	79,003			
Dec. 348.25	349.25	▼	345.00	345.50	-3.25	781,645			
Oats (CBT)-5,000 bu.; cents per bu.									
Sept. 240.25	240.50		223.50	228.25	-6.75	39			
Dec. 246.50	249.50		240.50	243.25	-3.25	4,823			
Soybeans (CBT)-5,000 bu.; cents per bu.									
Sept. 929.75	934.00		921.75	923.00	-7.75	12,467			
Nov. 936.50	941.00		931.50	933.25	-4.00	381,664			
Soybean Meal (CBT)-100 tons; \$ per ton.									
Sept. 294.60	295.30	▼	291.80	292.40	-2.20	11,626			
Dec. 299.10	300.00		296.90	297.40	-1.80	187,888			
Soybean Oil (CBT)-60,000 lbs.; cents per lb.									
Sept. 34.27	34.53		34.08	34.33	.05	13,056			
Dec. 34.63	34.91		34.44	34.69	.04	195,502			
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.									
Sept. 1,231.00	1,247.00		1229.50	1239.50	11.00	1,405			
Nov. 1,259.00	1,279.00		1259.00	1271.50	11.00	8,455			
Wheat (CBT)-5,000 bu.; cents per bu.									
Sept. 403.00	407.00		400.00	403.50	.75	7,952			
Dec. 429.50	433.50		427.25	429.75	...	268,203			
Wheat (KC)-5,000 bu.; cents per bu.									
Sept. 397.00	401.75		396.25	400.25	3.00	4,611			
Dec. 425.50	430.75		425.25	429.25	3.00	148,292			
Wheat (MPLS)-5,000 bu.; cents per bu.									
Sept. 636.25	643.50		628.50	633.25	-4.25	2,714			
Dec. 660.00	668.00		651.50	655.75	-4.50	41,290			
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.									
Aug. 142,725	143,050		142,550	142,900	.300	4,937			
Oct. 105,825	106,450		104,950	106,125	.025	146,428			
Cattle-Live (CME)-40,000 lbs.; cents per lb.									
Aug. 105,050	106,100		105,025	105,550	.300	761			
Oct. 105,825	106,450		104,950	106,125	.025	146,428			
Hogs-Lean (CME)-40,000 lbs.; cents per lb.									
Oct. 60,400	61,700		60,150	61,350	1.125	103,938			
Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft.									
Sept. 377,50	382,50		374,30	380.00	3.70	1,393			
Nov. 361,70	367,30		360,30	366,30	4.60	2,341			
Milk (CME)-200,000 lbs.; cents per lb.									
Sept. 16,31	16,39	▼	16,20	16,27	-.07	5,580			
Oct. 16,49	16,61		16,40	16,55	.10	3,900			
Cocoa (ICE-US)-10 metric tons; \$ per ton.									
Sept. 1,948	1,948		1,913	1,949	-.28	253			
Dec. 1,950									

BANKING & FINANCE

1MDB Makes a Missed Payment

By YANTOULTRA NGUI

KUALA LUMPUR—Malaysia's troubled state-investment fund, **1Malaysia Development Bhd.**, or 1MDB, said Wednesday that it had paid the second part of a missed installment to Abu Dhabi's International Petroleum Investment Co.

While 1MDB is under pressure and being wound up, the payment could alleviate some concerns about Malaysian state securities for foreign investors, who own a significant share of government bonds in Malaysia. Allegations of fraud involving 1MDB, which is under investigation in half a dozen countries, already have spooked investors by weighing on the country's currency, the ringgit.

The payment announced Wednesday is a balance payment by 1MDB to compensate the Abu Dhabi sovereign fund—a former business partner known as IPIC—for an emergency loan and other financial support extended after 1MDB was unable to service its debt obligations.

The precise amount of the payment wasn't disclosed either by 1MDB or IPIC, which stated earlier in a filing to the London Stock Exchange that it had been made.

IPIC said the payment fulfilled the obligations that were initially due July 31. 1MDB missed an original deadline and an initial five-day extension granted by IPIC to pay \$628.75 million. The Abu Dhabi fund again extended the deadline, and 1MDB made a payment of \$350 million on Aug. 11, with the understanding that the balance would be paid by Aug. 31.

1MDB, which is wholly



Malaysian Prime Minister Najib Razak waves. He launched 1MDB in 2009, but the fund has accumulated \$13 billion in debt.

owned by the Malaysian finance ministry, said that all funds were "paid from proceeds of the ongoing rationalization program," referring to an effort to reduce debt by selling assets.

The market has been watching closely to see if 1MDB would be able to meet its payment deadline.

A default would likely have eroded investor confidence toward Malaysian government securities and raise the risk of capital outflows from the

country, Kuala Lumpur-based Kenanga Research said.

1MDB is due to make another payment, of around \$600 million, to IPIC by the end of the year.

In July, total foreign ownership of Malaysian government debt securities fell for a second consecutive month, by 2.3 billion ringgit (\$539.1 million), compared with a net outflow of 300 million ringgit in June, according to data from Malaysia's central bank.

IPIC and 1MDB signed a set-

tlement agreement in April. The July 31 payment was the first to come due since the U.S. Justice Department in June and Singapore's public prosecutor in July alleged in court filings that units owned by 1MDB in an offshore investment fund were almost worthless. 1MDB had maintained they were worth about \$940 million. The fund hasn't commented on the allegations.

The fund was launched by Prime Minister Najib Razak in 2009 to spur economic devel-

opment but accumulated \$13 billion in debt. It began struggling in 2015 to make payments on its debts and later was found to be missing billions of dollars. Investigations are under way in the U.S., Singapore and elsewhere. U.S. investigators allege that at least \$4.5 billion was stolen.

1MDB has denied wrongdoing and promised to cooperate with investigators. Mr. Najib denied wrongdoing and was cleared of any wrongdoing by Malaysia's attorney general.

Tax Plan Raises Red Flag for Bond Market

By VIPAL MONGA

Republican plans to scale back tax deductions on companies' interest payments risk pushing more borrowing overseas, say analysts and market participants, eroding the competitive advantage of the \$6.053 trillion U.S. corporate-bond market.

Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, said this month that he wanted to curtail companies' capacity to deduct net interest payments from taxable income to pay for tax cuts. The comments virtually ensure the topic will feature prominently in the coming tax debate, which is expected to begin in earnest after Labor Day.

White House officials and top House Republicans say they are optimistic about finishing a major tax bill this year, but they have a long way to go. On Wednesday, President Donald Trump in a speech called on Congress to approve a steep cut in corporate tax rates and simplify the U.S. tax system.

Any U.S. limits on interest write-offs would diverge from the policies in many other rich countries and likely prompt companies to shift some borrowing to places where deductibility would still be in effect, many analysts say. Large U.S.-based companies such as Apple Inc. and Microsoft

Corp. routinely borrow billions of dollars in the U.S., knowing that interest payments will lower their tax bills.

Ironically, a tax revamp meant to boost U.S. competitiveness and bring overseas earnings home may weaken a central pillar of the U.S. capital markets. "If you remove interest deductibility in one location and retain it in others, then of course companies will want to move their borrowing," said Matt King, a credit analyst at **Citigroup Inc.**

A spokesman for the House Ways and Means Committee said the tax cuts will help revitalize the economy, which will stimulate capital markets.

A debt boom after the fi-

nancial crisis has only burnished the U.S.'s status as the world's largest bond market. Companies routinely borrow billions to build new factories, finance acquisitions and fund share buybacks. Nonfinancial, investment-grade companies in the U.S. have borrowed roughly \$575 billion this year, on pace to break the record of close to \$800 billion set in 2015, according to data provider Dealogic.

The U.S. corporate-bond market is almost triple the size of the euro corporate-debt market, the world's second largest, according to Dealogic.

The U.S.'s sophisticated market infrastructure and ample liquidity give corporations

better access to debt financing than anywhere else. While those advantages make a wholesale shift to other borrowing markets unlikely, changing the tax code could push some borrowing into foreign markets, Mr. King said.

Debt is popular because it is cheaper than selling equity. Its low cost is enhanced by deductibility, which began in the early 1900s when railroad and real-estate executives persuaded the federal government that their businesses wouldn't survive if they paid interest with after-tax profits, said Steve Bank, a professor at the UCLA School of Law.

Ending or limiting that deduction is key to funding the House tax plan. Repeal would raise \$1.5 trillion over a decade to replace some of the revenue lost from a corporate rate cut and immediate deductions of capital expenses, according to the Tax Foundation, a conser-

vative-leaning think tank.

Multinational corporations have shown they can deftly manage any difference between countries' tax policies to their benefit, said Brian Kittle, a tax lawyer at Mayer Brown LLP. Companies including **Mylan NV**, **Medtronic PLC** and **Johnson Controls International PLC** have in recent years moved abroad in part to lower their U.S. tax bills.

Removing interest deductibility would create a "strange and ironic" echo of such "corporate inversion" strategies in which firms move their headquarters overseas but keep their main operations in the U.S., said Citigroup's Mr. King. In this case, companies could keep their funds in the U.S. and borrow elsewhere.

Foreign companies already borrow in the U.S. to lower their tax bills. German industrial conglomerate **Siemens AG** has borrowed \$21.25 billion in the U.S. investment-grade market since 2015.

Others are spreading their bets. Apple issued a 2.5 billion Canadian dollar (\$2 billion) bond in August, the largest corporate borrowing by a foreign issuer on record there.

Companies are borrowing more now in anticipation of tax changes later, said Dominic Pappalardo, a portfolio manager at McDonnell Investment Management LLC.

—Richard Rubin

contributed to this article.



Rep. Kevin Brady wants to restrict corporate tax deductions.

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG: Daily percentage change from the previous trading session.

NYSE highs - 71

Afclar AFRL 82.37 0.4

AerojetRocket AJRD 29.25 4.1

AgilentTechs A 63.93 0.6

Alcoa AA 44.10 0.2

Allele ALLE 77.39 ...

Altervix AVX 24.07 2.5

AmerTowerBldg ATW 130.10 1.1

AmerTowerReIT ATWREIT 147.64 1.1

ApplnCorp APP 80.47 0.2

AnnalyCapPfd NYLVP 25.10 2.7

AristaNetworks ANET 178.35 2.7

BankofAmPfd BAC 131.89 0.1

BerkHathaway B BRAK 274.17 0.9

BerkHathaway B BRAKB 181.03 1.0

RightSholarEduc REDU 19.05 2.4

CAI INTL CAI 31.00 0.8

CallawayGolf ELY 13.76 0.7

Caterpillar CATR 117.69 1.3

Chr&EasternEuroTl CO 23.84 0.8

ChrisRiverLabs CRL 107.39 0.5

ConstrBrands STZ 200.00 0.6

CoreLogic CLGX 46.90 1.6

Coresite COR 118.79 0.6

CryoLife CRY 20.60 2.3

DellTechnologies DWMKT 74.30 1.8

EmbdlTechnologies AOKW 25.00 1.6

EneGenChile EOC 25.96 2.4

FibraCelsoBd FBR 13.20 0.8

GabelliConv GBC 107.88 0.0

GabelliDifrd GDVNP 27.40 0.1

GuideWireSoftware GWRE 76.21 2.6

HalyardHealth HYH 44.53 0.1

Harris HRS 122.39 0.9

InterXion INXN 51.30 0.9

Kemet KEM 23.40 6.2

AdansNaturalRsrcs PEO 20.40 0.4

KnightTransport KTRX 20.40 0.4

Mitor MTOR 19.72 0.0

NYSE lows - 45

AlphamedBreak SBI 30.22 0.4

ARKGenomicPfd ARKG 33.49 0.5

ARKInvestmentETF ARKK 24.56 0.3

ProShrUTech REV 20.32 1.6

TeuronCapAgriTAGS TCG 22.14 3.0

TeuronCapFund CORN 17.12 0.5

VehiculSrvrs VSR 0.75 10.3

WellsFargoPfd FWFJ 23.59 0.4

MARKETS

NYSE Plans Delay on End-of-Day News

Exchange says firms' announcements come too soon after 4 p.m. close, sowing disorder

BY ALEXANDER OSIPOVICH

Besieged by fast-trading robots, the floor traders at the

New York Stock

EQUITIES Exchange are

getting a little

help: an ex-

change-imposed news em-

bargo for listed companies in

the minutes after the market's 4 p.m. close.

The NYSE, a unit of Intercontinental Exchange Inc., said in a regulatory notice this week that it plans to prevent firms from issuing news releases for up to five minutes after closing time.

The move is a bid to protect NYSE's closing auctions from trading algorithms that scan English-language text in search of signals to buy or sell stocks. The auctions determine the end-of-day price for thousands of NYSE-listed

stocks. Some market veterans said the NYSE news blackout is necessary partly because the Big Board is the last U.S. stock exchange to fully automate a task largely handled by computers elsewhere.

The NYSE's difficulty, which was disclosed in a notice posted Tuesday on the **Securities and Exchange Commission** website, is that sometimes companies release important news just after 4 p.m. but before the exchange has published a stock's closing price. When that happens, it

can lead to "significant investor confusion" and bursts of volatility, the notice said.

The NYSE is trying to address a problem that has been around for years, but has gotten worse with the rise of algorithms that read news releases and execute trades if they spot phrases such as "record revenues" or "merger," said Eric Noll, former chief executive of brokerage ConvergeX.

"They're building in a buffer so the closing auction isn't impacted by rapid-fire trades

coming into the market," Mr. Noll said.

The closing auctions held at the NYSE and **Nasdaq** Inc. are a critical part of the functioning of U.S. markets. They yield closing prices for stocks, which in turn determine the value of exchange-traded funds and other index funds that track the broader market or specific sectors.

The NYSE's proposed fix is needed in part because the 225-year-old exchange still runs an old-fashioned trading floor, with human traders

called designated market makers, who oversee the closing auctions.

All-electronic exchanges such as Nasdaq can conduct the closing auction nearly instantly, but at NYSE it often takes longer. That is because the market makers can choose to close each stock manually or electronically.

Even when they opt for a manual close, in "almost all cases" the market maker can determine the closing price within five minutes, the SEC notice said.

Emerging Markets Pick Up Slack in LNG

BY DEMI GUO

Emerging-market nations in Asia are turning to imports of liquefied natural gas to offset dwindling domestic supplies, bolstering LNG trade in the region as demand from bigger markets eases.

Nearly 90% of global LNG demand will come from emerging and frontier economies by 2022, the International Energy Agency estimates. Natural-gas prices fell to their lowest in a decade in 2016, according to the IEA, making it a more affordable source of energy for developing countries. LNG is a form of gas that is converted into liquid form so that it can be transported.

While most of the demand growth will come from economic behemoth China, the rest will come from smaller economies, the IEA says.

Domestic LNG reserves are running low in countries such as Bangladesh, Pakistan and the Philippines, forcing them to seek outside sources. Bangladesh has only 12 years' worth of domestic natural gas left, said Lance Crist, global head of oil, gas and mining at International Finance Corp., a private branch of the World Bank.

As demand growth slows in traditional consumers such as Japan and South Korea, those smaller players will make up 20% of the global LNG trade by 2022, the IEA says.

"What really drives the demand is the shortages of electricity," said Victoria Zaretskaya, lead operations research analyst at the U.S. Energy Information Administration. Metropolitan areas such as Karachi, a major city in Pakistan, experience rolling blackouts to conserve energy.

"They do load shedding. That means you don't provide electricity 24 hours a day," she said.

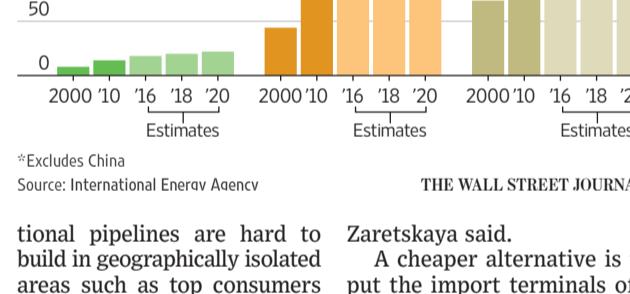
Historically, Asia has depended on natural gas shipped in LNG form because transna-



An LNG tanker near Tokyo. Asia relies on liquefied gas because it is hard to build pipelines to isolated markets such as Japan.

Gas Demand

Non-OECD Asia* countries are increasingly turning to liquefied natural gas.



*Excludes China

Source: International Energy Agency

Petrobangla, is building the country's first floating LNG terminal off Moheshkhali Island in the Bay of Bengal, partially financed by International Finance Corp.

Petrobangla expects to earn \$400 million annually selling imports to the domestic market, but that isn't enough to cover the annual \$1.8 billion in estimated costs to import the LNG. Petrobangla is seeking \$1.4 billion in financing from the government to offset the import costs.

Even so, the first pipeline to transport gas from the terminal was completed this month, and Petrobangla expects the project to be finished in 2018.

The World Bank's IFC also helped finance Pakistan's first floating LNG terminal in Port Qasim, which became operational in early 2015, to facilitate imports from Qatar.

Pakistan's gas demand in 2015 was 6 billion cubic feet a day, while its domestic supplies covered 4 billion cubic feet a day, according to num-

bers provided by Engro Elengy Terminal Ltd., which runs the Port Qasim terminal.

As of the beginning of 2017, the terminal covers roughly 30% of that deficit, according to Engro Elengy Terminal data.

Emerging markets' surging demand for LNG stands in contrast to slowing growth in developed markets in the region. Natural-gas demand from Australia, Japan, South Korea and New Zealand is expected to decline to 206 billion cubic meters in 2022 from 218 billion cubic meters in 2016, according to the IEA.

Natural-gas demand from Australia, Japan, South Korea and New Zealand is expected to decline to 206 billion cubic meters in 2022 from 218 billion cubic meters in 2016, according to the IEA.

While LNG prices will likely stay low for the foreseeable future, the real question is what happens when natural-gas prices rise, Mr. Ydrees said.

"It depends on how demand will increase and how all these projects on schedule are completed and can actually deliver to the market," he said.

Nasdaq Gets Lift From Chip Makers

BY AMRITH RAMKUMAR AND RIVA GOLD

The Nasdaq Composite Index surged to its third straight day of gains, propelled by shares of chip makers.

Some investors and analysts say the economic and earnings

WEDNESDAY'S

for stocks

remains fa-

vorable,

keeping the

market within striking distance of records even amid

geopolitical tensions.

The Dow Jones Industrial Average edged up 27.06 points, or 0.1%, to 21892.43. The S&P 500 added 11.29, or 0.5%, to 2457.59 to notch a four-session winning streak, while the tech-heavy Nasdaq rose 66.42, or 1.1%, to 6368.31—its ninth gain of more than 1% this year.

Shares have recovered after North Korea's missile launch over Japan weighed on U.S. stocks early Tuesday, the latest example of this year's short-lived pullbacks.

"It does tell you that there's not a lot of places to go with money," said Craig Hodges, a portfolio manager at Hodges Funds. "There's a lack of alternatives to buy."

Semiconductor stocks were among Wednesday's best performers after **Analog Devices** beat earnings expectations. Its shares rose \$4.17, or 5.2%, to \$83.72 in their largest one-day advance since November 2015. **Microchip Technology, Advanced Micro Devices and Applied Materials** were also in the S&P 500's biggest gainers.

Chip makers' shares have soared in the past year, often leading larger tech companies on the way up and the way down because chips are used in so many consumer products. Analog Devices is one of several semiconductor and technology stocks up more than 30% in the past 12 months.

"They're the ones that can deliver the top-line growth, which makes them kind of unique in this marketplace," said Crit Thomas, global market strategist at Touchstone Investments.

Brown-Forman was also one of the S&P 500's best performers after the Jack Daniel's parent exceeded Wall Street's profit expectations. The stock rose 1.94, or 3.8%, to 53.14.

Haven assets gave back some of Tuesday's gain as investors' risk appetite recovered and economic data continued to point to improvement.

Gold fell 0.4% to \$1,308.10 an ounce after rising to an 11-month high in the prior session, while the yield on the 10-year U.S. Treasury note rose to 2.145% from 2.134% Tuesday, its lowest level of the year. Yields rise as bond prices fall.

Second-quarter growth in U.S. gross domestic product was stronger than initially thought, while hiring at private U.S. employers rose more than expected in August.

Many investors and analysts are awaiting Thursday's personal-consumption-expenditures inflation data and Friday's monthly jobs report.

Overseas, the Stoxx Europe 600 rose 0.7% from its lowest close since February. Eurozone economic sentiment in August reached its highest level in more than 10 years, according to the European Commission.

Early Thursday, Japan's Nikkei was up 0.7% and Australia's S&P ASX 200 was up 0.6%.

SEC Issues Subpoena To DryShips

BY SPENCER JAKAB

The Securities and Exchange Commission has issued a subpoena to **DryShips** Inc., a once obscure Greek shipping company, for information tied to the company's large sale of stock over the past nine months.

The subpoena, which was disclosed by DryShips on Wednesday, asked for "certain documents and information" connected to stock offerings made between June 2016 and July 2017.

That coincides with the period that saw \$700 million in new shares issued. DryShips shareholders experienced wild gains and drops in its share price as the new stock was issued in a way that appears to have been highly profitable for the company's chairman, George Economou. The shares were issued to **Kalani Investments** Ltd., a mysterious firm domiciled in the British Virgin Islands. A Wall Street Journal investigation linked that firm to Toronto financier Marc Bistricer. DryShips used the proceeds to acquire 17 vessels, including five controlled by companies associated with Mr. Economou.

The company, Mr. Bistricer and the SEC did not immediately respond to questions.

DTCC Is Latest to Target Venezuela

BY JULIE WERNAU

The **Depository Trust & Clearing** Corp., one of the largest securities clearinghouses in the U.S., said it would no longer settle certain Venezuela bond trades, the latest blow for investors in the South American nation in the wake of U.S. sanctions.

The New York-based clearinghouse said in a notice on its website that based on a recent executive order it has suspended settlement services that allow Venezuelan bonds to change hands, including those of state-owned oil company **Petróleos de Venezuela** SA. A clearinghouse acts as an intermediary between buyers and sellers to exchange payments, and is crucial to bond trading.

Late Wednesday, following further review, the company issued a notice reinstating services for some bonds, narrowing its initial guidance.

The move is the latest complication for traders of Venezuelan bonds and shows a rising awareness of the risk of dealing in these securities. Fears of falling on the wrong side of U.S. or Venezuelan policy have pushed some major institutional players out of the market and driven down liquidity. That is causing concerns that bondholders will find it difficult to find buyers



when and if they decide to sell those securities.

On Tuesday, **Cantor Fitzgerald** LP stopped trading Venezuelan debt. The move was the first blanket restriction on Venezuelan bonds by a large U.S. financial institution. This month, **Credit Suisse Group** AG said that it prohibited its traders from buying and selling two existing Venezuelan bonds because of the risk the trades would finance human-rights abuses.

An executive order from President Donald Trump on

bourg, but that DTCC's move raised concerns that other clearinghouses would follow suit.

Euroclear and Clearstream didn't respond to requests for comment.

Europe doesn't have the same restrictions on Venezuela as the U.S. But the Treasury Department has warned that even indirect bond transactions involving Caracas, such as through European markets, would violate its sanctions.

DTCC is co-owned by investment banks and brokers on Wall Street, and says it processes trillions of dollars in securities transactions each day.

Venezuela's Information Ministry didn't respond to a request for comment. In the past, Mr. Maduro has accused Wall Street of being part of the "economic war" against his government.

"This is only adding fear and uncertainty," Juan I. Sosa, co-chairman of **Portfolio Resources Group** Inc. in Miami, said Wednesday.

Trading in Venezuelan debt, until recently among the most easily purchased emerging-market bonds, has slowed to a trickle this week, reflecting typical end-of-summer trading as well as investor efforts to evaluate the impact of the U.S. sanctions.

Anatoly Kurmanov contributed to this article.

MARKETS

Gasoline Futures Soar to Two-Year High

Concerns about fuel shortages rise as refining operations halt; falling demand hits oil

By STEPHANIE YANG

Gasoline and oil prices continued to diverge on Wednesday, as Tropical Storm Harvey dumped more rain along the Gulf Coast and forced the full shutdown

COMMODITIES of the nation's largest refinery.

After making landfall in Texas last weekend, Harvey moved east and came ashore again in Louisiana, threatening to disrupt more of the area's refining capacity and compounding fears of fuel shortages.

On Wednesday, Motiva said it shut down its 603,000-barrel-a-day refinery in Port Arthur, Texas. The largest refinery in the U.S. is one of the latest to be affected by Harvey, which has taken around 20% of the country's refining capacity offline.

Exxon Mobil Corp.'s refinery in Beaumont, Texas, also was shut down, after running at reduced rates since Monday, the company said. Exxon's Baytown facility, the nation's second-largest refinery, has been shut down since Sunday.

"This is as bad as it's ever been," said Kyle Cooper, a consultant at ION Energy Group in Houston. "I would say that to a large extent, the worst is being priced in" for energy markets.

Gasoline prices surged to a two-year high Wednesday, as traders anticipated a shortage of supplies following the storm. Futures for September delivery rose 5.7% to \$1.8847 a gallon on the New York Mercantile Exchange, the seventh straight session of gains and the biggest one-day gain since Nov. 30.

"I think you're seeing a lot of protective behavior by suppliers all around the country,"

said Mark Anderle, director of supply and trading at TAC Energy. "That should drive up the wholesale and retail prices really across the country."

Meanwhile, U.S. crude futures for October delivery fell for the third day in a row, closing down 48 cents, or 1%, at \$45.96 a barrel, a one-month low. Brent, the global benchmark, lost \$1.14, or 2.2%, to \$50.86 a barrel.

Refinery shutdowns across Texas will mean less demand for crude oil, a dismal sign for those betting a global glut of crude has abated in recent months.

In data released Wednesday, the U.S. Energy Information Administration reported crude stockpiles fell by 5.4 million barrels in the week ended Aug. 25, exceeding analysts' expectations and marking the ninth-consecutive week of inventory declines.

However, traders and analysts shrugged off the report since Harvey looks poised to muddle EIA data for the next few weeks.

"Mostly what this report is good for is a 'before' snapshot," said Mr. Anderle. In coming weeks, "the statistics are going to look drastically different than they did today."

Some Corpus Christi, Texas, refiners have announced plans to restart in coming days, helping boost oil prices briefly during Wednesday's trading.

"There seems to be more optimism developing as to a light at the end of the tunnel," said Donald Morton, senior vice president at Herbert J. Sims & Co. "My personal opinion is that the light is a long ways away."

Analysts said further rainfall could keep refineries shut down longer than some expect.

"The continued increase in flooding creates high uncertainty on the amount of damage that U.S. refineries will incur," Goldman Sachs analysts wrote in a Wednesday note.

—Dan Molinski
contributed to this article.

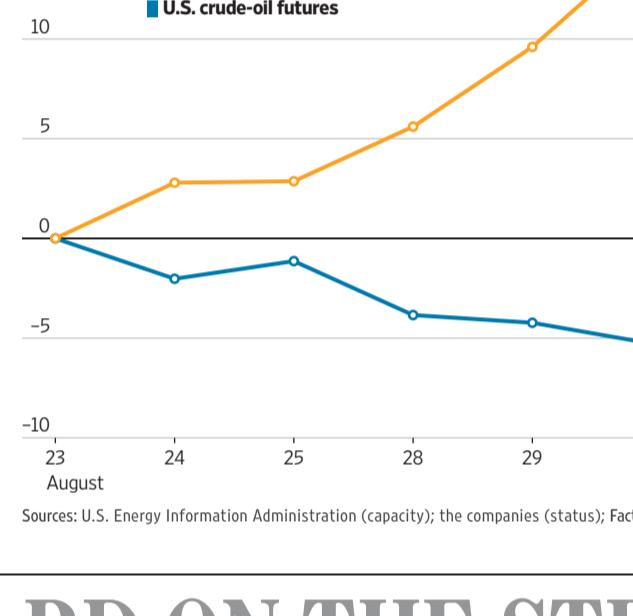
Taking Stock of Storm Damage

Harvey has hit the Gulf Coast energy industry hard, knocking numerous oil refineries offline and creating a bottleneck that has boosted the price of gasoline while damping demand for oil. Energy shares have suffered while the broad market has held up.

Texas refineries affected by Tropical Storm Harvey

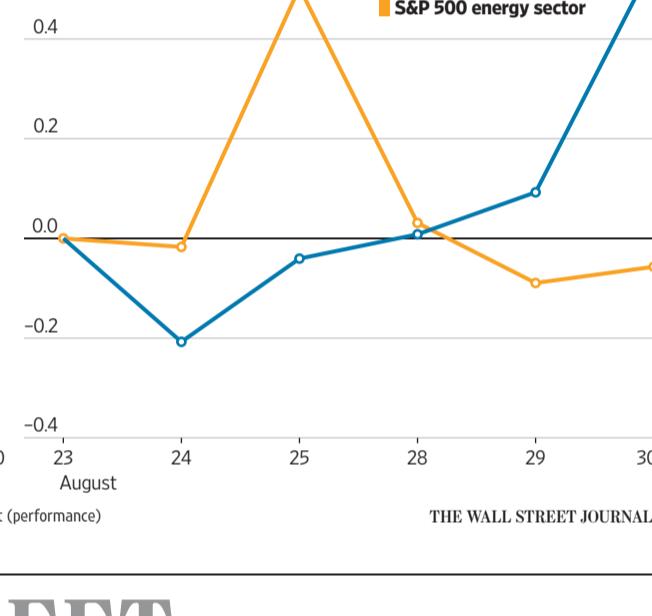
Company	Location	Capacity	Status (As of Wednesday)
Motiva	Port Arthur	603,000 barrels a day	Shut down
Exxon Mobil	Baytown	560,500	Shut down
Exxon Mobil	Beaumont	362,300	Shut down
Valero Energy	Port Arthur	335,000	Shut down
Royal Dutch Shell	Deer Park	325,700	Shut down
Flint Hills Resources	Corpus Christi	296,470	Preparing to restart
Valero Energy	Corpus Christi	293,000	Preparing to restart
Lyondell	Houston	264,000	Reduced
Phillips 66	Old Ocean/Sweeny	247,000	Shut down
Total SA	Port Arthur	226,000	Reduced
Citgo Petroleum	Corpus Christi	157,500	Shut down
Petrobras	Pasadena	110,000	Shut down
Valero Energy	Three Rivers	89,000	Restart underway

Performance since Aug. 23 close



Sources: U.S. Energy Information Administration (capacity); the companies (status); FactSet (performance)

Performance since Aug. 23 close



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Costco Stock Sells at a Discount

One of the few ways for retailers to compete against the growing might of **Amazon.com** is to offer something different. **Costco Wholesale** does that, but the market has been unwilling of late to give it credit for its uniqueness.

The discounter, like other grocers, was punished twice by investors fearful that Amazon's acquisition of Whole Foods Market would mean aggressive price competition in grocery. Costco shares fell 13% in the week following Amazon's June 16 announcement of the deal, shaving roughly \$10 billion off its market capitalization. Its shares then fell a further 5%, representing an additional \$3.5 billion of value, last Thursday when Amazon said it would cut prices on certain Whole Foods items when the deal closed Monday.

Investors typically buy the rumor and sell the news. In this case, they sold the rumor as well as the news. For a company that isn't just a typical grocery store,

Food Fight

Costco's stock price



Source: WSJ Market Data Group

Kirkland Signature brand, which accounts for 25% of sales, according to Cowen. In contrast to "the everything store," Costco limits the number of items it sells, giving it greater purchasing power on the items it chooses to stock.

Granted, the portion of Costco members who were also Amazon Prime members was 64% in the second quarter of 2017, up from 28% in the first quarter of 2013, Cowen estimates. But that overlap hasn't put a dent in Costco's sales growth. The company reported 5% same-store sales growth in its fiscal third quarter ended in May.

The market hasn't been cheered by Costco's recent top-line strength amid fears of what Amazon might do. That edginess should ease now that the Whole Foods tie-up is complete. At 24 times forward earnings estimates, Costco's shares trade below their five-year average multiple. Investors should buy them in bulk.

—Miriam Gottfried

OVERHEARD

Biotech stocks giveth, and biotech stocks taketh away.

Shareholders of **Otonomy** found this out on Wednesday. The biotech company had benefited from a soaring stock price. Shares had nearly doubled since April as investors awaited its late-stage clinical trial to test a new drug for patients with Meniere's disease, a rare inner-ear disorder that can cause episodes of vertigo.

But Otonomy announced the trial was a flop. CEO **David Weber** said in a statement the company was surprised by weak results for patients taking the drug, Otilivdex, as well as higher-than-expected patient responses from a placebo. As a result, the company is scrapping its development plans for the drug.

Shares plunged 83% on Wednesday. Investors who bought the stock at the April low are nursing significant losses.

When riding risky biotechs, investors shouldn't forget to have an exit strategy.

Workday Must Clear A High Bar

Of all companies, **Workday** may be the one to best appreciate the challenge of dealing with a high-performing worker who already is topping the pay scales.

Workday's cloud-based software for human-resources management has proved to be a hit with large companies. A newer service for corporate financial management is gaining ground as well. Both helped drive the company's subscription revenue up 42% year over year to nearly \$435 million for the fiscal second quarter, Workday said late Wednesday. That was ahead of the 38% gain analysts expected.

A solid showing. But much was already reflected in the stock, which slipped a bit following the report. The stock has jumped 63% this year, making Workday one of the largest pure-play cloud software companies by market cap, second only to **Salesforce**. But at more than 9 times forward sales, Workday commands one of the highest multiples in the group. And like its peers, Workday still loses money due to its heavy use of stock-based compensation.

Investors still tend to favor cloud companies for growth prospects, which Workday has plenty of. The company notes that half the Fortune 500 roster has yet to transition its human-resource activities to the cloud.

Joel Fishbein of BTIG estimates that Workday can continue to expand its subscription business by more than 30% annually over the next few years.

The problem is that with so much overachievement already priced in, Workday will struggle to generate another big raise for investors.

—Dan Gallagher

Emerging-Market Bonds Could Have Further to Climb

Low inflation has gone global. But while it is proving a test for central banks like the Federal Reserve and European Central Bank, it is a different story in emerging markets.

Investors in local-currency government bonds are the winners and could have more to come.

The gains so far in 2017 are pretty remarkable. The J.P. Morgan GBI-EM index of emerging-market local-currency bonds has returned 15% in dollar terms this year. That performance has been powered by the combination of falling bond yields and rising emerging-market exchange rates.

Low Pressure

Aggregate emerging-market inflation



Note: Covers 52 emerging economies, excluding Venezuela and Argentina

Source: Capital Economics

True, this year's numbers are flattered by the setback the market suffered at the end of 2016, when Donald Trump's victory in the presidential election hit emerging-market sentiment, reset-

ting yields higher. But they are also the function of a fundamentally improving story for many emerging-market countries.

A key factor is easing inflation. An aggregate measure calculated by Capital Economics that covers 52 emerging-market economies held at an eight-year low of just 3% in July, down from 3.8% in January. In part, that is because the influence of food and energy prices that pushed inflation higher previously has waned. But it also reflects contained underlying price pressures.

Crucially, that may allow central banks in emerging markets to cut rates. Interest

rates in many emerging-market countries remain high, after central banks had to react in recent years to rising inflation and weakening currencies by tightening policy.

The Central Bank of Russia's policy rate is 9%, Brazil's is 9.25% and Mexico's is 7%.

But that gives emerging-market policy makers more room to maneuver. India, South Africa and Indonesia are among those to have cut rates in recent weeks. Further easing might not be priced into debt markets, meaning bond prices could rise. J.P. Morgan Asset Management points to Mexico, Indonesia and Turkey as offering potential.

The foreign-exchange part of the trade that has boosted returns may be more risky. A sharp rise in the dollar could be a big problem for many emerging-market assets and could reverse investment flows into these countries.

The yield on the GBI-EM index is still north of 6%, far above the yield on developed-market government bonds.

Even without the tailwind of foreign-exchange gains, that is a tempting prospect in a world where low yields are depressing prospective bond returns.

The stars may still be aligned for emerging-market bond investors.

—Richard Barley