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Business & Finance

Jeff Bezos is investing \$5 billion to expand Amazon's India operations, setting the stage for a clash between Bezos and Masayoshi Son. **B1**

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◆ **Alibaba is expected to** report that its quarterly revenue has risen roughly 50% from a year earlier. **B2**

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◆ **Brokers strongly op-** posed the new retirement advice rule, but adhering to it has actually benefited Wall Street. **B1**

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◆ **The White House an-**nounced plans to pressure China over alleged intellectual property theft. **A1**

◆ **Iran's parliament voted** to increase funding for the country's military forces and missile program. **A3**

◆ **Trump's trade team** will begin Nafta talks as it seeks concessions from Mexico and Canada. **A3**

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Trump Amends Protest Remarks



Police keep watch near the statue of Gen. Robert E. Lee in Charlottesville, Va. Its scheduled removal touched off the initial demonstrations.

BY LOUISE RADNOFSKY
AND DAVE MICHAELS

WASHINGTON—The White House said Sunday that President Donald Trump condemned white supremacists, a day after Mr. Trump had blamed "many sides" for the weekend violence in Charlottesville, Va.

Mr. Trump drew widespread criticism Saturday—including from fellow Republicans—for choosing not to single out the far-right groups that led the demonstrations in Virginia to protest the removal of a statue of Confederate General Robert E. Lee.

There were violent clashes with counterprotesters, and three people were killed during the day—one when a car plowed into a group of counterprotesters, and later when a helicopter crashed carrying two state troopers monitoring the demonstrations.

The vehicle's driver was arrested, local police said, and the Federal Bureau of Investigation

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◆ State mourns two killed in helicopter crash..... A7

Wall Street's Overseers Ease Postcrisis Rules

BY RYAN TRACY
AND DAVE MICHAELS

Regulators in the Trump administration have started easing restrictions that were placed on Wall Street after the financial crisis, using broad powers to revisit rules intended to constrain everything from trading risks to executive pay.

Several agencies are reviewing the Volcker rule, a part of the 2010 Dodd-Frank Act that limits banks' trading.

Some regulators also recently dropped a plan to restrict bonuses on Wall Street that had been opposed by banks and brokerage firms. And the Labor Department on Wednesday disclosed an 18-month delay in the so-called fiduciary rule that requires brokers to act in clients' best interests when they handle retirement accounts.

The moves show that while President Donald Trump might be struggling to advance his legislative agenda

in Congress, his administration is making headway in changing some of the myriad rules that Wall Street has sought for years to overturn or water down.

"On most topics, we are still awaiting the approval of appointees, but it is encouraging that there are some issues, some of which are technical but incredibly important to running a bank, where some progress is being made," said Greg Baer, president of the Clearing House Associa-

tion of large banks.

"It is a time to...determine where the pendulum has gone too far," Craig Phillips, counselor to U.S. Treasury Secretary Steven Mnuchin, told a government-advisory committee July 20 at the Federal Reserve Bank of New York.

Mr. Phillips, a former investment banker and senior executive at BlackRock Inc., has been leading the administration's effort to identify changes to financial rules. He was a principal author of a

Treasury Department report released in June that recommended 97 policies in the lending sector for Congress and regulators to re-examine. More reports are coming, covering other sectors.

So far, the rule book for Wall Street hasn't been rewritten in major ways, in part because nominees for some key posts haven't been named

Please see RULES page A2

◆ Wall Street gains from new fiduciary rule..... B1

THE DANGERS OF GIVING BIRTH IN RURAL U.S.

Risk of fatality is higher than in cities, a switch; the fight for Whitney Brown

BY BETSY MCKAY
AND PAUL OVERBERG

MCMINNVILLE, Tenn.—Whitney Brown was in labor with her first baby when suddenly she couldn't breathe.

Convulsions shook her body. Ms. Brown's blood pressure and oxygen levels dropped, and the baby's heart rate plunged. Nurses at Saint Thomas River Park Hospital called obstetrician Dawnmarie Riley, who minutes later burst into the operating room in such a rush her hospital scrubs were inside out.

Dr. Riley delivered the baby girl in an emergency cesarean section, and Ms. Brown was taken to intensive care. Doctors at River Park, the only hospital in a central Tennessee county of 40,000 people, didn't know what had caused Ms. Brown's seizure. But they knew one thing: The 28-year-old woman needed more than they could provide.

What followed was a race to save Ms. Brown, a high-risk

medical challenge that would involve frantic requests for transportation, an hour-and-a-half ambulance ride through mountains and the rain, and last-minute medical interventions as she tore through the hospital's blood supplies.

Since the start of the century, it has become more dangerous to have a baby in rural America. Pregnancy-related complications are rising across the U.S., and many require specialized care. For some women, the time and distance from hospitals with the resources and specialists to handle an obstetric emergency can be fatal.

The rate at which women died of pregnancy-related complications was 64% higher in rural areas than in large U.S. cities in 2015. That is a switch from 2000, when the rate in the cities was higher, according to Centers for Disease Control and Prevention data analyzed by The Wall Street Journal.

The reasons reflect

Please see BABY page A6



BEN CURTIS/ASSOCIATED PRESS

Kenyans Clash in Wake of Election

RALLY: Supporters of Kenyan opposition leader Raila Odinga, left, protested what he charged was a rigged election. At least 11 people were killed over the weekend in violence following the vote, which reelected President Uhuru Kenyatta. **A3**

Rally supporters of Kenyan opposition leader Raila Odinga, left, protested what he charged was a rigged election. At least 11 people were killed over the weekend in violence following the vote, which reelected President Uhuru Kenyatta. **A3**

Washington Presses Beijing On Alleged Technology Theft

BY JACOB SCHLESINGER

WASHINGTON—The Trump administration announced plans to pressure China over alleged intellectual property theft, adding the threat of trade retaliation to a continuing campaign seeking greater cooperation from Beijing in the North Korean nuclear crisis.

Aides said President Donald Trump will sign a directive Monday ordering his trade representative to start a formal investigation into whether Chinese government agencies and

companies were unfairly acquiring valuable patents and licenses from U.S. firms, either through outright theft, or by putting pressure on Americans to turn over their inventions as the price of entry into China's market.

"Such theft not only damages American companies, but can threaten our national security," a senior administration official said in a Saturday briefing for reporters.

Officials at the briefing said that while they were casting a spotlight on what they con-

sider a major irritant in bilateral commercial relations, they weren't rushing into action. They said Monday's directive would launch a study into whether a formal trade investigation was warranted, and that probe would take a year or more. They declined to discuss what kinds of penalties the U.S. might impose on China, saying that question was "premature."

The administration made Please see TRADE page A4

◆ What the U.S. wants from Nafta talks..... A3

Forever Young: Tech Startups, Like Hollywood Celebrities, Fudge Their Age

To look like overnight successes, new companies are playing around with their origin stories

BY PATIENCE HAGGIN

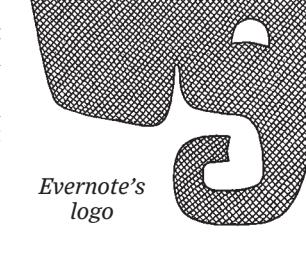
Hollywood celebrities have been known to deduct a few numbers when declaring their ages. Turns out Silicon Valley startups do the same thing.

In a business where everyone is searching for the next big disruptive concept, old age is rarely considered an asset. As such, some companies make their stated dates of founding subject to change.

Chris O'Neill, chief executive

of Evernote Corp., uses June 24, 2008—the day the company's note-taking iPhone app launched—as the company's cornerstone date. But Evernote's roots go back further: Its founder wrote the first lines of code in 2000 and then formed the company in 2002. It released its first product—a Windows PC application that it now describes as a prototype of its iPhone app—in 2004.

"There are a lot of important dates in a company's his-



Evernote's logo

tory," Mr. O'Neill said. "Our point of view is, 'Let's pick the most important date.'"

Evernote, which has had three CEOs, has at various times pointed to 2002, 2005 or 2007 as its founding year.

Investors say startups often reach for the youngest age possible to make it seem like they found success quickly. To justify a chosen date, some executives wax philosophical about what constitutes "founding."

"I think there's a lot of ex-

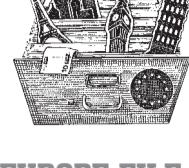
pectations on startups to show progress early and often in their life," said Mr. O'Neill, though he said that wasn't a factor in Evernote's case.

Like Hollywood, Silicon Valley usually doesn't bat an eye at this practice. Venture capitalists say they know some companies fudge their year of founding in the press. There is no hiding their true age from investors, who see it in official documents.

Please see DATE page A2

WORLD NEWS

Behind the Eurozone's Economic Recovery



EUROPE FILE

By Simon Nixon

cently as December, the International Monetary Fund and the European Commission were both forecasting that eurozone output would grow by 1.5% this year, while the average estimate among independent economists was for growth of just 1.3%, according to Consensus Economics Forecasts.

Yet the consensus now is for growth this year of 1.9%, while Citigroup Inc. has just raised its forecast to 2.2% while hinting at possible further upgrades in the light of recent data. These have shown eurozone consumer confidence at its highest level since 2001 and investor confidence at its highest level since 2007. The recovery is now spread across all sectors and countries:

French business confidence is at a six-year high, Italian industrial production rose by 1.1% in June, smashing expectations of a 0.2% rise; even the Greek economy is likely to grow by 0.7% this year.

There are many reasons for the change in the eurozone's fortunes this year.

Partly it reflects an improving global outlook, including a recovery in global trade, which grew by 4% in the past year, outpacing global GDP growth for the first time in



MARCELO DEL POZO/REUTERS

Workers build scaffolding in southern Spain last year.

five years. The euro area is also benefiting from cheap energy prices and very low interest rates. Confidence has been boosted by the reduction in political risks following this year's elections in the Netherlands and France which delivered strong majorities to pro-EU parties. Indeed, popular support for membership of the eurozone has risen to a 13-year high of 73%, according to the latest Eurobarometer survey.

But while these demand-side factors likely played a role in the eurozone's growth, many economists may have underestimated the role of improvements to the

supply side of the eurozone economy—as they did with Spain four years ago. The trigger for Spain's rebound in 2013—as with Ireland's equally remarkable rebound around the same time—was its decisive action to clean up its banking system. This combined with ambitious overhauls to labor and product markets allowed resources to be reallocated to more productive parts of the economy.

Similarly, the eurozone over the past year has finally addressed remaining pockets of banking weakness in Italy and Portugal. With both banking systems now significantly better capitalized, bad

debt ratios are falling as soured loans are either restructured, sold or written off. As a result, eurozone bank lending is once again starting to show healthy growth, according to European Central Bank data. Other structural changes, including labor market overhauls in Italy and France, may also help explain the unexpectedly strong jobs recovery. Indeed, much of the recent surge in French business confidence reflects expectations that President Emmanuel Macron will deliver further ambitious new labor market overhauls this year.

Indeed, the eurozone's biggest medium-term challenge is to remove concerns over the sustainability of some countries' debts that may resurface as the ECB fire blanket is removed. Some of the recent recovery of confidence in the eurozone may reflect excessive optimism that a widely anticipated push for deeper eurozone integration will lead to moves toward increased pooling of eurozone debts. That would be seen as addressing investor concerns that government debts contain credit and foreign exchange risk as well as inflation risk.

But the lesson from the Spanish and the eurozone recoveries is that pooling debts isn't the only way to address concerns over debt sustainability. There is still plenty that can be done at both the national and eurozone level to improve the supply side of the euro area, including measures to encourage investment and cross-border capital flows. Not only would these lift short-term growth but they would raise the rate at which the eurozone can grow without generating inflation, enabling the ECB to hold off rate rises. Ultimately, this may be the key to the eurozone's long-term resilience.



In fact, the Spanish turnaround had already begun: Growth exceeded 1% in 2014 and has been above 3% ever since. In that time, Spain has created more than two million jobs, bringing the unemployment rate down from a peak of 26.2% to an eight-year low of 17.2% today.

In the same way, few saw this year's turnaround in the eurozone's economic fortunes coming either. As re-

RULES

Continued from Page One

or are awaiting Senate confirmation. But officials who are in place are laying the groundwork.

Those efforts are triggering pushback about whether they would undermine protections adopted after the 2008 bank bailouts. Ohio Sen. Sherrod Brown, the top Democrat on the **Senate Banking Committee**, has said many of the proposals amount to "weakening or eliminating important safeguards."

"Big banks are making record profits, yet they claim they're besieged by their watchdogs," Mr. Brown said last month.

Mr. Baer calls the changes under consideration "an effort to rethink things in a cogent way."

Partisan tensions on Capitol Hill will make it difficult to make changes through legislation, meaning some items on the industry's wish list are unlikely, such as full repeal of the Volcker rule.

But that inertia doesn't restrict agency officials, who typically have broad discretion on how to implement rules that stem from legislation Congress has passed.

The current regulatory agenda of the Securities and

Exchange Commission, published in July, dropped more than a dozen proposals related to Dodd-Frank, including the plan to restrict bonuses.

The commission's Trump-nominated chairman, Jay Clayton, has said he wants to lighten the regulatory burden on public companies, which are required to make public filings to keep shareholders informed about financial performance, business trends and potential risks.

He hasn't taken action to scale back those rules yet, but his predecessor Michael Piwowar, a Republican SEC commissioner tapped by Mr. Trump to serve as acting chairman until Mr. Clayton was confirmed, started work toward changing two rules. One requires disclosure of the pay gap between chief executives and workers, and another requires companies to investigate whether their products include minerals from African countries where mining can benefit armed groups.

Mr. Clayton, in remarks last month to the **U.S. Chamber of Commerce**, also questioned whether small shareholders are abusing an election process that allows them to seek changes to corporate bylaws.

A more radical SEC step under study is how to revise the rules for who can invest in

private companies. U.S. law allows companies to issue stock with little regulatory oversight as long as all investors are wealthy enough to judge the risk or withstand potential losses.

But Mr. Piwowar has questioned the restriction, saying it walls off sought-after investments for the rich.

The SEC and the four other federal agencies that wrote the Volcker rule agreed in recent weeks to give banks leeway on aspects of the regulation, while beginning private discussions about how to rewrite it.

Partisan tensions will make it difficult to make changes through legislation.

The **Office of the Comptroller of the Currency**, the chief agency that regulates federally chartered banks and which is temporarily led by a Trump appointee, took the first tangible step toward potentially rewriting the rule when it reopened it for comments from the public.

In early August, the Senate confirmed three of Mr. Trump's nominees to the U.S. derivatives regulator, the

Commodity Futures Trading Commission, including Chairman J. Christopher Giancarlo. That representation will strengthen the commission's ability to carry out Mr. Giancarlo's desired revamp of postcrisis rules governing the swaps market.

Mr. Trump in July announced his pick for the vacant job of Federal Reserve vice chairman in charge of bank oversight.

The nominee, financier and former **Treasury Department** official Randal Quarles, has said he would support reviews of the Volcker rule as well as the central bank's annual stress tests of large banks.

Staffers at the Fed already are taking a fresh look at a bank-capital rule known as the leverage ratio, a move long sought by the largest U.S. banks, according to people familiar with the matter.

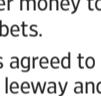
Not all the action is deregulatory. The new CFTC commissioners recently vowed to finish a position-limits rule to limit speculation in commodity markets, a regulation mandated by Dodd-Frank.

The Consumer Financial Protection Bureau, still led by an Obama appointee, in early July restricted mandatory arbitration in financial contracts, making it easier for consumers to sue financial companies. That rule won't

last if enough Republicans in the Senate vote to repeal it in the coming weeks. Some GOP senators have expressed caution about such a repeal, con-

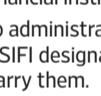
Where Financial Regulations Stand

The Trump administration and the GOP-led Congress want to roll back postcrisis rules. Here is the state of play on six big issues.



Volcker Rule

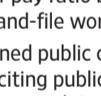
- Meant to ensure banks don't use customer money to make speculative bets.
- Regulators agreed to give banks some leeway and are talking about rewriting it.



SIFI Designations

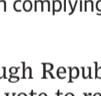
- Regulators can toughen rules for firms they see as 'systemically important financial institutions.'

- The Trump administration could remove the SIFI designation from firms that carry them.



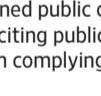
Executive Pay

- Securities and Exchange Commission rule; requires disclosure of pay ratio between CEOs, rank-and-file workers.
- SEC reopened public comment on the rule, citing public firms' difficulties in complying.



Fiduciary Rule

- Labor Department rule, requires brokers to act in savers' best interests.
- Part of rule in effect; Labor has proposed delaying other portions to July 2019 from January 2018.



Arbitration Rule

- Consumer Financial Protection Bureau rule; would ease path to class-action suits against banks.
- GOP lawmakers working to overturn it; unclear if they have enough support in Senate.

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Continued they would be seen as siding with banks and against consumers.

—Gabriel T. Rubin contributed to this article.

DATE

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"In general, it's pretty harmless," said Ted Wang, a partner at Menlo Park, Calif.-based venture-capital firm Cowboy Ventures. "People take a lot of liberties with their founding stories."

In an industry where companies often change their principal products and brand identities and how they define their market segment, such malleability isn't entirely surprising.

The founders of San Francisco-based Lookout Inc. drew attention in 2005, when they exposed security flaws in movie stars' phones at the Academy Awards. A news report of the episode said the company, known at the time as a consulting firm called Flexilis, was founded two years earlier—the year the founders

met in college. California corporate filings indicate the company was incorporated in 2005. A spokesman said Lookout considers 2007 its founding year, as that is when the founders turned their business into a security-software startup. The company changed its name to Lookout in 2009.

Nevertheless, the practice sets Silicon Valley apart from mainstream corporations—and these firms aren't shoestring operations. Many are "unicorns," privately held companies that have been valued by investors at \$1 billion or more.

"This is a Hollywood phenomenon that has crept up into the startup world. There is such a premium on thinking that you're an overnight success," said Venky Ganesan, a partner at Menlo Ventures. "I think it's sad, and it undermines credibility for everybody."

Many startups that have "pivoted," in the local idiom,

benchmark their beginnings using the date a current product launched—regardless of how long it was in development, or how many abandoned products came before. Since Redwood City, Calif.-based Evernote's driving mission was to launch a product, marking the year it incorporated or began developing would be "kind of like celebrating your birthday on the day you were conceived," said Shelby Busen, a senior marketing communications manager.

San Francisco-based ride-hailing app Lyft Inc. was incorporated in 2007 as Zimride, an online bulletin board for long-distance carpools. In 2012, the same founders launched a ride-hailing brand and called that Lyft. The next year it sold off the original Zimride assets and rechristened the company.

A company spokesman gives Lyft's founding date as 2012, and says that Lyft and Zimride are "distinct businesses."

Sometimes the story changes when a failed startup reinvents itself. Fanbase, a kind of Wikipedia for sports fans, was founded in 2007. When that idea fizzled, the founders launched Nextdoor, a neighborhood social network, using Fanbase's existing capital. They consider 2010 their founding year, a spokeswoman said. The San Francisco-based company said its executives weren't available for comment.

Some startups that spend years developing their product say the clock doesn't start with those years. They count time from the day they came upon a solution that worked.

Milpitas, Calif.-based View Inc., which makes window glass that changes tint electronically, incorporated as Echromics and was in development as early as 2007. When its first technical approach failed, almost the entire staff turned over, said CEO Rao Mulpuri. He took over in December 2008. A spokeswoman says the company considers 2009—the year it made breakthroughs that made its product possible—as the year it "really started its journey." The company changed its name to View in 2012.

When it comes to the ques-

tion of founding a company, Mr. Mulpuri says, "there's a technical answer, which is the official answer. When was the company founded in the state of Delaware? But as a team, it's not as simple as that."

David Gurle, chief executive of Palo Alto, Calif.-based Symphony Communication Services LLC, isn't amused by startups that play the age game. He founded private-messaging startup Perzo in 2012. After Symphony, another startup, acquired it in 2014, it began targeting financial-services clients. He proudly cites

2012 as Symphony's founding year, despite its permutations.

"If you told me that a flower only started growing when it was out of the earth, then I would say, 'No, it's already been growing,'" Mr. Gurle said.

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Logan Green, CEO of Lyft Inc., which says it was founded in 2012.

WORLD NEWS

Iran Parliament Raises Military Spending

BY ARESU EQBALI
AND ASA FITCH

Iran's parliament voted Sunday to increase funding for the country's military forces and ballistic-missile program, the country's latest response to the renewed pressure of sanctions leveled by U.S. President Donald Trump.

The parliament approved a bill outlining an allocation of around \$609 million, half of which is to go to Iran's ballistic-missile program, a focus of the recent U.S. sanctions.

Another \$61 million would go toward nuclear development, Hossein Naghavi-Hosseini, the spokesman of parliament's national security and foreign policy committee, told state television.

The move was a response to recent American sanctions, including U.S. legislation targeting Iran's ballistic-missile program and the Islamic Revolutionary Guard Corps, a powerful military body whose Quds Force wing oversees Iran's involvement in conflicts in Iraq and Syria.

They were part of a package of sanctions also target-



Upgraded Sayyad-3 air-defense missiles on display at an undisclosed location in Iran in July.

ing Russia and North Korea. Mr. Trump signed the legislation early this month.

Iran's Guardian Council, a body composed of legal and clerical experts who vet legislation for its constitutionality and compliance with Islamic law, must approve the Iranian bill before it becomes law.

Iran sees the U.S. sanctions as violations of the landmark

nuclear deal it reached in 2015 with six world powers including the U.S. The deal sought to ensure Iran couldn't produce nuclear warheads by curbing its nuclear enrichment program. In exchange, Tehran got relief from sanctions.

"If the Americans impose sanctions on Iran in violation of the [nuclear deal], the Ira-

nian government...is obliged to take reciprocal action in nuclear and other affairs," parliament speaker Ali Larijani said, according to the official Islamic Republic News Agency.

Iran has continued to test ballistic missiles even after the deal took effect at the beginning of last year, prompting concern in the West. The

country has a large arsenal of such missiles, the most advanced of which can reach Israel, Iran's sworn enemy and the U.S.'s closest regional ally.

The nuclear deal made no mention of ballistic missiles, although a United Nations Security Council resolution tied to its implementation called upon Iran to refrain from developing missiles designed to be capable of carrying nuclear warheads.

Iran has asserted that its missile development doesn't violate the spirit or letter of the nuclear deal because the missiles aren't nuclear-capable and are for self-defense. Mr. Naghavi-Hosseini said Sunday that the new bill also wouldn't contravene the deal.

But Mr. Trump said in April that Iran was violating the spirit of the deal, which he called a mistake during his presidential campaign and promised to undo should he be elected.

In February, shortly after taking office, Mr. Trump tweeted that Iran was formally "on notice" over its ballistic-missile tests.

Mr. Trump's administration

imposed sanctions on Iranian entities connected to ballistic missiles in February, May and July.

Tensions between the two countries increased further this year after a series of confrontations at sea in the Persian Gulf.

U.S. warships regularly patrol the key oil-shipping waterway, which Iran considers to be part of its sphere of influence.

There have been 13 unsafe or unprofessional interactions between Iranian and U.S. maritime forces so far this year, according to a U.S. statement last week.

In addition to funding Iran's military and nuclear program, Sunday's parliament bill directed Iran's Foreign Ministry, the IRGC and other ministries to draft a strategy to confront U.S. threats within six months.

Within three months, the Foreign Ministry was also to identify and blacklist U.S. individuals deemed to support terrorism so that their assets in the country could be frozen and their entry into Iran blocked, IRNA's report said.

WORLD WATCH

INDIA

Authorities Probe Child Hospital Deaths

More than 60 children died at a state hospital last week, drawing criticism of the state of India's overstretched health-care system.

The 64 children died of various infectious illnesses during five days last week at the hospital in Gorakhpur in the northern state of Uttar Pradesh, health officials said.

Parents told local media they were asked to use hand pumps to help their children breathe because of a shortage of ventilators, staff and oxygen.

The state government acknowledged the hospital, Baba Raghav Das Medical College, had difficulty procuring oxygen for the children but said that didn't cause the deaths.

Uttar Pradesh Chief Minister Yogi Adityanath visited the hospital Sunday and said a committee of health officials from the state and central governments would investigate the deaths.

The children died of acute encephalitis syndrome and other infections, said Siddharth Nath Singh, the health minister for Uttar Pradesh.

The deaths have led to widespread condemnation and calls for health-care improvements.

The June through September monsoon season triggers a surge in mosquito-borne diseases like Japanese encephalitis and dengue fever in India. Uttar Pradesh is particularly vulnerable to these diseases, Mr. Singh said.

Just 59% of the population in India that is targeted for immunization against Japanese encephalitis is covered by the vaccine, according to the World Health Organization, compared with 99% in China and Sri Lanka.

—Corinne Abrams and Karan Deep Singh

KENYA

Defeated Opposition Chief Calls for Strike

Defeated Kenyan opposition leader Raila Odinga urged his supporters to go on strike and reject official election results that confirmed he had lost his fourth presidential bid to incumbent president Uhuru Kenyatta.

In an address to thousands of supporters in Nairobi on Sunday, Mr. Odinga reiterated allegations that Mr. Kenyatta's government had stolen the election after a crackdown on opposition protests on Saturday. The death toll from the weekend's postelection unrest climbed to at least 11, according to community leaders, families and medical organizations, with Kenya's independent government human-rights agency putting it at 24.

"This is a failed regime that is resorting to killing people instead of addressing the real issue. The vote was stolen," Mr. Odinga said from a stage as onlookers scrambled from packed streets onto roofs, cars and tree branches to get a better view. "We are not done yet. We will not give up. For now I want to tell you: don't go to work tomorrow," he added, sending a chorus of cheers skyward.

—Matina Stevis

U.S. Eyes Trade-Offs Ahead of Nafta Talks

WASHINGTON—President Donald Trump's trade team this week will begin the complicated task of rewriting the sprawling **North American Free Trade Agreement**, the

als, some of which borrow from the Obama-era Pacific trade deal that Mr. Trump killed on his first full day in office.

"While there are tough issues here for the other countries, I don't see any obvious poison pills," William Reinsch, a former Clinton administration trade official who has run a free-trade advocacy group for 15 years, wrote in a recent essay.

The question is whether U.S. negotiators can extract enough concessions from Mexico and Canada so that Mr. Trump can declare victory to his factory-worker base without upsetting his business backers, who have lobbied intensively to preserve the agreement.

Few think that will be an easy needle to thread. The U.S. has floated some proposals tinged with Mr. Trump's "America First" philosophy that the two Nafta partners and many U.S. multinationals say they can't accept. Those include a demand to give the U.S. more freedom to unilaterally restrict cross-border trade if it thinks foreign firms are cheating, and to tighten barriers against cheap imports from outside the region.

And while Mr. Trump has agreed to renegotiate Nafta rather than pull out—as he came close to doing in April—he repeatedly says he is keeping that option open if he's unhappy with how the talks unfold.

"Nafta's a horrible deal for the United States," the president told The Wall Street Journal in a July 25 interview. "We're in the midst of a renegotiation right now so we'll see," he added. "Maybe we'll have to terminate it."

Mexico and Canada are entering the negotiations mainly playing defense, making few

demands other than to try to protect and modernize an agreement that has generally been more popular in those countries than in the U.S.

"Our first goal is to keep the deal in place," said Moisés Kalach, a textile businessman who leads a Mexican private-sector campaign to defend Nafta in the U.S. "Our second goal is, don't destroy the value chains that have led to so much growth over the last two decades."

The partners have set an ambitious timetable, saying they hope to wrap up talks by early next year, ahead of Mexico

and U.S. elections that could complicate ratification of a new agreement. This week's opening round of negotiations runs through Sunday; the second round kicks off in Mexico in early September.

Many businesses across the continent are hoping for a quick resolution.

"Just the mention of Nafta and renegotiating in the same sentence has had an impact," said Daniel Winkowitsch, who oversees international sales for Tri-States Grain Conditioning, a Spirit Lake, Iowa, maker of temperature-monitoring devices for crop silos. Tri-States' sales to Mexico, which grew as U.S. food companies expanded there, fell by nearly 75% over the first six months of 2017 versus last year because of questions over U.S. trade policy, Mr. Winkowitsch said.

In seeking to overhaul Nafta, the Trump administration wants to remake a pact that has done much to transform a region covering one-fourth of the world economy and, according to backers, made the hemisphere more competitive against rivals in Asia and Europe. Since the agreement took effect in 1994, trade and investment between the countries has soared.



Some are opposed to rewriting Nafta. Above, protesters in Mexico.

JONATHAN LEVISON/BLOOMBERG NEWS

In German Campaign, Third Place Is a Winner

BY ANTON TROIANOVSKI

BERLIN—Germany's general election campaign kicked off in earnest over the weekend, and it promises to be a nail-biter—for third place.

Chancellor Angela Merkel looks like a sure bet to win a fourth term as the head of Europe's biggest economic power when the country votes in late September. Her center-right alliance has a 15-point polling lead over its closest challenger, the center-left Social Democratic Party, or SPD, of candidate Martin Schulz.

Ms. Merkel's campaign slogan—"For a Germany in which we live well and happily"—channels a public mood wary of change. In a 40-minute speech to supporters in the city of Dortmund on Saturday that opened six weeks of campaigning, she didn't even mention her opponent by name.

But behind the confident Ms. Merkel and the struggling Mr. Schulz are four smaller parties in a mad dash for the bronze—a race likely to determine the makeup of the next government and Germany's political direction for the next four years. Ms. Merkel is almost certain to need a coalition partner to govern. Only once since World War II has a single party won an outright majority.

Ms. Merkel's current government is a "grand coalition" bringing together Germany's two main political blocs—her conservatives and Mr. Schulz's Social Democrats. His party increasingly disdains governing in Ms. Merkel's shadow, and conservatives also say that

such a broad coalition should be the exception rather than the rule in German democracy.

That leaves the pro-business Free Democrats and the environmentalist Greens, which both have the support of about 8% of voters in recent opinion surveys, in the running to be Ms. Merkel's junior coalition partners.

They have starkly different policy positions. The Free Dem-

ocrats want \$35 billion in tax cuts and would take a tougher line with Germany's European Union partners—specifically criticizing Ms. Merkel's support for the most recent bailout of Greece. The Greens want deeper EU integration, more resources for renewable energy and a more liberal refugee policy. With Ms. Merkel positioned in the political center, her next coalition partner could pull her

demands other than to try to protect and modernize an agreement that has generally been more popular in those countries than in the U.S.

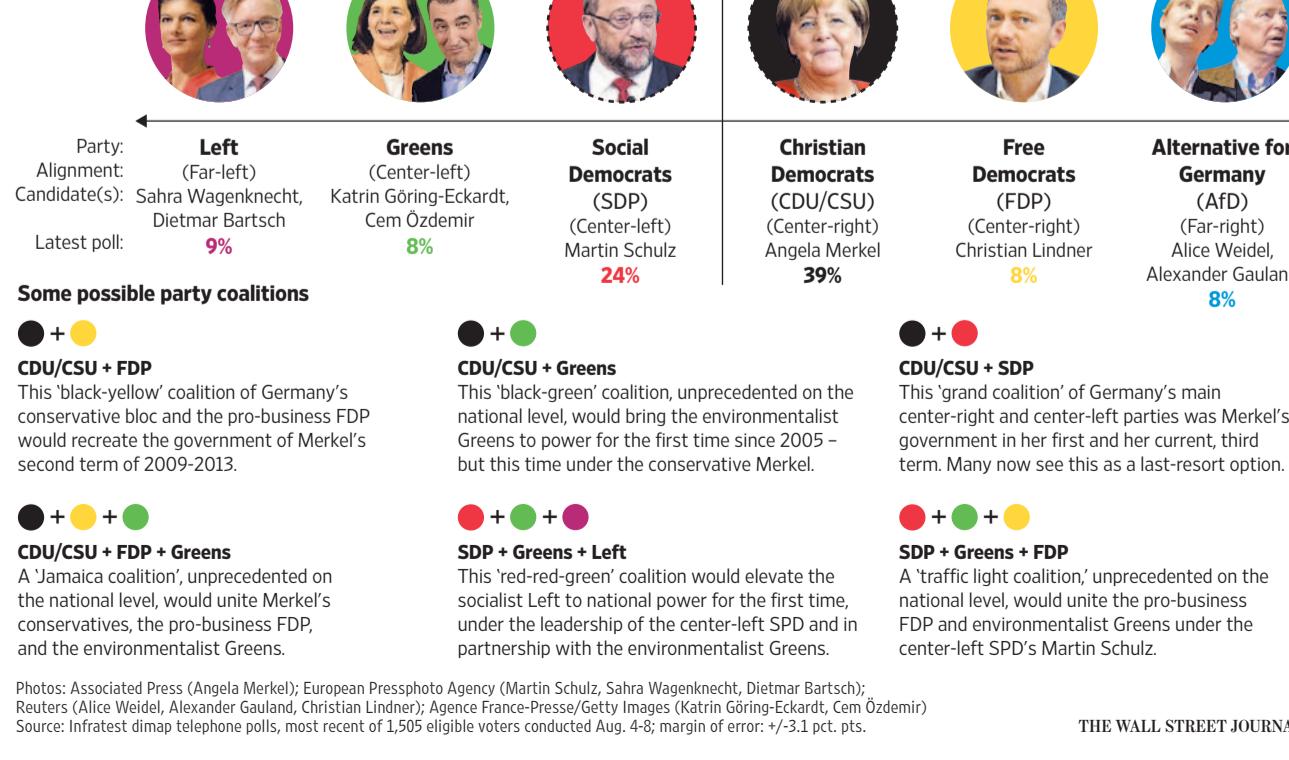
Two other parties have the chance to be spoilers. The radical Left Party, descended from East Germany's communists, could pull votes from the Greens and Mr. Schulz's Social Democrats. Anti-immigrant Alternative for Germany could win over conservative voters unhappy with Ms. Merkel's acceptance of refugees.

Ms. Merkel has maintained a solid polling lead. She has steered clear of divisive topics while joining Mr. Schulz in criticizing widely unpopular figures such as U.S. President Donald Trump or German car-company executives.

"It's hard to see an issue that could still come up that would help the SPD," said pollster Peter Matuschek of the Forsa institute in Berlin.

German Kaleidoscope

While Angela Merkel looks likely to win reelection, the shape of the governing majority in a fourth Merkel term is far from clear.



WORLD NEWS

U.S. Military Presses Korea Diplomacy

Gen. Dunford says he is prepared for war, but supports Secretary of State Tillerson's efforts

By GORDON LUBOLD

OSAN AIR BASE, South Korea—The Pentagon's top military officer said here Sunday the focus remains on finding a diplomatic solution to the North Korea missile crisis, even as the military works up viable options in case they become necessary.

Amid heated rhetoric between President Donald Trump and North Korea's rogue leader, Kim Jong Un, the military is quietly supporting Secretary of State Rex Tillerson's effort to use diplomatic and economic pressure to avert war.

"As a military leader, I have to make sure that the president does have viable military options in the event that the diplomatic and economic pressurization campaign fails," said Chairman of the Joint Chiefs of Staff Gen. Joe Dunford in his first public remarks since the crisis escalated with North Korea's launch of a second intercontinental ballistic missile late last month.

"Even as we develop those options, we are mindful of the consequences of executing those options, and that makes us have more of a sense of urgency to make sure that we're doing everything we absolutely can to support Secre-

tary Tillerson's current path," he said.

Gen. Dunford began a scheduled swing through the region Sunday, with a stop here to meet with South Korean President Moon Jae-in, along with newly appointed defense officials and commanders. Gen. Dunford leaves Monday for Beijing and will also visit Tokyo this week, defense officials said.

He declined to provide an assessment of the current situation until he had met with officials on the ground. But while the U.S. military in the region is prepared for war, it isn't necessarily preparing for war, other military officials said.

No additional forces have been sent to the Korean Peninsula as a result of the crisis, and there has been no new deployment of ships or submarines. The more than 28,000 U.S. troops stationed in South Korea haven't been put on special alert, military officials said. And, the fact that Gen. Dunford and his wife, Ellyn, are traveling in the region this week reinforces the sense that there is no imminent threat of war.

Many military hands who know the Korean Peninsula are quick to point out that tensions and threats from North Korea—Mr. Kim this month pledged to lob missiles toward the Pacific island of Guam—are nothing new. "We should keep in mind that this is not the first time we've had this level of rhetoric, it's not even



Joint Chiefs Chairman Gen. Joe Dunford, right, speaks with U.S. Forces Korea Commander Gen. Vincent Brooks at Osan Air Base.

the first time they've threatened Guam," an official said.

Still, as Mr. Trump continues to tweet about U.S. posture, saying the military is "locked and loaded" and ready to fight, the military hasn't shied away from sending its own signals. In recent days, the U.S. touted a flyover by a pair of its B-1B strategic bombers, an event it rarely announces publicly.

And, in the wake of each of North Korea's two intercontinental ballistic missile launches last month, the U.S.'s Eighth Army blasted missiles using the Army Tactical Missile System, or ATACMS, to counter the threat. South Korea simultaneously launched its own Hyunmoo Missile II system.

The U.S. military is keeping its cards close to its chest, declining to talk publicly about what it might do militarily. A pre-emptive strike on North Korea remains unlikely, military officials have said.

Persuading Mr. Trump of a certain course of action typically requires advisers to make the argument repeatedly, officials have said. Military advisers who don't believe in a pre-emptive strike know they will have to keep the president persuaded that the U.S. would be unwise to take that approach.

Gen. Dunford said the purpose of his Monday visit to Seoul, which sits just 35 miles south of the border with North Korea, is to reassure a critical ally. He is expected to

examine the options the U.S. and South Korean militaries could execute if a conflict were to come to pass, officials said.

He is also set to discuss with Mr. Moon the deployment of the Terminal High Altitude Area Defense, or Thaad missile defense system. After extensive discussion between the U.S. and South Korea, a Thaad battery was deployed near a golf course in South Korea this spring to help defend against any missile launches from the north. Only two of the six launchers were deployed and the U.S. and South Korea are now in talks to deploy the system with its full complement of launchers, U.S. Pacific Command officials said.

The U.S. and South Korea will soon begin their annual joint military exercises, known as Ulchi Freedom Guardian, a two-week command and control exercise that primarily tests the integration of U.S. and South Korean forces.

U.S. defense officials said the exercise isn't expected to amount to a large show of force and that there are no plans for expansion under the current circumstances.

Meanwhile, U.S. military officials acknowledged that Pyongyang's capabilities make it unlikely Mr. Kim could fulfill his pledge to lob missiles at Guam. The North Korean leader hasn't proven he can make the technology work with any precision, an official said.

Chinese Human Rights Activist Is Defiant Before Trial

By EVA DOU

BEIJING—An influential Chinese activist known as "Super Vulgar Butcher" pulled off a rare act of defiance ahead of his closed-door trial, which is due to start Monday.

Wu Gan, who was detained and formally arrested in 2015, is charged with subversion of state power. His detention came at the beginning of a broader move by authorities that is now referred to as the 709 Crackdown, named after the date of the biggest sweep, July 9, 2015.

Mr. Wu, who is known for his social media campaigns and dramatic protests, managed to slip a fiery statement to his lawyers during a recent meeting, according to his friend Wang Lihong. It was later posted on Mr. Wu's father's Twitter account.

"My crime of subverting the communist regime is a great honor for me," he said. "A guilty verdict issued by a dictatorial regime is a golden glittering trophy."

His lawyers declined to comment. Mr. Wu's declaration was unusual in an atmosphere of heavy government pressure to silence dissent.

Two years after the 709 crackdown, most of the activists and lawyers have been released, in many cases after providing coerced confessions. Mr. Wu and lawyer Wang Quanzhang are the only



ASSOCIATED PRESS

Rights activist Wu Gan, in an image from a 2012 video recorded in southeastern Fujian province.

ones still awaiting trial because they have refused to compromise, according to Kit Chan, executive director of the Hong Kong-based China Human Rights Lawyers Concern Group. Mr. Wang hasn't been assigned a trial date.

Mr. Wu was a lively presence among China's social activists, who referred to him by his internet handle, "the Butcher." Friends say he chose a humble profession for his nom de guerre to contrast with China's rich and powerful class. Possessing a knack for rallying crowds with his booming voice, the 44-year-old backed causes ranging

from wrongful imprisonment, freedom of speech and land rights and he often worked with human-rights lawyers to press their clients' cases. When critics called him uncouth, he added "Super Vulgar" to his moniker.

In January, Chinese prosecutors alleged that he sought to overthrow the government and incite hatred against courts and police by encouraging illegal protests and spreading online rumors. State media has attacked him personally, calling him an immoral fraudster.

In his statement, Mr. Wu said he won't defend himself

at his trial—which he calls a farce—and claims he was tortured in detention. He won't plead guilty, provide a televised confession or be defended by a state-appointed lawyer. Mr. Wu's friends say his stubbornness could draw a heavy sentence at trial.

Mr. Wu's fellow activists were told the trial, to be held in the northern port city of Tianjin, will be closed-door because it involves state secrets, though they suspect it is because he refused to read a scripted confession. A spokeswoman for the court didn't reply to a request for comment.

His persistent, loud defiance ahead of his trial surprised some of Mr. Wu's activist comrades. In recent months, a number of the movement's leaders were humiliated with show trials and televised confessions.

"When I Read The Butcher's declaration, tears came to my eyes," said Hu Jia, a rights activist in Beijing. "All I thought was, good brother. You are really a man."

A native of southern Fujian province, Mr. Wu was a military man and worked at an airport before being galvanized into activism, his friends say.

In 2009, he heard about the case of Deng Yujiao, a 21-year-old hotel worker in central China who was changed with homicide after she killed a local official who tried to rape her. Mr. Wu visited her in the hospital and publicized her case on his blog. Under public pressure, prosecutors dropped the murder charge against her.

"He was angry about it online and people said if you are so badass, why don't you go there?" said Ms. Wang. "So he did."

Teng Biao, a human rights lawyer in New York, said Mr. Wu was instrumental in developing the use of social media in public protesting. In a country where public demonstrations are generally illegal, the internet has made it possible for citizens to gather

broad support for grass roots movements and in some cases, forcing changes from local officials.

"China's rights-protection movement often doesn't have clearly defined leaders," he said. "But wherever the Butcher was, he was playing a prominent role."

Mr. Wu was especially conspicuous when You Jingyou, an activist friend, was detained in Fujian province in 2010. He said he heard someone had set up a tent outside the detention center in protest and immediately knew it was Mr. Wu.

'My crime of subverting the communist regime is a great honor for me,' said Wu Gan.

"Who else would be that crazy?" he said.

Mr. Wu knew his activism could get him in serious trouble. In the summer of 2012, he recorded a video and instructed friends to publicly release it if he went missing more than 40 days.

"I'm harassed, my communications are monitored and my family receives threats," he said in the video, adding that he would never commit suicide or give up his right to legal representation.

TRADE

Continued from Page One

the announcement a day after Mr. Trump held a phone call with Chinese President Xi Jinping to discuss escalating tensions over North Korea's rapidly advancing nuclear weapons program. Mr. Trump has repeatedly said he would cut Beijing slack over trade issues if he felt the Chinese were being helpful in reigning in Pyongyang.

The Wall Street Journal reported earlier in the month that a new trade investigation over China's alleged forced technology transfers was in the works and had been planned for an early August announcement. But that was delayed until after an Aug. 5 U.N. Security Council vote imposing

new financial penalties on North Korea, which China supported.

Asked if Mr. Trump discussed the pending trade investigation with Mr. Xi on Friday, an official pointed to the official White House summary of the call, which didn't mention trade issues.

The White House aides said the new trade probe wasn't tied to the administration's North Korea strategy, despite the president's earlier linkage of the subjects. "These are totally unrelated events," one official said. "Trade is trade. National security is national security."

The new probe does signal a bit of a hardening shift in the Trump administration's China trade policy, as it is the first White House trade directive aimed directly at Beijing. During the 2016 presidential cam-

paign, Mr. Trump regularly blasted the U.S.'s \$347 billion trade deficit with China, and vowed to take swift, drastic retaliation if he were elected.

He quickly dropped the campaign-trail threats, and during a genial April summit with Mr. Xi, the two countries launched a new "comprehensive economic dialogue" aimed at resolving bilateral commercial disputes amicably. A month later, China announced some modest market-opening moves, like ending a 14-year ban on U.S. beef imports.

But the first round of economic dialogue talks in mid-July were tense and ended up with no agreements. Officials said Saturday that impasse was one factor behind the decision to launch the new trade review.

In focusing on China's voracious appetite for American in-

tellectual property, the Trump administration is responding to a longstanding complaint by Western trade groups, who say the country's industrial policies effectively force foreign firms in sectors such as autos to transfer technology to stay in the market.

Beijing has been emboldened by the growing strength of its own companies to make



more demands of foreign firms, industry executives say, and the government is careful to keep regulations vague. U.S. high-tech companies have struck a string of investments and technology-sharing agreements in software, semiconductors and other areas in the past couple of years, often under pressure from officials in closed-door meetings.

China's government rejects assertions that it forces foreign companies to transfer technology or permits infringement of intellectual property. Premier Li Keqiang denied it was using industrial policies to strong-arm foreign companies into turning over technology, telling a World Economic Forum meeting in Dalian in June that "such cooperation is voluntary and helps companies expand in the Chinese market and even in third countries."

U.S. NEWS

Buses Lose Riders, Clouding Their Future

BY DAVID HARRISON

A staple of American urban life—the city bus—is in a state of steady decline.

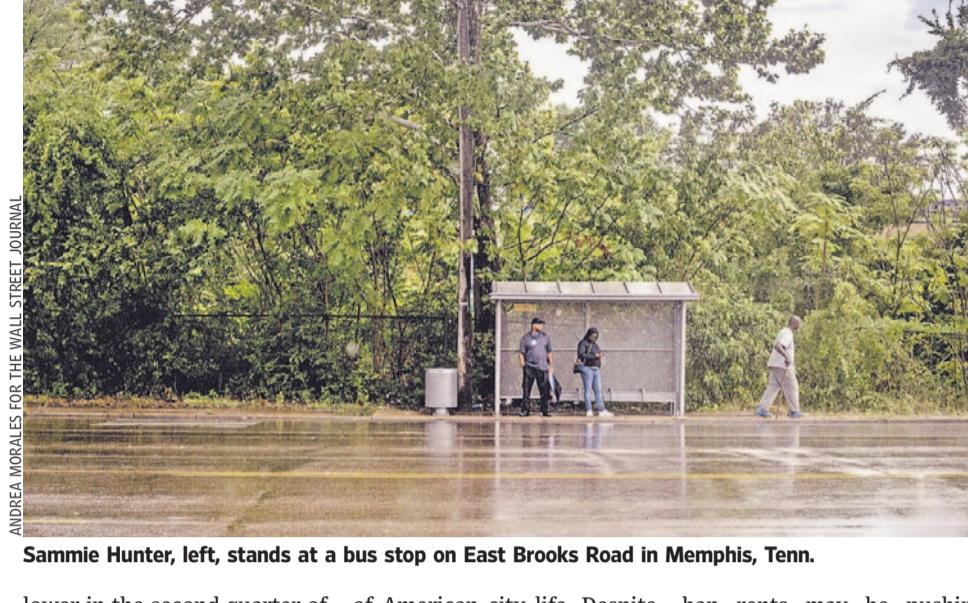
Ridership on city buses around the country was down 13% in the second quarter of 2017 compared with the same quarter in 2007, according to Transportation Department data, a drop that has left transit agencies scrambling to make up for lost fare revenue and contemplating additional service cuts on top of ones they have already made.

After the 2007-2009 recession, financially strapped city bus agencies pared back service nationwide, slashing routes and frequency to save money. That drove riders away and starved bus agencies of cash needed to recover lost services. Fares account for about one-third of agencies' operating budgets, with the rest coming from state, local and federal sources. The agencies responded by cutting service even more.

"I call it the transit death spiral," said Darrell Johnson, chief executive officer at California's **Orange County Transportation Authority**. "It's a never-ending pattern, and pretty soon you're at a bare-bones service."

The downturn is squeezing low-income workers, drawing out their commutes, and could alter the shape of city life if it persists.

Bus service in America's cities and towns was about 10%



Sammie Hunter, left, stands at a bus stop on East Brooks Road in Memphis, Tenn.

lower in the second quarter of this year than it was a decade ago as measured by miles of transit service provided. Research from San Jose State University's Mineta Transportation Institute found that bus ridership is sensitive to service levels; When service is cut, ridership drops as people look for alternatives, said Hilary Nixon, a professor at San Jose State who co-authored the study.

Cities such as Miami and Cincinnati are facing new rounds of cuts. Other places, such as Orange County, are trying to run fewer bus routes while looking for new ways to help people get around.

The lumbering bus, trudging over street puddles as passengers jostle for seats, is a fixture

of American city life. Despite the recent declines, almost 3.8 million people, many of them low-income workers, took the bus to the job in 2015, more than any other form of public transit, according to the Census Bureau.

The nagging ridership decline is unusual in a period of economic recovery. While ridership often sags during recessions, it usually recovers as unemployment rates drop and the economy expands. Other factors are amplifying the trend,

including the rise of Uber and Lyft, cheap gas enabling more people to drive, and the determination of hip millennials to live in city centers within walking or biking distance of work.

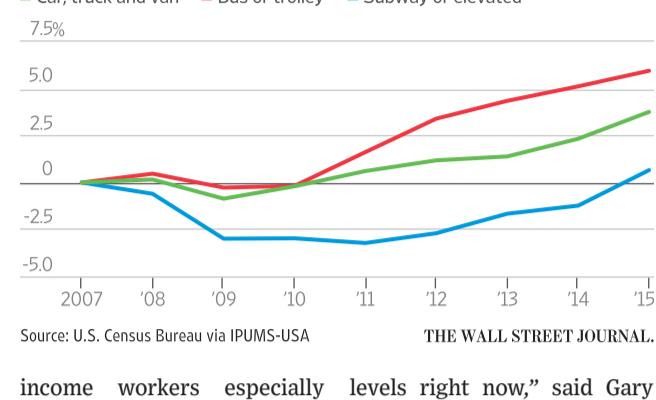
At the same time, rising ur-

ban rents may be pushing poorer residents into distant areas with little or no bus service, forcing them to find alternatives to get to work. California also recently started granting drivers' licenses to undocumented immigrants, which could deprive the state's bus systems of some of its most reliable patrons, according to Michael Manville, a professor of urban planning at the University of California Los Angeles.

Bus commutes are getting longer, possibly because of service cuts. The average bus rider now spends 47 minutes getting to work, more than two minutes longer than in 2007. Commute times for those who drive or take a subway haven't risen as much. That hits low-

Longer Commutes

Bus commute times have grown more than other modes of transportation nationwide since 2007.



Source: U.S. Census Bureau via IPUMS-USA

income workers especially hard. Bus riders tend to be poorer than the population at large, according to a survey by the American Public Transportation Association. They also tend to be poorer than those who commute by subway.

Subway service is faring much better. The country's subway systems, which tend to be more expensive and less widespread than buses, have boosted service 10% over the past decade and ridership is up 12%.

A study at the University of California, Berkeley, and Rutgers University found that increased city transit service makes it easier for companies to cluster and attract workers,

making cities more productive and raising worker wages. Reduced service, however, could hold back such growth.

"Our service is at minimum

levels right now," said Gary Rosenfeld, interim CEO at the Memphis Area Transit Authority. Memphis ridership is down 22% since the system began cutting service in 2010, according to federal data. More cuts and longer commutes would make it impossible for some people to work, Mr. Rosenfeld said.

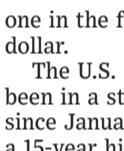
Already, getting to work is a challenge for many in the area who rely on the bus.

Sammie Hunter, 53 years old, spends three hours a day taking two buses to his \$12-an-hour job in the kitchen of a local hospital. Much of that time is spent waiting outside for the buses to arrive.

"I deal with it, you know? I don't have a choice," said Mr. Hunter, who co-chairs the Memphis Bus Riders Union, an advocacy group in his hometown.

THE OUTLOOK | By Josh Zumbrun

Weak Currency Could Provide Boost to Sluggish Economy



The slow-growing U.S. economy could use a tailwind and it's getting one in the form of a weaker dollar.

The U.S. currency has been in a steady decline since January after reaching a 15-year high. The WSJ Dollar Index, which measures the dollar against the currencies of major trading partners, is down about 8% since the beginning of the year, including a more than 2% drop over the past month. Its decline has been especially pronounced against the euro, 15%, and the Mexican peso, 28%.

Part of the weakness owes to improved stability in the rest of the world, particularly Europe. After years of repeated fiscal and political crises, Europe's growth so far in 2017 has slightly outpaced the U.S. That's given European Central Bank officials confidence to contemplate pulling back on their stimulus measures, which is giving the euro a boost.

Meanwhile, President Donald Trump hasn't pursued action against Mexican exports as aggressively as some feared when he was elected, which is giving a bump to the cur-

rency of the U.S.'s southern neighbor.

A weak currency has its downsides. It weakens the purchasing power of dollars globally, making it more expensive to travel overseas and pushing up the price of imported goods. If it happens in a hurry, it can destabilize financial markets and discourage investment at home.

But the near-term upsides to a weak dollar could outweigh those risks. It makes U.S. exports cheaper overseas, and thus helps to drive production at home. In June, exports were up 7% from a year earlier. That's a sharp reversal compared with the 9% drop from 2014 to 2016, when the dollar was climbing rapidly.

The change could be especially helpful to manufacturers. U.S. manufacturing output was up 1.4% in June from a year earlier, after registering declines in 2015 and 2016. Some of that is due to a recovery in the energy sector, but it isn't all energy. Durable goods output was up 1.3% in June.

The weak dollar "has been a nice boost to overall economic growth when there's still a lot of uncertainties for the economy," said Chad Moutray, chief economist for the National Association of Manufacturers. He cites

among them the difficulty some companies face finding staff, impatience to see a tax overhaul and infrastructure legislation from Washington and geopolitical concerns, such as worries about North Korea. "People are aware of all those things, but our members are still upbeat."

A weaker currency also increases the value of profits that multinationals earn overseas in other currencies—such as euros, pesos or yen—boosting the bottom line for investors when those foreign currencies are converted back into dollars. Moreover, at a time when Federal Reserve officials find domestic inflation too low, it puts upward pressure on consumer prices.

"I like a dollar that's not too strong," Mr. Trump said in an interview last month with The Wall Street Journal. "Lots of bad things happen with a strong dollar."

On earnings calls this quarter, companies from the railroad CSX Corp. to Coca-Cola Co. have been citing the benefits of a sliding dollar to their bottom line.

Companies benefit in different ways. For CSX, increased exports mean busier trains; while at Coca-Cola, foreign sales are now worth more when converted back

Dollar Downer

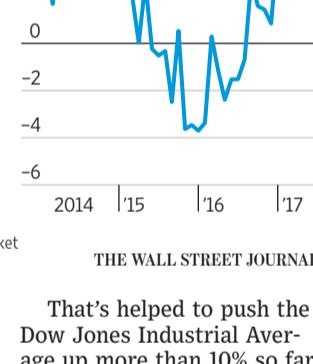
A downdraft in the dollar helps lift exports.

Change in the WSJ Dollar Index and selected currencies' value against the dollar



Sources: Tullett Prebon (currencies); WSJ Market Data Group (index); Census Bureau (exports)

U.S. exports, inflation adjusted, change from a year earlier



THE WALL STREET JOURNAL.

to dollars.

So far, the first two quarters of 2017 have been the strongest for profit growth at S&P 500 companies since 2011, with 15% growth from a year earlier in the first quarter and about 12% in the second, according to data from Thomson Reuters, with 455 of the 500 companies having reported.

Slow progress on taxes and infrastructure in Congress has done little to damp investor enthusiasm for stocks, in part because a corporate boom is kicking in.

That's helped to push the Dow Jones Industrial Average up more than 10% so far this year. The improved profitability has been broadly based; the only major industry with falling profits, utilities, has relatively little international exposure.

T he dollar decline also serves the needs of the Federal Reserve.

Fed officials have grown somewhat anxious about an unexpected slowdown in the inflation rate this year. The Fed targets an inflation rate

of 2%, and over the last five years has consistently undershot that. An uptick in prices could ease those concerns, something a weak dollar helps to produce by pushing up import prices. They were up 1.5% in June compared with a year earlier, reversing declines in 2015 and 2016 as the dollar rose. Some of that, again, is due to a rebound in energy prices. But even excluding fuel, import prices were up 1% in June from a year earlier, after steady declines in 2015 and 2016.

"A little more inflation would be viewed positively and allow the Fed to continue on its course, without the market believing it's a mistake," said Matt Luzzetti, a senior economist with Deutsche Bank.

Mr. Luzzetti and his colleagues at Deutsche Bank estimate a weak dollar will increase the inflation rate by about 0.2 percentage point by next summer.

With inflation only a little bit below the Fed's goals, that could be all that's needed to hit the target.

"It's been very orderly. Nobody would characterize the dollar as falling out of bed, which could be destabilizing," said Jay Bryson, chief global economist for Wells Fargo. "In a slow-growth environment we'll take whatever we can get."

Democrats Split on Abortion in Effort to Win Back Seats

By NATALIE ANDREWS

A policy decision by House Democratic campaign officials to in some cases support candidates who oppose abortion rights is dividing the Democratic Party as it tries to settle on a strategy for taking control of the House in the 2018 elections.

New Mexico Rep. Ben Ray Luján, chairman of the party's main House campaign arm, angered pro-choice groups when he reiterated late last month that the party wouldn't rule out backing candidates who oppose abortion rights.

"There is not a litmus test for Democratic candidates," said Mr. Luján, chairman of the Democratic Congressional Campaign Committee, in an interview with The Hill. "As we look at candidates across the country, you need to make sure you have candidates that fit the district, that can win in these districts across America."

Abortion-rights supporters

quickly took issue with the decision, which follows what the committee has done in the past, saying it was the wrong way to go about winning new congressional seats. "We do not have to make compromises on protecting women's health to win back the House or Senate," Sen. Kirsten Gillibrand (D., N.Y.) wrote on Twitter.

Why would any truly Democratic electoral group align themselves with candidates who will vote against women in this country when the logical consequence of banning abortion is sending women to jail?" asked Erin Matson, a Virginia-based reproductive rights activist and a former board member of the National Organization for Women.

The debate comes amid a wider discussion among Democrats about whether the best strategy for gaining seats in next year's midterm elections is to embrace the political center to win conservative districts, or to try to energize the party's

liberal wing. It also comes as Republican lawmakers, in their push to overhaul the Affordable Care Act, have tried to strip Medicaid funding from Planned Parenthood Federation of America. After President Donald Trump's inauguration in January, millions of women attended protest marches, many holding

signs defending abortion rights. The House Democrats' campaign arm is focusing on recruiting candidates and investing in 80 Republican-held congressional districts as they try to gain the net 24 seats needed to win a House majority. At the same time, EMILY's List, a super PAC that backs candidates who support abor-

tion rights, is talking to 130 women about running for office in more than 80 House districts across the country, according to a spokeswoman. The two groups could potentially pit valuable dollars against each other in the primaries.

"Throwing weight behind anti-choice candidates is bad politics that will lead to worse policy," said Mitchell Stille, national campaigns director for NARAL Pro-Choice America, an abortion-rights advocacy group, in a statement.

Some Democrats say that Democrats need a broader view. "I've never believed that you can expand the number of seats in Congress by disqualifying candidates who want to run for Congress," said former New York Rep. Steve Israel, who led the DCCC from 2011 to 2014.

The Democratic Party platform supports abortion rights.

Party Chairman Tom Perez doesn't support a litmus test on the issue for Democratic candidates. Mr. Perez met with

Democrats for Life in June, but so far the DCCC hasn't funded any candidates who oppose abortion rights.

Asked earlier this year if Democrats can oppose abortion rights, House Minority Leader Nancy Pelosi (D., Calif.) said "of course" before adding her position of support.

Some prominent Democrats say they personally oppose abortion but don't support efforts to make it illegal. Sen. Bob Casey (D., Pa.) opposes federal dollars being used for abortion services, and supports the Hyde Amendment, which keeps the ban in place.

According to the Pew Research Center, 57% of U.S. adults believe abortion should be legal in most or all cases, while 40% believe it should be illegal in most or all cases. Gallup polling finds that many people have nuanced views, with 48% calling abortion morally wrong and a smaller share, some 20%, saying it should be illegal in all circumstances.



Demonstrators at the Women's March in New York in January

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IN DEPTH

BABY

Continued from Page One
shrinking resources, worsening health and social ills. Most rural hospitals don't have high-risk pregnancy specialists who can treat sudden complications. Many don't have cardiologists or anesthesiologists on staff. Making matters worse, rates of obesity, a major risk factor for pregnancy complications, are higher in rural than urban areas.

Many rural hospitals have eliminated labor and delivery services, creating maternity deserts where women must travel, sometimes hours, for prenatal care and to give birth.

The number of rural hospitals that offered such services fell by 15% from 2004 to 2014, the Journal found in an analysis of Centers for Medicare and Medicaid Services data. That compared with a 5% decline among urban and suburban hospitals. Driving the changes are factors including closing of medical facilities, a decline in birthrates and the difficulties of getting malpractice insurance.

There are reported cases of pregnancy-related deaths that might have been avoided if the women were closer to hospitals with a higher level of care, said William Callaghan, chief of the maternal and infant health branch at the CDC.

Some women in rural Tennessee get no prenatal care, said C. David Adair, a professor and maternal-fetal medicine specialist at the University of Tennessee College of Medicine in Chattanooga who cared for Ms. Brown.

This article is based on interviews with doctors who cared for Ms. Brown and family members, as well as a review of her medical records.

Race to safety

On the evening of Sept. 30, 2015, Ms. Brown and her fiancé, Saul Simpson, packed for the hospital. Ms. Brown was 39 weeks pregnant and having her labor induced. Her sister, Jessica Campbell, stopped by their house and took a video of Ms. Brown playfully rubbing her belly and singing: "Little bitty baby, gonna come out, we're gonna hold her and kiss her."

By the next morning at River Park hospital, Ms. Brown's contractions had strengthened. She asked for an epidural to relieve the pain. A test dose was administered at 8:21 a.m. according to medical records viewed by the Journal.

At 8:48 a.m., she sat up in bed and said, "I feel like I just can't get a deep breath," according to the medical records.

Three minutes later, with Mr. Simpson, his mother and two nurses at her bedside, Ms. Brown had a seizure that lasted about a minute.

The nurses called Dr. Riley, the obstetrician, who told them to prepare for the emergency C-section. As she scrubbed in, Dr. Riley called Regional Obstetrical Consultants in Chattanooga, Tenn., a maternal-fetal medicine practice 77 miles away by road. The medical group provides care to high-risk patients, including in rural areas. Like many rural doctors, Dr. Riley turns to outside specialists.

On a speaker phone in the operating room, Dr. Riley told a maternal-fetal medicine specialist at the practice about Ms. Brown's condition. She said she didn't know what had caused the seizure and wanted to get Ms. Brown to Erlanger Baroness Hospital in Chattanooga, which offers the highest level of care for obstetric and trauma services.

"Can you take a transport out of here once I'm done?" she asked. The specialist agreed and arranged for the hospital to accept Ms. Brown.

Dr. Riley made two incisions and pulled out the baby at 9:11 a.m.: 6 pounds, 14 ounces and beautiful, a nurse told Ms. Brown.

Nurses took Darlene Slaughter, Ms. Brown's mother, and Mr. Simpson to the nursery to see the baby, named Phoenix. Ms. Slaughter touched the tiny girl's hand and face.

Ms. Brown had a CT scan to see whether a stroke or something else might have caused her seizure. Dr. Riley initially thought Ms. Brown had eclampsia, a rare condition in which high blood pressure leads to seizures. Yet Ms. Brown's symptoms seemed different.

Dr. Riley wondered if the seizure was related to with-



Darlene Slaughter, in her McMinnville, Tenn., house, sits in the childhood bedroom of her daughter Whitney Brown.

MAGGIE STEBER FOR THE WALL STREET JOURNAL

drawal from opiates or other drugs. Ms. Brown was in a drug rehabilitation program during her pregnancy. A drug test during her hospital admission was negative.

As hospital staff worked to stabilize Ms. Brown, Dr. Riley called for a helicopter to take her to the Erlanger hospital. It was raining heavily, and one company after another said it couldn't fly. Dr. Riley said she pleaded with every one.

The hospital staff next called for an ambulance to ferry Ms. Brown to Chattanooga. There wasn't one immediately available, Dr. Riley said, and they had to wait. Warren County EMS-Rescue, which serves the hospital, said only two of its five ambulances are allowed out of town at one time.

At 12:20 p.m., more than three hours after Phoenix was born, Ms. Brown was loaded into a Warren County ambulance. Ms. Slaughter said she saw her daughter shortly before she left: "Her eyes was open, she was looking around, but she was very confused."

Dr. Riley came out to talk with the family. She promised to text one of Ms. Brown's aunts, her next-door neighbor, with updates.

The ambulance sped off on the 90-minute ride over two mountain ridges to Chattanooga. Shortly before the ambulance arrived at the Erlanger hospital, Ms. Brown's heart stopped.

Call for help

Ms. Brown, an outgoing former high school cheerleader, grew up in McMinnville. The town of 13,761 residents was known locally as the "Nursery Capital of the World" for the growers who supply shrubs and flowers across the U.S.

She studied nursing after high school and worked as a nursing assistant, a job she loved. She fell short of hours needed to graduate but completed a separate course as a medical assistant in 2012.

Ms. Brown couldn't find work in her field and began to drift. She developed an addiction to opioid painkillers and other drugs that led to an arrest and jail. In 2014, she entered a court-supervised drug rehabilitation program and began working as a waitress.

"Can you take a transport out of here once I'm done?" she asked. The specialist agreed and arranged for the hospital to accept Ms. Brown.

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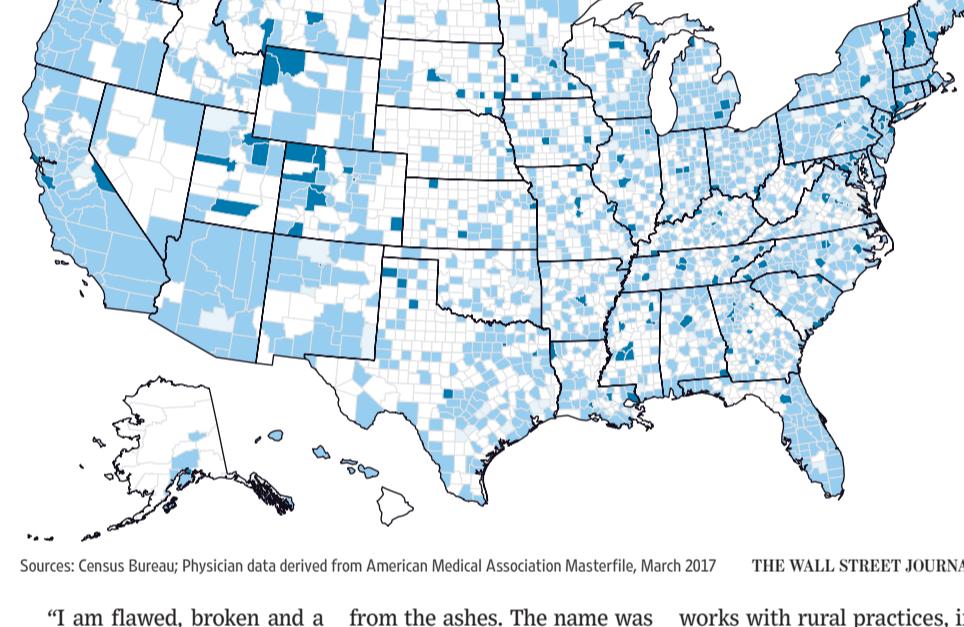
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Dr. Riley wondered if the seizure was related to with-

Maternity Deserts

Obstetrician/gynecologists who belong to the American Medical Association are scarce in rural areas and small towns.

Number of OB/GYNs per 10,000 women aged 15+



Sources: Census Bureau; Physician data derived from American Medical Association Masterfile, March 2017

THE WALL STREET JOURNAL.

test, treatment or cure for AFE, which is akin to the anaphylactic shock some people develop from bee stings or peanuts. It carries a mortality rate of 40% to 50%, according to the AFE Foundation, even in well-equipped hospitals.

Saving these women requires quick response. "In a primary rural setting, those people are going to get overwhelmed really fast," Dr. Adair said.

AFE had crossed Dr. Riley's mind at River Park hospital. She knew it was rare and a nightmare. River Park had nowhere close to the volume of blood needed to keep Ms. Brown alive if she started to bleed, Dr. Riley said.

Rescue team

Dr. Adair and his team at the Erlanger hospital brought Ms. Brown to an operating room, where they found "massive amounts" of blood in her abdomen, according to Dr. Adair's consultation report. They tried several ways to stop it.

The hospital received more supplies from the blood bank, eventually giving Ms. Brown more than three times her body's blood volume. The medical teams finally stabilized Ms. Brown and transferred her to the intensive care unit.

Dr. Adair spoke with Ms. Brown's family and friends, who had arrived in several cars from McMinnville. The doctor, dressed in scrubs, explained that he believed Ms. Brown had AFE, and that she could have brain damage.

The next 24 to 72 hours would be crucial, he said, as doctors tried to keep her blood pressure and oxygen levels stable.

"There's a very good chance we may not pull this out," he told the family.

Baby Phoenix was transferred to Erlanger and Mr. Simpson held his daughter for the first time that night in the hospital's neonatal intensive-care unit.

As the family waited, a nurse asked Ms. Slaughter if she would like to see her daughter. "I'm gonna tell you right now, she don't look nothing like she did," the nurse said, according to Ms. Slaughter.

The mother couldn't bring herself to witness the scene. Mr. Simpson went instead. Ms. Brown was swollen beyond recognition. He sat with her, talking, praying, and playing the George Strait song "You'll Be There," said Ms. Campbell, who came to the room too.

In the middle of the night, hospital staff came to the waiting room. Tests had failed to detect any brain activity, they said; the family should consider letting Ms. Brown go. Ms. Slaughter let Mr. Simpson decide.

Family members crowded into Ms. Brown's room. Ms. Campbell barely recognized her sister, except for a familiar rose tattoo on her left shoulder. She took Ms. Brown's hand.

A nurse detached Ms. Brown from the machines that kept her alive and turned away the monitor screens. Minutes later, Ms. Brown's heart stopped.

The time of death was 5:08 a.m., less than a day after Whitney Brown gave birth to the baby girl she had long wanted, but never held.

I am flawed, broken and a disaster," she wrote on her Facebook page in November 2014. "But I get up everyday and do what I am supposed to do. Drug court, work full time, and work on my self daily."

The next month, she started dating Mr. Simpson. The two had connected at a drug-court meeting and bonded quickly over their experiences.

Ms. Brown had wanted a baby girl for as long as she could remember. A marriage at age 23 had lasted only a year and a half. Later, she had two miscarriages, including one just before she started seeing Mr. Simpson.

In January 2015, Ms. Brown became pregnant again and soon learned it was a girl. "She was just beside herself," her mother, Ms. Slaughter said.

A baby gave her a new chance, said her sister, Ms. Campbell: "She thought it would give her something to live for."

A relapse landed Ms. Brown back in jail for a few weeks early in her pregnancy. But, determined to get her life back on track, she requested readmission to the drug-court program.

Ms. Brown decided to name her baby Phoenix after the mythological bird that rises

from the ashes. The name was intended to mark a new life for her and her daughter, her sister said.

With her heart stopped, emergency medical technicians in the ambulance began administering CPR. They arrived at the emergency room of the Erlanger hospital five hours after Ms. Brown's seizure. She was bleeding heavily.

Dr. Riley pulled out the baby at 9:11 a.m.: 6 pounds, 14 ounces and beautiful.

The medical staff harnessed the hospital's manpower and resources. One team worked to resuscitate Ms. Brown, while others tried to stop the bleeding.

They had to be probably 70 people from various factions there trying to help her," said Dr. Adair, director of women's services at the hospital and head of the maternal-fetal medicine practice that

works with rural practices, including Dr. Riley's.

By the time the teams had stabilized Ms. Brown's vital signs, she had been in cardiac arrest for 16 minutes, a period when her organs were deprived of oxygen. Doctors performed a CT scan and found swelling in her brain, indicating likely damage, Dr. Adair said.

More immediately, Ms. Brown's bleeding hadn't stopped and no one knew why.

As they worked, though, Dr. Adair and his team started to connect the dots. Ms. Brown's crisis had started when she couldn't breathe; then the seizure and low blood pressure; then the bleeding.

One of the medical residents spoke up. "Dr. Adair, do you think it could be AFE?"

"Yes," Dr. Adair responded. "That's exactly what I think."

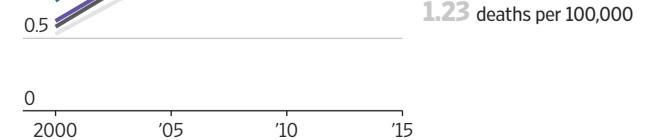
They were referring to an amniotic fluid embolism, when a mother develops shock from an allergic-like reaction to amniotic fluid entering her circulatory system. It is rare, often fatal and usually strikes in two stages.

First come sudden respiratory distress, seizure and often cardiac arrest. After minutes or hours there is rapid hemorrhaging. There is no

Family Tragedy

More women are dying during pregnancy and from post-natal complications than 15 years ago, and rates have risen the most for women in rural areas.

Maternal death rate per 100,000 women age 15 to 44*



Note: Large metropolitan areas are core counties of metro areas with more than 1 million people. Suburban areas are the other counties in those metros. Medium or small metropolitan areas are anchored by a city of at least 50,000. The remaining counties are small towns and rural areas.

*Rates standardized to match U.S. population profile in 2000, which improves comparisons across years by removing shifts in the population's age structure

Source: Centers for Disease Control and Prevention

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Whitney Brown with her mother, Darlene Slaughter, at a baby shower the weekend before she gave birth.

JESSICA BROWN CAMPBELL

U.S. NEWS

Farm Labor Lawsuit Highlights Visa Issue

Government cracks down on living conditions described as 'horror show'

BY ALEJANDRO LAZO

EL MIRAGE, Ariz.—For the past two seasons, G Farms has depended on legal migrant workers to harvest potatoes, onions and watermelons growing in its fields on the outskirts of Phoenix.

Now the farm is bearing different fruit: a first-of-its-kind federal lawsuit that federal officials and immigration activists say exemplifies the pitfalls of the nation's agricultural visa program—as Congress proposes changes to it.

This year the U.S. Labor Department took the farm to court, saying its owner, Santiago Gonzalez, underpaid some of its 69 workers by not offering a set, hourly wage and housed them in an "encampment" consisting of yellow school buses and semitrailers that "violated numerous safety, sanitation and fire code regulations."

Janet Herold, the regional solicitor in charge of the case for the Labor Department, called the living situations a "horror show" that could have led to many worker deaths.

The case is the first time the department won a preliminary injunction against a farm using the temporary farmworker visa, known as the H2A. A federal judge barred the business from housing the workers in the encampment, forcing it to house them in an apartment complex and an extended-stay motel for the rest of the season.

Mr. Gonzalez declined to comment. His attorney said he is cooperating with federal officials.

The case comes as demand for foreign farmworkers soars, and as Congress is expected to introduce a measure later this year that could make changes to guest worker programs. The Labor Department has certified 160,084 workers through the

program so far this year, a 20% increase from the year-earlier period.

President Donald Trump has discussed a revamped guest worker program with Mexican President Enrique Peña Nieto. Mexico received 92% of the H2A visas issued last year, according to data from the U.S. State Department. Separately, the Trump administration is backing a proposal to cut the number of green cards annually by half.

U.S. Rep. Bob Goodlatte, chairman of the House Judiciary Committee and a member of the Agriculture Committee, last month said it was "well past the time to replace the outdated and onerous H2A program" and activists said they expect him to introduce a bill aimed at the program later this year.

Demand for temporary workers on farms continues to soar, up 20% so far this year.

Jason Resnick, vice president and general counsel for the Western Growers Association, which represents local and regional farmers in Arizona, California and Colorado, said there has "historically been good oversight and enforcement in the H2A program, and this case demonstrates that those enforcement mechanisms are working....So if those allegations are true, it shows the Department of Labor is on top of its compliance and enforcement obligations," he said.

Critics say the H2A program has been rife with abuse because of poor living conditions and wages for workers. The Labor Department and state officials said last week they are investigating the death of a farmworker on an H2A visa working in rural Washington state, which led to protests from other workers.

In a rare instance of agree-

ment between immigration-rights activists and the Trump administration, immigration advocates welcomed scrutiny from the federal government in the G Farms case. Bruce Goldstein, president of the group Farmworker Justice, said he was pleased with "an aggressive stand in court against the abuses."

But he said he fears that efforts to revamp the program—either through Mr. Goodlatte's measure, or through a series of bills already introduced in the Republican-controlled Congress—could weaken worker protections under the program if signed by Mr. Trump.

Secretary of Agriculture Sonny Perdue recently hired a former American Farm Bureau Federation lobbyist that critics on both the left and the right expect will lead the push for an H2A expansion.

One bill introduced in the U.S. House of Representatives would move oversight of the program from the Labor Department to the Agriculture Department, which is considered more favorable to industry.

Critics fear another bill in the U.S. Senate—which would create a pilot program for states to have their own guest-worker program—could remove federal oversight of the program.

Another bill proposed by Rep. Rick Allen (R., Ga.) would limit the ability of legal aid attorneys to represent agricultural guest workers. That bill would also move administration of the program to the Agriculture Department, change the methodology for how wage rates are calculated and eliminate the obligation to provide housing as long as a state's governor certified that farmworker housing was available.

"Right now many farmworkers in the U.S. are experiencing a housing crisis," Mr. Goldstein said. "Many farmworkers are already living in very crowded shelters, sometimes it is a house, sometimes it is a trailer, sometimes they are just living in cars."

The Trump administration



Workers at the farm's processing facilities packed watermelons into crates for distribution.



One of the school buses used as a kitchen by farmworkers.

declined to comment regarding the bills before Congress. Meanwhile, demand is on the rise from the agricultural industry for more H2A visas, as the Trump administration cracks down on illegal immigration and farms struggle to find enough workers.

Michael King, the attorney representing the farm, said the housing conditions were corrected immediately as soon as notification was given and that the government didn't have to pursue its suit.

He also said the piece rate at which workers are compensated—meaning they are paid

by volume of products picked, not by the hour—is legal. But he added that many workers were paid less than what would be equivalent to the legally required \$10.95 an hour during their first weeks of work because they were adjusting to the pace of labor.

"In our view, the lawsuit that got filed almost immediately didn't need to be filed," he said. "Our client had already fixed all the deficiencies."

The Labor Department said in court documents that G Farms failed to keep records of the hours of its workers.

Emilio Chaparro García, 37

years old and one of the workers whose treatment prompted the suit, said he came to Arizona to work for G Farms from the small town of Sinaloa de Leyva in the state of Sinaloa, Mexico, to save money to send his three daughters to school. This season was his second with G Farms, and he said he believes the farm treated workers well. He has been coming to the U.S. as a seasonal worker since 2008 using the H2A visa, he said.

After the Labor Department's intervention, he was paid \$10.95 an hour and worked eight hours a day on the farm. At night, he slept in the motel.

Four other Mexican laborers interviewed by The Journal with their employer present echoed his sentiments, with all of them declining to say their living conditions or pay had been an issue.

"We were living good, we weren't lacking in anything," Mr. Chaparro García said. "We had everything we needed."

Ms. Herold, of the Labor Department, said it was workers themselves who called the Mexican Consulate about the conditions, and the Mexican Consulate alerted her office.



Clockwise from far left, a woman places flowers Sunday where a car drove into a crowd a day earlier; clashes Saturday in Charlottesville, Va.; the alleged driver of the vehicle, James Alex Fields Jr., was charged with second-degree murder and other charges.

CLASH

Continued from Page One
gation has opened a civil rights investigation into the crash. A few hours later, the two Virginia State Police officers were killed when their helicopter crashed into a wooded area in Albemarle County.

Virginia Gov. Terry McAuliffe blamed the crash on the events of the day.

The president said very strongly in his statement yes-

terday that he condemns all forms of violence, bigotry, and hatred," the White House said in the Sunday statement, without attribution to a specific official. "Of course that includes white supremacists, KKK Neo-Nazi and all extremist groups. He called for national unity and bringing all Americans together."

In a statement Saturday, Mr. Trump criticized the violence in Virginia and called for reconciliation and the swift restoration of law and order. He also said he had seen vio-

lence "on many sides" and declined to answer repeated questions from reporters at his New Jersey golf resort on whether he repudiated the politics of white nationalist groups who had marched.

Mr. Trump continued Sunday to face criticism from fellow Republicans over those remarks.

The president needs to "correct the record" and make it clear that he opposes groups that promote and spread racism, Sen. Lindsey Graham (R., S.C.) said on Fox

News Sunday.

Mr. Trump "missed an opportunity to be very explicit here," said Mr. Graham, who unsuccessfully ran for the 2016 GOP presidential nomination.

H.R. McMaster, the White House national security adviser, said that the president did indeed intend to criticize the far-right extremists, and would likely say more on the subject.

Mr. Trump's remarks were intended to condemn all sources of bigotry, including "white supremacists and the neo-Nazis." Mr. McMaster told NBC News.

The woman killed here during Saturday's demonstration against white nationalists was identified by her employer as a paralegal whose social-media posts indicated support for Sen. Bernie Sanders in his quest last year for the Democratic presidential nomination.

Heather Heyer, 32 years old, was among those demonstrating against the white nationalists on Saturday afternoon when a car slammed into them, killing Ms. Heyer and in-

juring 19.

The alleged driver of the car that struck Ms. Heyer and the other demonstrators, James Alex Fields Jr., a 20-year-old Ohio resident, was charged with one count of second-degree murder and other charges, according to local police. He was being held at a local jail.

"The violence and deaths in Charlottesville strike at the heart of American law and justice," Attorney General Jeff Sessions said in a statement announcing the investigation. "When such actions arise from racial bigotry and hatred, they betray our core values and cannot be tolerated."

Earlier Saturday, police had ordered crowds gathered for a protest to leave Emancipation Park, where the scheduled removal of a statue of the confederate general touched off the initial demonstrations.

The scattered groups of demonstrators clashed in melees. Some protesters carried sticks and handmade shields and wore helmets.

Jason Kessler, the 33-year-old leader of the demonstration, said the rally was can-

celed around 11:30 a.m. when the Charlottesville Police declared an unlawful assembly and forced us to leave."

Mr. Kessler had dubbed the demonstration "Unite the Right" and worked with the American Civil Liberties Union to gain access to the park.

The Anti-Defamation League said the event had the potential to be the largest demonstration of white nationalists in years.

Charlottesville resident Brennan Gilmore witnessed the fatal incident with the car at 4th and Water Streets. "The guy was deliberately plowing through the crowds, sending bodies flying. The car stopped, reversed fast back up the street and disappeared," he said.

Ms. Heyer had worked as a paralegal for Miller Law Group in Charlottesville for more than four years, according to the firm's website, which called her an "irreplaceable asset."

—Ben Kesling
Douglas Belkin, Scott Calvert and Jennifer Levitz contributed to this article

wife and two sons, authorities said. Trooper-Pilot Berke M.M. Bates, who would have turned 41 on Sunday, leaves behind his wife, son and daughter.

The helicopter went down shortly before 5 p.m. ET Saturday. State and federal authorities are investigating. The State Police said there is no indication of foul play.

"We are deeply saddened by the loss of Jay and Berke, both of whom were our close friends and trusted members of our

team," Democratic Virginia Gov. Terry McAuliffe and his wife Dorothy said in a statement.

Other state political figures also weighed in. "Simply heartbroken about the deaths" in Charlottesville and Albemarle, Democratic State Sen. Creigh Deeds said in a Twitter post.

Lt. Cullen had been with the aviation unit since 1999. Trooper-Pilot Bates transferred to the unit in July.

—Scott Calvert and Jennifer Levitz

State Mourns Pilot, Trooper Killed In Helicopter Crash

The pilot of a Virginia State Police helicopter and a fellow trooper died when the aircraft, which had been monitoring Saturday's clashes in Charlottesville, crashed in a wooded area outside the city.

The pilot, Lt. H. Jay Cullen, 48 years old, is survived by his

LIFE & ARTS

MUSIC

What Happened to the Negative Review?

Critics rarely have a bad word to say about today's albums; Out of 787 albums analyzed this year, Metacritic hasn't given a single one a red score

BY NEIL SHAH

IF YOU RELY on reviews to decide what books to buy, movies to watch or restaurants to visit, you may have noticed something strange when it comes to pop music: Negative reviews have become extremely rare.

Between 2012 and 2016, Metacritic, a website that aggregates critics' reviews for music, films, television and video-games, gave just eight out of 7,287 albums a "red" score—a designation that means reviews were "generally unfavorable" or worse.

Movies, by comparison, garner many more negatives: So far this year, Metacritic has given 39 out of 380 movies a red score. For albums, not one out of 787 albums aggregated thus far this year has received a red score.

"It's actually news at this point when an album does get a bad review," says Dan Ossi, a writer at VICE's music site, Noisetr.

The dearth of negative music reviews is due to a number of factors. In the digital era, outlets covering music have become decentralized with fewer dominant players and more outlets running reviews. That's helped create a new power dynamic between pop stars and the press—one where stars are less dependent on critics and critics are more eager to please artists.

Reviewers generally herd together—especially in praise of megastars like Adele, Beyoncé and Taylor Swift—instead of dissenting or championing less-known artists. With shrinking staff, growing competition and limited space, publications may simply not write about a bad album at all, says Jim Merlis, a veteran publicist who has worked with Nirvana and the Strokes.

A recent album by Radiohead was excessively praised by critics, notes freelance critic Joseph Schaffer. "A Moon Shaped Pool," which includes old songs that the band had performed but had not previously recorded, appeared on many year-end lists. "The band's first album in five years was half a B-sides collection and half boring," Mr. Schaffer says, who didn't review the album. "This record was lazy, why didn't people call the band out?" Radiohead declined to comment.

"It can sometimes feel like there's less of an appetite for [serious] criticism, or the culture has decided it's unimportant," says Amanda Petrusich, an assistant professor at New York University who teaches music writing and contributes to the New Yorker. "It makes [criticism] feel like just an extension of public relations."

Music fans can try out new albums on streaming services such as YouTube or Spotify, so often music



Reviewers generally herd together—especially in praise of megastars like, clockwise from top left, Beyoncé, Taylor Swift, Drake, Adele and Radiohead—instead of dissenting or championing less-known artists.

critics aren't as necessary as consumer guides. In the age of Twitter, Amazon.com and review aggregators, individual reviews by elite critics may matter less.

Major stars increasingly drop albums out of the blue—a strategy that neutralizes critics and can give artists more control over the reception of their work. "Critics don't have the time they used to have," says Dennis Dennehy, executive vice president of marketing and communications for Interscope Records. "You're losing clicks every day that your review is not out." When Kendrick Lamar released his much-lauded "DAMN." album in April, many outlets, including the Journal, posted a review that day. Quicker reviews can sometimes be less thoughtful and hard-hitting, critics say.

Meanwhile, megastars like Drake, armed with huge social-media followings, can generate publicity themselves; there's little upside to giving interviews or forwarding advance copies to critics. Some artists—Beyoncé and her sister So-

lange, for example—have taken to interviewing each other.

Some negative album reviews happen. Last month, for example, the music website Pitchfork gave Arcade Fire's new album, "Everything Now," a 5.6 out of 10—a U-turn from the 9.2 score it bestowed on the indie-rockers' prior album, "Reflektor," which had divided fans. Katy Perry and Ed Sheeran also have received low scores from Pitchfork.

But the negative reviews are so few and far between that they rarely impact overall scores from an aggregator like Metacritic, which draws music reviews from 56 publications and converts each review into a 1 to 100 score. (The scores are averaged into a single "Metascore" which can be green, yellow or red.)

Public shaming on social media can dissuade critics from being negative. While discussions between critics and angry artists once were private, now they are public, with pop stars sometimes haranguing critics on Twitter. Even without

an artist prodding them, fans can attack a writer online. A critic being paid \$75 for a quick review may seek to avoid being berated for a week on the Internet, critics say.

With arts coverage shrinking, music critics and journalists have an economic incentive to chase web traffic by writing positively about megastars, experts say. Pop stars often have bigger Twitter followings than politicians. If a star re-tweets or puts on Facebook a positive review or think-piece, he or she can drive millions of fans to a website.

Several observers complain that the line between critics, who review works, and journalists, who report news and conduct interviews, has blurred. TT Torrez, music director for New York hip-hop radio station HOT 97, says she's seen bloggers praising albums that were "awful" to build relationships with artists. "You have a lot of people that want to be so connected to the industry... that they don't give their 100% honest opinion," she says. While nega-

tive stories can go as viral as positive ones, they can affect access to artists, exclusive premieres and advance album copies.

Stephen Thomas Erlewine, senior pop editor at TiVo and a long-time music critic, says a positive development is that critics have become more diverse, fairer to subgenres such as nu-metal that were dismissed in the past. Critics, he says, should focus on what an album means, not just whether it's good or bad. Yet he worries that the narrowing focus on megastars—all those positive reviews, nuanced think-pieces and fun lists—is fueling a trend where pop's 1% get more and more popular at everyone else's expense.

"Music criticism, like journalism in general, is the first draft of history," he says. "Without some sort of writing about what's happening in the culture, we're going to be poorer in the future."

TELEVISION REVIEW | By Dorothy Rabinowitz

INTIMATE PORTRAIT OF A PRINCESS



The filmmakers take pains to point out that this portrait of Diana and of her marriage to the Prince of Wales, presents just one side of the story—Diana's. It's hard to imagine any viewer needing to be told that about this work based on recordings of secret interviews Diana gave, in 1991, for a book about the realities of her life as Princess of Wales. Though the facts are by now well known, and were even at the time, there's no denying the seductive power of the details transmitted in Diana's own words, in her voice. More often than not her tone carries a tinge of unapologetic rage. Listening, it's possible to grasp what that wedding night with Charles was like, what that marriage would be like, with the shadow of Camilla everywhere brutally evident.

Diana had not known much hap-



piness before, either, by her own account—hers had been an unhappy childhood. One of her earliest memories was of her father, John Spencer, slapping her mother in the face while the two were in the process of divorcing. Her mother tended to cry regularly, Diana recalls, tartly, and she did it especially when her children were going off to visit their father.

Few of her memories, though,

than those of her wedding to Charles. On this, which she describes as the worst day of her life, she felt herself to be "a lamb taken to the slaughter."

True, her reflections on Camilla and Charles, or even just Camilla alone, aren't much less dark.

The film is rich in period images—here we are in the early '80s, with British citizens of all ages ecstatic over the wedding even as Diana, already on her way to full blown bulimia, is making herself throw up four times a day. And here is that period years later, when crowds massed in the streets again, all of them mourners now, crushed by bottomless grief for their beloved Princess Di, now lost to them.

Diana: In Her Own Words
Monday, 9 p.m., National Geographic

LIFE & ARTS



WHAT'S YOUR WORKOUT? | By Jen Murphy

He's Hardcore Into Softball At 81

A retiree reveals how he stays fit for pitching a full double-header

MARSHALL KRASNOW

may be 81, but he doesn't want to hear about pitch limits when he plays softball.

"I could pitch a double-header standing on my head," he says. "The other week I filled in on another team, so I pitched three double-headers in a row."

Mr. Krasnow first picked up a baseball at age 5. He played outfield his senior year at Boston University, then continued to play in various Eastern Massachusetts leagues while building a law practice and raising a family.

Now retired, he lives in Newton, Mass., and plays on 55-plus and 65-plus teams in the EMASS slow-pitch senior softball league. "In the 55-plus I'm either pitching or catching," he says. "And I lead off because I can hit a sharp single almost every time. In the 65-plus division I'm more useful in the outfield." Each team plays a double-header once a week from early April through the playoffs in mid-October.

One of the oldest members in the senior division, Mr. Krasnow inspires his younger teammates with his energy and versatility on the field. "Marshall introduced me to senior softball 14 years ago," says Peter Keville, 77. "I've known him as a teammate and competitor and he stands out in the league as a skillful line-drive hitter, a batter-savvy pitcher and impromptu coach. He's still got



that classic batting form, addressing the pitch with no extraneous hand or body movements."

Mr. Krasnow credits his prowess on the field to a fitness regimen of racquetball, yoga and strength training. "I rest one day a week," he says. Six years ago he had his left knee replaced, but he says it hasn't slowed him down. "My wife walks every day and I can't keep up with her," he says. "But put me on the ballfield or racquetball court and I'm still agile."

Softball and racquetball have provided Mr. Krasnow social net-



works at a time when he says he's outliving most friends his age. "I love the competition still," he says. "But the friendships and the taunting keep me young."

Marshall Krasnow, seen on the field in Wayland, Mass., has played on a 55-plus senior softball team for 15 years and a 65-plus team for five. He wears a mask and stands behind a net when pitching, left.

The Workout

Mr. Krasnow read the book "Body by Science" five years ago. Its central thesis, that older people benefit from getting stronger, appealed to him. Once a week he works out at Waverley Oaks Athletic Club in Waltham, Mass. He does four upper-body exercises—seated row, chest press, lat pull-down and shoulder press—plus the leg press. When he can easily complete 10 repetitions, he raises the weight. "I'm getting to the point of no return," he jokes. "I don't know if I

can get any stronger." He rides the stationary bike for 30 minutes twice a week.

He plays softball twice a week, about three hours per double-header, with his senior teams. On Sunday mornings he pitches for two-plus hours to a group of EMASS senior softball players who gather in a park for batting practice. For the past six years he has coached a local girls high school

softball team.

He plays racquetball two to three mornings a week. "I am nearly 15 years older than whoever I am playing," he says. "It's a great

workout, even though my skills diminish a bit as I grow older." He occasionally plays handball at the local YMCA.

Mr. Krasnow has practiced Kundalini yoga for 24 years. The practice incorporates movement with dynamic breathing techniques, meditation and chanting. He goes to class once a week and practices on his own. "I feel guilty if I miss a class," he says.

He spends a few weeks each winter in Siesta Key, Fla. "It's easier to find old guys to play racquetball or handball with there," he says.

The Diet

"My diet could be one reason I've made it so far in life," he says. "I've always stayed away from processed foods and sugary stuff." He eats one egg with an English muffin for breakfast. For lunch, he eats tuna salad spiked with celery and onion.

Dinner is usually broiled salmon with a roasted vegetable, like asparagus or sweet potato, and a salad. If he has dessert, he'll eat popcorn or fruit.

The Gear

His two sons, both grown, bought him a Nokona softball glove for his 70th birthday and he uses a Combat bat. He wears Tanel 360 softball cleats. For racquetball, he uses an E-Force racket.

The Playlist

"The bike is very boring, so I read as I pedal," he says. "I love John Grisham's books." He just finished "Camino Island."

BURNING QUESTION

DO SHORT HAIRCUTS CAUSE BALDNESS?

BY HEIDI MITCHELL

MANY MYTHS SWIRL around hair loss. Wives tales are spun about the cause, while confusion about what can hasten or prevent it runs rampant. One expert, Carolyn Goh, an assistant clinical professor of dermatology at the David Geffen School of Medicine at the University of California, Los Angeles, and the founder of the UCLA Hair and Scalp Disorders Clinic, explains the difference between cutting and shaving, and why genetics are likely at play in male-pattern baldness.

Blame Your Mother (Mostly)

There are many types of hair loss, such as autoimmune-related alopecia areata, where people lose hair in circles on the scalp and body, and telogen effluvium, a period of shedding commonly experienced after surgery or stress. One of the most common forms is androgenetic alopecia, also known as male- (or female-) pattern hair loss. It affects around 80% of men by the time they are 80 years old (and about 50% of women, though it's less obvious), and is characterized by thinning at the top of the head and receding at the front. Genes are primarily to blame, says Dr. Goh. The most consistent is found on the X chromosome,

"which means it came from your mother's side," she says.

People often say to look to your maternal grandfather to determine if you'll go bald, but you might not have to look any further than your own father. At least one study has shown that men whose fathers are bald are more likely to go bald compared with those whose dads have full heads of hair.

Short Cuts

Dr. Goh says there is no solid evidence that cutting hair short will cause it to thin. In fact, frequent trims can make thinning hair appear fuller because it removes older hair and encourages growth. "The hair looks thicker, because it's healthy, new hair, but it's not actually thicker," explains Dr. Goh. "That's just part of the life cycle of the hair follicle."

Shaving is another story. With each cycle that lasts about a month, "the hair that grows back in its place will be finer if you have male-pattern baldness," says Dr. Goh. A shaved head might make thinning and receding more apparent.

Let It Grow?

Other than topical prescriptions—which may be absorbed more easily into the scalps of men with very short hair—there



are other ways to stave off balding. "Washing your hair and scalp daily or every other day is ideal," says Dr. Goh, because it removes excess oils that can lead to inflammation and hair loss. Hats or hair pieces are fine, she says, as long as they aren't too tight. "You don't want too much pressure on the follicle," says Dr. Goh.

The dermatologist says that increased testosterone levels in men can promote hair loss.

She recommends that patients follow a balanced diet, take a multivitamin and avoid muscle-building supplements high in whey protein, which, she says, theoretically may influence hair loss. In her practice, topical or oral regrowth treatments like Rogaine and Propecia are the first line of defense, not hairstyles, because they are better at preventing hair loss than at regrowing hair. "The earlier you start them," says Dr. Goh, "the better."

OPINION

REVIEW & OUTLOOK

John McCain's Defense Cut

There is no more passionate and principled advocate for greater military spending than Senator John McCain, so we wonder if the Arizona Republican appreciates that he recently voted to guarantee weaker U.S. defenses. To wit, his vote to kill health reform means that entitlements like Medicaid will continue to squeeze the Pentagon like an ever-tightening vise long after he has retired.

Many in Congress have lamented that President Trump's budget proposal for fiscal 2018 is more modest than the military buildup he promised during the campaign. He has requested \$65 billion in the overseas contingency fund, and overall only 3% more than President Obama's 2018 budget. This is a far cry from the Reagan defense buildup that helped win the Cold War.

The main reason is that the structure of federal spending has changed dramatically from the 1980s. More than 60% of the federal budget is now swallowed up by mandatory spending on Social Security, Medicare and other entitlement programs, up from about 25% in the 1960s and 42% in the mid-1980s. Interest on the debt absorbs another 6%. That leaves much less for the military, which has dropped to about 15% of the federal fisc from more than 25% in the 1980s.

This crowding out has become more pronounced as President Obama sought to protect entitlements from any cuts while pitting defense against discretionary domestic accounts like education and transportation. This was his explicit strategy in signing the Budget Control Act of 2011 that included annual budget caps for defense but not for entitlements.

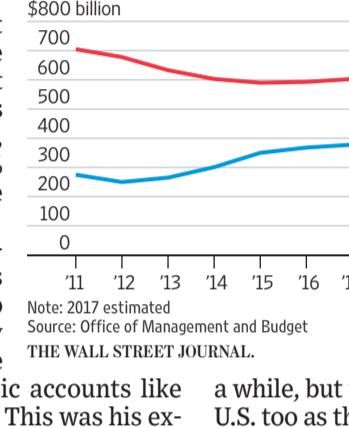
As ObamaCare came on stream in 2014, spending on Medicaid in particular exploded. The Affordable Care Act dumped federal money on states that add working-age adults above the poverty line to government health-care rolls, and to no great surprise many have signed up. The feds reimburse up to 95% for every addi-

tion, whereas the rate is below 60% on average for the disabled, children and other vulnerable populations under original Medicaid.

His vote to kill health reform will inevitably squeeze the military.

Guns vs. Medicaid

Federal Medicaid and defense spending, fiscal 2011-2017



Note: 2017 estimated
Source: Office of Management and Budget

THE WALL STREET JOURNAL.

As the nearby chart shows, annual federal Medicaid outlays rose from \$265 billion in 2013 to an estimated \$378 billion this year, and they are expected to keep climbing to \$439 billion on current trend

by 2020. It's no coincidence that defense spending has fallen and then stayed flat over the same period.

By blocking the Senate bill that could have gone to a House-Senate conference, Mr. McCain blocked the chance to put Medicaid on a long road to sustainability and save as much as \$772 billion over 10 years. Moderates helped kill reform with mendacious claims that the legislation would hurt the poor. Mr. McCain justified his killer vote because the Senate lacked an open process, though Senators had been discussing the details for months. Now the Medicaid blowout will accelerate, as states that have so far refused the federal bribe accept that the expansion is here to stay and sign on.

Mr. McCain has surely watched how entitlements have contributed to Western Europe's shrinking military. As welfare, health-care and retirement subsidies soak up ever more of national economies, Germany and all but four NATO states lack the money or will to spend even 2% of GDP on defense. The U.S. was at 3.6% in 2015, according to NATO, and Republicans may boost that for a while, but watch that shrink toward 2% in the U.S. too as the Baby Boomers retire and ObamaCare goes unreformed.

When Mr. McCain cast his vote on the Senate floor, he was greeted by hugs and huzzahs from Democrats, and no wonder. They understood that the Senator had preserved their entitlement-state priorities at the expense of Senator McCain's military buildup. We doubt this is the result and legacy that the patriot and former Navy pilot intended, but we regret to say there it is.

Republicans for Richard Cordray

Donald Trump can be rough on his staff and even his Cabinet, but he's bestowed immunity on the government employee who least deserves it: Consumer Financial Protection Bureau (CFPB) Director Richard Cordray, who is riding his job into a 2018 Democratic bid for Governor of Ohio. Witness the Trump Administration's latest in-kind donation to Mr. Cordray's campaign.

Mr. Cordray is expected to step down in September, though not before finalizing a new punitive regulation on payday lenders. The CFPB also recently completed a rule essentially banning mandatory arbitration in financial contracts, which allow parties to settle disputes without the time and expense of heading to court. The point is to steer business toward Mr. Cordray's friends in the plaintiffs bar. Lawyers grab about \$1 million on average from class-action lawsuits—which are the main alternative to arbitration—while the actual litigants take home about \$30.

The House last month voted 231-190 to reject the arbitration rule under the Congressional Review Act, which allows Congress 60 legislative days to repeal a regulation with a majority of both chambers. The White House has relied

on Congress to kill pernicious parts of Mr. Cordray's agenda but that soaks up scarce floor time.

Trump will pay a price for not firing the Obama holdover.

tort reform. Lisa Murkowski (R., Alaska) and Susan Collins (R., Maine), who recently voted to preserve ObamaCare, are undecided. Their opposition means the arbitration repeal wouldn't pass the upper chamber, and Mr. Cordray could begin his nationwide trial-bar fund-raising tour as a conquering hero.

All of this was predictable, which is why the main failure here is President Trump's. For months the Administration has declined to fire Mr. Cordray for cause, despite a litany of reasons and even an appellate-court ruling saying that under the Constitution he can be fired at the President's pleasure. Mr. Trump rages against Obama-era holdovers in the executive branch, and not without cause, but in this case the damage to his deregulatory agenda, to the economy, and perhaps to the state of Ohio is made in the Oval Office.

The Trump-McConnell Spat

The damage from the GOP's health-care debacle has only just begun, and the latest evidence is last week's public spat between President Trump and Senate Majority Leader Mitch McConnell. The big potential winner here is Democratic leader Chuck Schumer.

Mr. McConnell received the Kim Jong Un treatment last week, as Mr. Trump has pounded away for the Senate's recent failure to reform ObamaCare. "Can you believe that Mitch McConnell, who has screamed Repeal & Replace for 7 years, couldn't get it done. Must Repeal & Replace ObamaCare!", the President tweeted Thursday morning from his vacation redoubt in Bedminster, N.J.

Mr. Trump was slightly more gentle six hours later, but he laid down the Senate's challenge for September: "Mitch, get back to work and put Repeal & Replace, Tax Reform & Cuts and a great Infrastructure Bill on my desk for signing. You can do it!"

The President was angered by Mr. McConnell's remarks earlier in the week in Kentucky that perhaps Mr. Trump expected too much too soon from Congress. "Our new president, of course, has not been in this line of work before," Mr. McConnell said, according to a local CNN affiliate that covered the event. "I think he had excessive expectations about how quickly things happen in the democratic process."

They both have a point. The ObamaCare collapse was ugly, and Mr. Trump is right to hold

If the GOP Congress fails, so does the Trump Presidency.

adults would protect health care for the truly needy. His failure to master even basic policy details made him useless as a public advocate.

The question is what they do now. Mr. Trump and the GOP are to some extent a shotgun marriage, and a major political risk from the health-care defeat is that Mr. Trump concludes he should start running against the GOP majority. The Steve Bannon wing of the White House would welcome a blowup as they try to rebrand the GOP as a nativist, protectionist movement. They might prefer to run in 2020 against Mr. Schumer than with Mr. McConnell.

But that advice is deadly for Mr. Trump too. He still needs a GOP majority to pass his agenda as much as Republicans need him to sign it. They need each other in particular this autumn to raise the debt ceiling, press deregulation, and pass a budget and tax reform. Failure on that agenda after the health-care fiasco will open the door to a Democratic House—which means nonstop anti-Trump investigations and perhaps impeachment. The best defense against mutual assured political destruction is legislative success in the fall.

How the U.S. Can Trade Places With North Korea



BUSINESS WORLD
By Holman W. Jenkins, Jr.

The leader of China picks up the phone to call the leader of North Korea and says: "The moment has come. Cut the best deal you can. China is throwing its full weight behind immediate reunification."

Our guess is that every spare resource in North Korea right now is going into producing demonstrations of a missile and nuclear-warhead capability it doesn't really have. The U.S. understands this. But we could be wrong. The Trump administration could be seriously planning a pre-emptive strike to destroy as much of North Korea's strategic program as possible. If so, there's at least a good chance we'd be creating the conditions for that phone call to take place—and not to U.S. advantage.

U.S. planners may think the major risk is a wider war if North Korea decides, in response to U.S. action, to unleash its artillery on Seoul. It's not. The other major risk is an outbreak of rage and revolt of our South Korean ally that would make South Korea our ex-ally. It would also make every other Asian ally, including Japan, question the risk and reward of a U.S. alliance. Spontaneously triggered would be a strategic reordering of the Pacific Rim, with China stepping up to sponsor a Korean unification in which the new Korea would be conspicuously pro-American and anti-American.

If the Trump administration thinks it has a green light from South Korea for such an attack, it doesn't. Whatever Seoul says now, if dispersal of radioactive material from North Korean sites or major casualties among North Koreans were to take place, the reaction would likely turn bad fast. The perception would be that the U.S., long a supplier of stability to the region, had become a bringer of chaos.

Then the phone would ring. The best deal that Kim Jong Un could reach with the South Korean government, amid an explosion of anti-Americanism, would likely come with considerable guarantees of an honored place in the new Korea and a certain degree of wealth and power, perhaps a figurehead role as the constitutional deity in the northern provinces. He would not say no.

Western scenarios of a North Korean endgame always start with a collapse in the North, in which whoever ends up the caretaker in Pyongyang hands the keys to the South and says "save us." The more likely scenario, however, is one in which some circumstance invites

a change in China's basic security orientation toward the Korean Peninsula. That change could conceivably be an upheaval in China, such that China no longer could afford to interest itself in the fate of the Korean standoff. But the far more probable scenario is a diminution of U.S. influence in the region that would allow unification to proceed on terms acceptable to China.

With clear signs that Beijing and Seoul were the new partners as close as "lips and teeth" (as Beijing used to say of its relationship with Pyongyang), presumably Mr. Kim would know what to do. This spontaneous reordering could still mean a soft landing for the regime and a glittering future for himself personally. Residual Chinese sponsorship should be good for that at least.

Kim Jong Un, his father, Kim Jong Il, and probably even his grandfather Kim Il Sung by the end of his life, would not have believed their own propaganda—that reunification could take place on Northern terms, with South Korea im-

A botched attack would make America the Pacific Rim's newest pariah.

porting the North's social model. But neither are the Kims the shah or Vladimir Putin. The Kims have always had somewhere to go—a unified Korea.

This is what the U.S. might accomplish unless its strike against the North is remarkably sanitary and seen as rapidly re-establishing stability. Asians will say, not without reason, that the U.S., in response to a threat Asians were already learning to live comfortably under, had abruptly lost its mind once the same threat seemed to touch its shores. The U.S. showed itself recklessly willing to sacrifice its Asian partners' welfare in the name of its own. It doesn't help that Donald Trump, whatever his utility as breaker of domestic stalemates, is seen abroad as an accidental president who doesn't have the trust of America's foreign-policy establishment.

There's at least a pretty good chance, then, a Trump strike on North Korea would play out this way, though events are always unpredictable once the missiles start flying. Maybe Asia would thrive under Chinese suzerainty. Maybe an empowered China would serve as the protector of global prosperity and civilization the way the U.S. has. Maybe the U.S. would find such a world comfortable to live in. Or maybe not.

Western scenarios of a North Korean endgame always start with a collapse in the North, in which whoever ends up the caretaker in Pyongyang hands the keys to the South and says "save us."

The more likely scenario, however, is one in which some circumstance invites

On Radical Islam, Trump Has Lost His Focus

By Ayaan Hirsi Ali

Candidate Donald Trump vowed to take a fresh approach to Islamic extremism. He ditched the politically correct language of the Obama administration by declaring that we were mired in an ideological conflict with radical Islam, which he likened to the totalitarian ideologies America had defeated in the 20th century.

Mr. Trump also promised, as part of his immigration policy, to put in place an "extreme vetting" system that screens for Islamic radicalism. He vowed to work with genuine Muslim reformers and concluded with the promise that one of his first acts as president would be "to establish a commission on radical Islam."

Mr. Trump has had more than six months to make good on these pledges. He hasn't gotten very far. The administration's first move—a hastily drafted executive order limiting immigration from seven Muslim-majority countries—backfired when it was repeatedly blocked in court.

Worse, subsequent moves have tended to run counter to Mr. Trump's campaign pledges. Aside from a new questionnaire for visa applicants, there has been no clarity regarding the promised "extreme vetting" of Muslim immigrants and visitors. The promise to work with and empower authentic Muslim reformers has gone nowhere. The status of the promised commission on radical Islam remains unclear.

Perhaps most discouragingly, the administration's Middle Eastern strategy seems to involve cozying up to Saudi Arabia—for decades the principal source of funding for Islamic extremism around the world.

Some administration critics have blamed the loss of focus on Lt. Gen. H.R. McMaster, who became White House national security adviser in February. The most charitable formulation of this criticism is that military men who slogged their way through wars in Iraq and Afghanistan have an aversion to the argument that we face an ideological opponent, as opposed to a series of military problems.

But I put the responsibility on Mr. Trump. With regard to radical Islam, he simply seems to have lost interest.

Is all hope of a revamped policy on radical Islam lost? Not necessarily.

Prominent members of Congress—among them Sens. Ron Johnson (R., Wis.) and Chuck Grassley (R., Iowa) and Reps. Ron DeSantis (R., Fla.) and Trent Franks (R., Ariz.)—understand that Islamism must be confronted with ideas as well as arms.

And this need not be a partisan issue. In the early years after 9/11, Sens. Jon Kyl (R., Ariz.), Dianne Feinstein (D., Calif.) and Chuck Schumer (D., N.Y.) worked together to analyze the threat of Islamist ideology. Even President Obama's former representative to Muslim communities, Farah Pandith, who visited 80 countries between 2009 and 2014, wrote in 2015: "In each place I visited, the Wahhabi influence was an insidious presence . . . Funding all this was Saudi

There's no 'extreme vetting,' no outreach to moderates, and too much coziness with Riyadh.

money, which paid for things like the textbooks, mosques, TV stations and the training of Imams." In 2016, addressing the Council on Foreign Relations, Sen. Chris Murphy (D., Conn.) sounded the alarm over Islamist indoctrination in Pakistan, noting that thousands of schools funded with Saudi money "teach a version of Islam that leads . . . into an . . . anti-Western militancy."

We have already seen one unexpected outbreak of bipartisanship in Washington this summer, over tightening sanctions on Russia in retaliation for President Vladimir Putin's many aggressions.

I propose that the next item of cross-party business should be for Congress to convene hearings on the ideological threat of radical Islam. "Who wants America on offense, with a coherent and intelligible strategy?" Newt Gingrich asked in 2015, when he called for such hearings. Then as now, if the executive branch isn't willing—if the president has forgotten his campaign commitments—lawmakers can and should step up to the plate.

Ms. Hirsi Ali is a research fellow at the Hoover Institution, Stanford, and founder of the AHA Foundation.

OPINION

How to Resolve the North Korea Crisis

By Henry A. Kissinger

For more than 30 years, the world's response to North Korea's nuclear program has combined condemnation with procrastination. Pyongyang's reckless conduct is deplored. Warnings are issued that its evolution toward weaponization will prove unacceptable. Yet its nuclear program has only accelerated.

The Aug. 5 sanctions resolution passed unanimously by the United Nations Security Council marked a major step forward. Still, an agreed objective remains to be established. But the North Korean success in testing a prototype intercontinental ballistic missile eliminates the scope for further equivocation. If Kim Jong Un maintains a nuclear program against the opposition of China and the U.S. and a unanimous Security Council

An understanding between the U.S. and Beijing is the essential prerequisite. Tokyo and Seoul also have key roles to play.

resolution, it will alter the geostrategic relationship among the principal players. If Pyongyang develops a full-scale nuclear capacity while the world dithers, it will seriously diminish the credibility of the American nuclear umbrella in Asia, especially for our allies in Tokyo and Seoul.

The long-term challenge reaches beyond the threat to American territory to the prospect of nuclear chaos. An operational North Korean ICBM arsenal is still some time away given the need to miniaturize warheads, attach them to missiles, and produce them in numbers. But Asia's nations are already under threat from North Korea's existing short- and intermediate-range missiles. As this threat compounds, the incentive for countries like Vietnam, South Korea and Japan to defend themselves with their own nuclear weapons will grow dramatically—an ominous turn for the region and the world. Reversing the progress Pyongyang has already made is as crucial as preventing its further advancement.

American as well as multilateral diplomacy on North Korea has been

unsuccessful, owing to an inability to merge the key players' objectives—especially those of China and the U.S.—into an operational consensus. American demands for an end to the North Korean nuclear program have proved unavailing. U.S. leaders, including in the military, have been reluctant to use force; Defense Secretary Jim Mattis has described the prospect of a war over Korea as "catastrophic." Thousands of artillery tubes entrenched within range of the South Korean capital demonstrate Pyongyang's strategy of holding hostage greater Seoul's population of 30 million.

Unilateral pre-emptive military action by the U.S. would involve a risk of conflict with China. Beijing, even if it temporarily acquiesced, would not long abide an American strategy of determining by itself outcomes at the very edge of China's heartland, as its intervention in the Korean War of the 1950s demonstrated. The use of military force must be carefully analyzed, and its vocabulary must be restrained. But it cannot be precluded.

Considerations such as these have caused the administration's attempt to enlist China in a diplomatic effort to press Korea toward denuclearization. These efforts so far have had only partial success. China shares the American concern regarding nuclear proliferation; it is in fact the country most immediately affected by it. But while America has been explicit about the goal, it has been less willing to confront its political consequences. Given North Korea's enormous and disproportionate allocation of national resources to its nuclear-weapons program, abandoning or substantially curtailing it would produce a political upheaval, perhaps even regime change.

China surely understands this. Therefore one of the most conspicuous events of current diplomacy is Beijing's support in principle of North Korean denuclearization. At the same time, the prospect of disintegration or chaos in North Korea evokes at least two major concerns in China. The first is the political and social effects of a North Korean internal crisis on China itself, re-enacting events familiar from millennia of Chinese history. The second involves security in Northeast Asia. China's incentive to help implement denuclearization will be to impose comparable restraints on all of Korea. To be



REUTERS

People in Tokyo walk past a screen showing news on North Korea, Aug. 10.

sure, South Korea has no visible nuclear program or announced plans for it, but an international proscription is another matter.

China would also have a stake in the political evolution of North Korea following denuclearization, whether it be a two-state solution or unification, and in restrictions on military deployment placed on North Korea. Heretofore, the administration has urged China to press North Korea as a kind of subcontractor to achieve American objectives. The better—probably only feasible—approach is to merge the two efforts and develop a common position jointly pursued with the other countries involved.

Statements defining the U.S. goal as bringing Pyongyang to the conference table reflect the assumption that negotiations are their own objective, operating according to their own momentum, separate from the pressures that brought them about and are needed to sustain them. But American diplomacy will, in the end, be judged by the outcome, not the process. Repeated assurances that the U.S. seeks no unilateral advantage are not sufficient for countries that believe the Asian security structure is at risk.

So which parties should negotiate, and over what? An understanding between Washington and Beijing is the essential prerequisite for the de-nuclearization of Korea. By an ironic evolution, China at this point may have an even greater interest than the U.S. in forestalling the nuclearization of Asia. Beijing runs the risk of deteriorating relations with Amer-

ica if it gets blamed for insufficient pressure on Pyongyang. Since denuclearization requires sustained cooperation, it cannot be achieved by economic pressure. It requires a corollary U.S.-Chinese understanding on the aftermath, specifically about North Korea's political evolution and deployment restraints on its territory. Such an understanding should not alter existing alliance relationships.

Paradoxical as it may seem in light of a half-century of history, such an understanding is probably the best way to break the Korean deadlock. A joint statement of objectives and implicit actions would bring home to Pyongyang its isolation and provide a basis for the international guarantee essential to safeguard its outcome.

Seoul and Tokyo must play a key role in this process. No country is more organically involved than South Korea. It must have, by geography and alliance relationship, a crucial voice in the political outcome. It would be the most directly affected by a diplomatic solution and the most menaced by military contingencies. It is one thing for American and other leaders to proclaim that they would not take advantage of North Korea's denuclearization. Seoul is certain to insist on a more embracing and formal concept.

Similarly, Japan's history has been linked with Korea's for millennia. Tokyo's concept of security will not tolerate indefinitely a nuclear Korea without a nuclear capability of its own. Its evaluation of the American alliance will be importantly in-

fluenced by the degree to which the U.S. management of the crisis takes Japanese concerns into account.

The alternative route of a direct U.S. negotiation with Pyongyang tempts some. But it would leave us a partner that can have only a minimum interest in implementation and a maximum interest in playing China and the U.S. off against each other. An understanding with China is needed for maximum pressure and workable guarantees. Instead, Pyongyang could best be represented at a culminating international conference.

There have been suggestions that a freeze of testing could provide an interim solution leading to eventual de-nuclearization. This would repeat the mistake of the Iranian agreement: seeking to solve a geopolitical problem by constraining the technical side alone. It would provide infinite pretexts for procrastination while "freeze" is defined and inspection mechanisms are developed.

Pongyang must not be left with the impression that it can trade time for procedure and envelop purpose in tactics as a way to stall and thus fulfill its long-held aspirations. A staged process may be worth considering, but only if it substantially reduces the Korean nuclear capacity and research program in the short term.

A North Korea retaining an interim weapons capability would institutionalize permanent risks:

- that a puerile Pyongyang might sell nuclear technology;
- that American efforts may be perceived as concentrating on protecting its own territory, while leaving the rest of Asia exposed to nuclear blackmail;
- that other countries may pursue nuclear deterrent against Pyongyang, one another or, in time, the U.S.;
- that frustration with the outcome will take the form of mounting conflict with China;
- that proliferation may accelerate in other regions;
- that the American domestic debate may become more divisive.

Substantial progress toward denuclearization—and its attainment in a brief period—is the most prudent course.

Mr. Kissinger served as secretary of state and national security adviser in the Nixon and Ford administrations.

Let Calm and Cool Trump 'Fire and Fury'

three predecessors attempted, without success, to defang North Korea. How Mr. Trump handles it is his responsibility, and one hopes will not be his fault.

More now even than in 1962—especially when the central players are talking so loud and so big—great threat of miscalculation, of misunderstanding a signal or overreacting to some chance event or mishap.

In that area, at least, there are useful lessons to be drawn from '62. In that crisis, Kennedy was verbally careful. He never popped off, because he knew words had power and how they will be received is not always perfectly calculable. He knew he could not use language—*fire and fury*—that invited thoughts of nuclear war.

He knew that precisely because you are a nuclear power, you can't make nuclear threats. A thing too easily referred to will lose its horrifying mystique, its taboo. So don't go there when you speak, or allow people to think you're going there.

Kennedy tried for a kind of de-escalating clarity, except when he went for a de-escalating vagueness. He famously called his blockade of Cuba a "quarantine," because a blockade is a military action and a quarantine is—well, whatever you think it is. He worked hard with aides on public statements, hammering out each phrase. He sometimes used dire language—we don't want "the fruits of victory" to become "ashes in our mouths"—but he knew who he was up against, a Soviet premier whom

he'd met in summit, and whose understanding of such messages could be at least roughly gauged.

In Nikita Khrushchev Mr. Kennedy was up against a rational player. America and the Soviet Union had settled into a long Cold War. Our strategy was Mutually Assured Destruction, but the reigning assumption was that neither side would de-

The Cuban Missile Crisis came at a less dangerous time, and involved less dangerous men.

liberately launch, because we weren't evil and they weren't crazy.

We can't assume that now. It is not clear Mr. Trump is up against a rational player. He must therefore ask if inflammatory language is more likely to provoke than inform.

Some thought Kennedy, at 45, too young and immature for his job, but few thought him crazy, nor was Mr. Khrushchev's reputation that of a madman. More than half the world at this point would see Kim Jong Un as mad, and some significant number might view Mr. Trump similarly. Thus the current high anxiety, and the need from America for calm, cool logic, not emotionalism.

Many are relieved Mr. Trump is, in this crisis, surrounded by experienced and accomplished generals such as Jim Mattis, John Kelly and H.R. McMaster. Kennedy, on the other hand, viewed some of his generals as hard-liners reliving World War II, men who hadn't come to terms with the lethal reality of the nuclear age. After a back-and-forth with Gen. Curtis LeMay, Kennedy

was quoted in the Oval Office saying his generals had at least one thing going for them: "If we listen to them and do what they want us to do, none of us will be alive later to tell them that they were wrong." (This is from Richard Reeves's excellent history "President Kennedy, Profile of Power.")

The general public now, however, would see Mr. Trump's generals as the reliable, the dependables, the sophisticates of the administration. It would be good if they could become the American face—and voice—of this crisis.

Some elements that helped resolve the Cuban crisis peacefully could probably never happen now.

JFK himself called the publisher of the New York Times, the president of the Washington Post and the owner of Time magazine to request pledges of cooperation and discretion. All agreed. He filled in his Republican predecessor, Dwight Eisenhower, on the plan to blockade Cuba. "Whatever you do," said Eisenhower, "you will have my support."

Before his Oval Office speech announcing the blockade, JFK briefed congressional leaders of both parties with complete confidence. Military aircraft were sent for some of them. Mr. Reeves notes House Majority Whip Hale Boggs of Louisiana was fishing in the Gulf of Mexico. "A military helicopter found Boggs, dropping a note to him in a bottle. 'Call Operator 18, Washington. Urgent message from the president.'

Ten days into the crisis, the president asked his brother, Attorney General Robert Kennedy, to meet privately with the Russian ambassador to the U.S., Anatoly Dobrynin. The purpose was to make sure the Russians understood the gravity

with which the Americans were approaching their decisions; they didn't want the U.S. position misunderstood. Both men were tired, and Dobrynin at one point thought RFK was near tears. The U.S. military, he told the ambassador, was pressing hard to invade Cuba. The president would have to agree if Khrushchev didn't take the missiles out now. Dobrynin said he didn't know if the Politburo, deeply committed to its position, would back down. They were both telling the truth and lying. RFK was putting it all on the military, Dobrynin on the Politburo, but both were under pressure.

It was a private, high-stakes meeting held, successfully, in secret. Notes were not leaked.

Could any of this happen now?

Parenthetically, Dobrynin did not have a reliable telephone or telegraph connection with the Kremlin. To transmit a summary of his crucial conversation, he called Western Union. A young man, "came by on a bicycle to pick up the telegram," Mr. Reeves recounts. "Dobrynin watched him pedal away, figuring that if he stopped for a Coca-Cola or to see his girlfriend, the world might blow up."

Actually, it was lucky the players in the Cuban crisis lived in a slower, balmier world. They had time to think, to create strategy and response. The instantaneous world—our world—is so much more dangerous.

Lessons from the Cuban Missile Crisis? Crises have a million moving pieces and need a central shepherd to keep track of them, to keep a government focused. Real-time decisions made under pressure need to be not only logical but logically defensible. And it's wise to keep the temperature as low as possible, especially when things turn hot.

Notable & Quotable: Trump's Moment

Niall Ferguson writing in the Times of London, Sunday, Aug. 13:

A certain type of unimaginative historian fondly insists there are no decisive moments in history; that events unfold inexorably on the basis of vast socioeconomic forces. Everyone else knows from their own experience that this is nonsense. There are moments of decision; there are fatal moments of omission and commission.

The question of the summer is whether or not the Korean missile crisis will be President Donald

Trump's *Sternstunde*—his decisive historical moment. The conventional wisdom is that his rhetoric last week—the threat of "fire and fury," the warning that "military solutions are now fully in place, locked and loaded"—was yet more evidence of his recklessness. Perhaps.

But Trump is not handling this crisis much differently from the way John F. Kennedy handled the Cuban Missile Crisis. JFK also talked tough. At the same time, he applied diplomatic and military pressure, showing himself willing to take the world to

the brink of war if the Soviets did not back down. That is pretty much what Trump is doing—or did you miss the unanimous UN Security Council resolution his ambassador, Nikki Haley, secured last weekend?

Confronting Kim [Jong Un] is risky, but not as risky as confronting Khrushchev and Castro in 1962, when a third world war really was a possibility. Moreover, unlike in 1950, I believe China will not intervene if the U.S. takes military action... provided the U.S. does not attempt regime change and reunification of Korea.

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LIFE & ARTS

EXHIBITION REVIEW

A Painter Onstage

BY DAVID MERMELSTEIN

Los Angeles

THOUGH MOST ARTISTS desire a degree of fame and fortune, overexposure can tip that achievement into a form of irrelevance. The legacy of Marc Chagall is a case in point. For many art lovers, his name conjures nothing so much as mass-produced Jewish New Year's cards. Yet the Russian-born, ultimately French-based Chagall, who died in 1985 at age 97, was among the 20th century's most original—and identifiable—painters. His bold use of color, oddly juxtaposed figures, anthropomorphic animals and imagined realms together signal that one is viewing, unquestionably and unmistakably, a Chagall.

These preoccupations, some might say obsessions, also made Chagall a desirable partner in the performing arts, and esteemed companies sought his services over many decades. (Not for nothing was he selected to create the two giant murals that flank the glass facade of the Metropolitan Opera in New York or paint the ceiling at the venerable Opéra Garnier in Paris.) Now his collaborative work is the subject of a relatively small but potent exhibit at the Los Angeles County Museum of Art. "Chagall: Fantasies for the Stage" displays to great advantage 41 costumes and some 100 sketches prepared for four productions from 1942 to 1967. The exhibition was organized by LACMA's Stephanie Barron from a more wide-ranging Parisian show called "Chagall and Music" that moved to Montreal earlier this year as "Chagall: Color and Music." But Ms. Barron's conceit would seem to prove the adage that less is more, by reshaping a laudable but more

generic notion into a sharply focused examination of the famous artist's less familiar endeavors. And her ideas and choices have been placed in attractive relief thanks to a fluid and flattering design scheme courtesy of Yuval Sharon, a rapidly rising young opera director, and Jason H. Thompson, who specializes in projections and lighting.

The show begins with costumes and studies from the ballet "Aleko," based on a poem by Pushkin, which Léonide Massine choreographed to Tchaikovsky's A-minor Trio. The production demanded 60 costumes, but only 11 survive, all displayed here. Though the 18 sketches connected to the production, which had its premiere in Mexico City in September 1942 before debuting in New York a month later, contain typical Chagall tropes (including people flying through vividly colored skyscapes), the hand-painted costumes possess an enchanting delicacy, their 18th-century silhouettes enhanced by hues of turquoise, mustard, slate, teal, coral and lime green. Rare black-and-white footage of an early performance gives some indication of how Chagall's work appeared while in motion.

Three years later, in 1945, the same company (a precursor to the American Ballet Theatre) engaged Chagall to design a revival of Stravinsky's "Firebird," a production so popular it remains in use today, albeit with new choreography, most recently last year, when the New York City Ballet presented it. Eight of the 80 costumes are displayed, along with 32 works on paper, the best of them not just practical sketches but real art that transcends their original context. As for the costumes, they display a level



Installation photograph of Chagall's costumes for 'The Firebird' at the Los Angeles County Museum of Art

of complexity well beyond that of Chagall's work for "Aleko," with, for example, the fierce Koschei baring teeth of beads in the headdress, above oxblood sleeves that, when outstretched, reveal appliquéd salmon-colored flames. In a bravura move, three costumes are mounted on slowly rotating turntables, lending a welcome kinetic component to the viewing experience.

The postwar years brought Chagall back to Europe after his forced migration to the U.S. in the early 1940s, and in 1958 his work on Ravel's ballet "Daphnis et Chloé," choreographed by George Skibine, had its premiere at the Paris Opera. Simplicity reigns in this case, with a limited but appealing palette, as homages to the Classical Age (tailored, diaphanous garments in pearl-gray for the titular protagonists) contrast with the depictions of mythic creatures (Pan's furry leggings and crudely hand-painted shirt).

Chagall's sole opera production

was Mozart's "Magic Flute," commissioned for the inaugural season of the Metropolitan Opera at Lincoln Center. The premiere took place in February 1967, after three years of work on 14 sets and 121 costumes. Fourteen costumes and 16 sketches provide a reasonable facsimile of the occasion, especially given the costumes' presentation on platforms meant to convey a stage, with footlights, imitation planks and reduced-sized projections of Chagall's backdrops, an approach used throughout this exhibit. Brightly colored elements, like ostrich feathers dyed violet, and an emphasis on collage technique give the costumes richness and density, though it's interesting to note that many background characters (especially animals) are dressed more elaborately than are some of the opera's primary figures.

A small gallery of nine paintings caps the show by connecting Chagall's collaborative efforts with his more famous solo work. None spe-

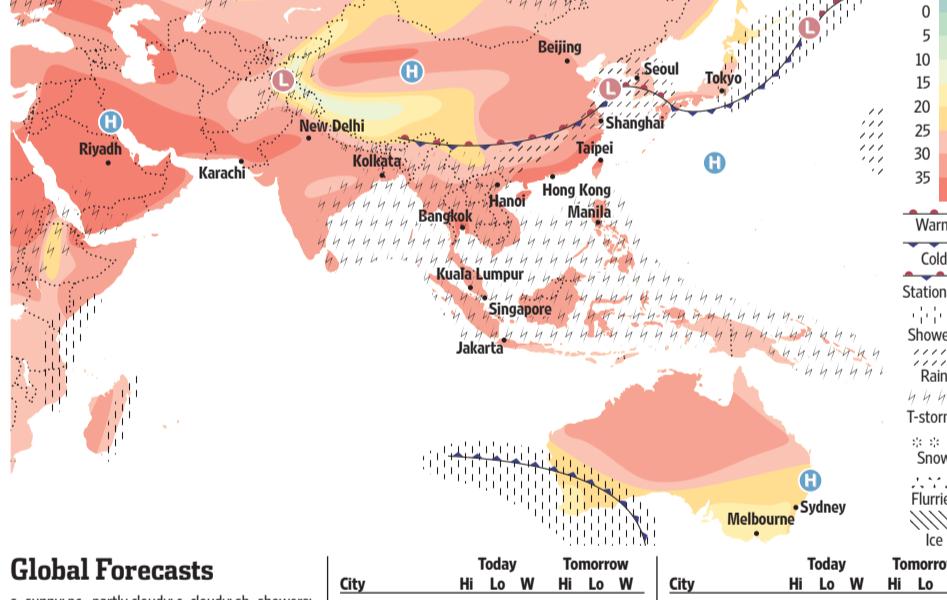
cifically relate to a ballet or opera production, but all, save a well-known whimsical self-portrait from 1912, are linked to performance. And even here the show's layout enhances the experience by allowing unexpected dialogue between items—as when a sidelong glance reveals that the cow costume from "Magic Flute" echoes the distinctive purple, green and orange of "Green Violinist" (1923-24), lent by the Guggenheim.

Such connections remind us that Chagall never regarded his multi-party labors as inferior to the projects that were entirely his own. As this show asserts, everything that bore his stamp merged movement, color and fantasy into a cohesive, singular whole.

Chagall: Fantasies for the Stage
Los Angeles County Museum of Art, through Jan. 7, 2018

Mr. Mermelstein writes for the Journal on classical music and film.

Weather

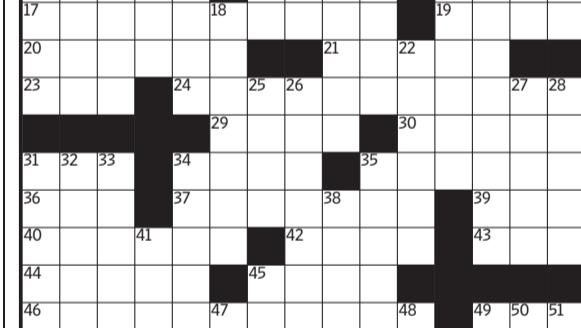


Global Forecasts

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

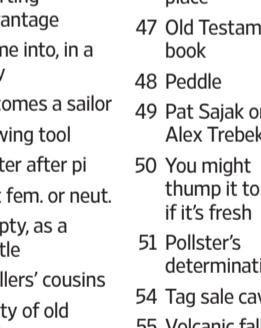
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	23	16	pc	23	14	t
Anchorage	17	11	pc	17	10	pc
Athens	33	26	s	34	26	s
Baltimore	31	23	t	31	23	t
Baghdad	47	29	s	46	29	s
Bangkok	28	19	pc	29	20	pc
Beijing	35	27	t	34	26	t
Berlin	30	22	t	31	22	t
Bogota	23	15	pc	28	17	pc
Boise	22	7	s	20	9	c
Boston	26	13	pc	29	13	s
Brussels	27	19	s	29	19	pc
Buenos Aires	18	7	s	20	8	s
Cairo	36	25	s	35	25	s
Calgary	19	8	pc	21	8	pc
Caracas	32	27	pc	32	25	pc
Charlotte	30	22	t	30	22	pc
Chicago	28	19	pc	29	21	c
Dallas	36	26	c	36	26	pc
Denver	31	15	pc	28	13	t
Detroit	28	18	pc	31	20	pc
Dubai	43	34	s	42	33	s
Dublin	19	11	t	19	11	sh
Edinburgh	17	11	r	18	9	sh
Frankfurt	26	15	pc	28	17	t
Geneva	29	15	t	29	17	pc
Hanoi	33	27	c	31	25	t
Havana	33	23	pc	33	23	pc
Hong Kong	34	28	t	33	28	s
Honolulu	31	24	pc	31	24	pc
Houston	36	26	pc	35	27	pc
Istanbul	30	22	s	30	24	pc
Jakarta	31	24	pc	32	23	pc
Johannesburg	22	8	s	22	9	s
Kansas City	29	20	c	30	23	pc
Las Vegas	39	25	s	37	25	pc
Lima	20	15	pc	21	15	pc
London	22	13	c	22	11	pc
Los Angeles	27	18	pc	24	17	sh
Milan	31	19	pc	33	18	s
Minneapolis	23	17	s	26	20	t
Monterrey	37	22	pc	38	23	pc
Montreal	27	15	pc	27	15	pc
Moscow	25	14	t	22	10	s
Mumbai	31	27	sh	31	27	sh
Nashville	29	22	t	30	23	pc
New Delhi	34	27	p	34	28	pc
New Orleans	31	25	c	32	25	t
New York City	28	20	pc	29	20	pc
Omaha	30	21	pc	32	23	pc
Orlando	33	24	t	33	24	t
Zurich						

The WSJ Daily Crossword | Edited by Mike Shenk



- Down**
- 1 Did some pedaling
 - 2 Take ___ (fall suddenly)
 - 3 Subway passenger
 - 4 West Germany's capital
 - 5 Sound from a pound
 - 6 Boxer with 37 knockouts
 - 7 Amazed admiration
 - 8 Starting advantage
 - 9 Come into, in a way
 - 10 Becomes a sailor
 - 11 Rowing tool
 - 12 Letter after pi
 - 14 Not fem. or neut.
 - 18 Empty, as a bottle
 - 22 Crullers' cousins
 - 25 Betty of old cartoons
 - 26 Snitch's activity
 - 27 Pulitzer-winning critic Roger
- Across**
- 1 Biting comment
 - 5 Two-masted sailboat
 - 9 Dr. Frankenstein's assistant
 - 13 Manner of speaking
 - 15 Ointment ingredient
 - 16 Biblical boat builder
 - 17 Baby goat at rest?
 - 19 Medal recipient, perhaps
 - 20 Nevertheless
 - 21 Guys, informally
 - 23 German article
 - 24 Person squealing on a baby lion to the authorities?
 - 29 Laugh heartily
 - 30 Weeper of Greek mythology
 - 31 Soviet space station launched in 1986
 - 34 Chimney grime
 - 35 Commencement
 - 36 Amazed admiration
 - 37 Temporary dwelling for a baby seal?
 - 39 Do the wrong thing
 - 40 Gin-and-lime juice cocktail
 - 42 Currier's printmaking partner
 - 43 From ___ Z
 - 44 Author Asimov
 - 45 Pesky insect
 - 46 Baby bird's fridge adornment?
 - 49 CPR pro
 - 53 Nomad
 - 55 Calculates a total
 - 57 Bodyguard for a baby elephant?
 - 60 Mincemeat ingredient
 - 61 "A Death in the Family" writer James
 - 62 Attach with string
 - 63 On this spot
 - 64 Take notice of
 - 65 Transmit

Previous Puzzle's Solution



The contest answer is ARNOLD PALMER. The title "Eagle Scout" suggests the sport of golf where an eagle is two under par. The letters PAR appear four times in the grid, and looking two rows under those instances yields the pieces ARN, OLD, PAL and MER.

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

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THE WALL STREET JOURNAL.
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G	Flipkart.....B1	T	Sony.....B2
J	Google.....B1,B3	M	State Street Global Advisors.....B5
M	JD.com.....B2	P	Stifel Financial.....B1
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W	Morningstar.....B1	X	Time Warner.....B2
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O	Castilla, Emilio.....B3	P	Lariviere, Dorothy.....B5
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S	Fink, Laurence.....B2	THE WEEK AHEAD	

At a time when HBO should be relishing the record ratings of its hit drama "Game of Thrones," executives there instead are grappling with a hacker shakedown that could be a plot point on the network's "Silicon Valley."

The breach of the network's systems that was disclosed last month is developing into a prolonged crisis. Hanging over HBO now is the daily threat of leaks of sensitive information, ranging from show content to actors' and executives' personal information. The hack at HBO comes almost three years after a high-profile one at **Sony** Corp., and highlights persistent vulnerabilities unique to the entertainment industry.

The pressing issue isn't safeguarding credit-card num-

bers and account details. Instead, executives are worried about potential damage to intellectual property if television-show spoilers are made available before episodes are officially aired. "Hollywood is under siege," said Jeremiah Grossman, chief of security strategy for cybersecurity company SentinelOne. "It seems easy to hack a network, and they perceive that they can make money doing so."

Already, scripts of "Game of Thrones" episodes have been leaked by the hackers, whose leader calls himself "Mr. Smith." Also made public were episodes of other shows, including comedies "Ballers" and "Insecure," and a month's worth of emails from an executive. When the hackers came forward late last month, an HBO technology-department employee sent them a letter

offering \$250,000 to participate in the company's "bug bounty" program, in which technology professionals are compensated for finding vulnerabilities, according to a person familiar with the matter. HBO was buying time with that response and isn't in negotiations with the hackers, the person said. The hacker has demanded a ransom of around \$6 million.

The network has also been working with the U.S. Federal Bureau of Investigation and other law-enforcement agencies and cybersecurity firms to address the matter, people familiar with the matter say.

Meanwhile, the cable network is playing Whac-A-Mole. It managed to take down the website and digital locker the hacker initially used to distribute show material after sending takedown notices to

internet-service providers, according to the person familiar with the matter. It alerted potentially exposed "Game of Thrones" cast members of the hack before Mr. Smith posted material that includes some of their phone numbers.

In a statement, HBO Chief Executive Richard Plepler said, "The consensus here was a path to transparency. When something like this happens, the best you can do is try to protect the people you work with inside and outside the company."

Unlike retailers, entertainment firms usually don't shoulder the burden of protecting customer-account details, because that is handled by cable, satellite and web-TV distributors. The urgent worry is that fewer viewers will watch episodes that can cost several million dollars each if

hackers supply a stream of spoilers. That hasn't happened yet. The last "Game of Thrones" episode, which aired on Aug. 6 attracted a record 10.2 million viewers.

"Leakage will be your worst nightmare; your competitors will know about current & future strategies, your inner circle inside HBO & senior staff

will be thrown into chaos," the hackers promised in a video note to Mr. Plepler they posted this past week.

HBO has said it expects more information to leak out but said its review of the matter "has not given us a reason to believe that our email system as a whole has been compromised."

RULES

Continued from the prior page
ciary rule is "incentivizing firms to accelerate conversions" to fees from commissions, he said, and "certainly the amount charged on a fee-based account versus a [commission-based] brokerage account is higher." The push is speeding up an industry trend toward fees, which offer more predictable revenue than commission-based accounts.

"They are crying crocodile tears," said Phyllis Borzi, a former Obama administration official who was an architect of the rule, referring to complaints from financial firms

the rule, even running an ad campaign around the idea of fiduciary advice. The firm, which for years has promoted fee-based accounts, last year gave its more than 14,000 brokers more flexibility to cut fees for clients moved onto its advisory platform without a reduction in their own pay.

A big investment in adviser technology several years ago has aided the process by making it easier for advisers to convert brokerage accounts to fee-generating advisory accounts.

At Bank of America's global wealth unit, which includes Merrill Lynch, fee-based assets rose 19% from a year earlier to \$991 billion in the second quarter, or to 38% of client assets. More than two-thirds of Merrill's advisers now have at least half of their client assets under a fee-based relationship, the firm said. The firm is also moving some clients to its online, commission-based "Merrill Edge" platform.

Morgan Stanley, meanwhile, has taken a different tack. Unlike Merrill, which has largely eliminated commissions in retirement accounts, Morgan Stanley has lowered commission costs to aid compliance with the regulation's "reasonable compensation" standard. It, too, is rolling out a new computer-driven "robo" advisory tool.

For Morgan Stanley, fee-based assets grew 17% from a year earlier to \$962 billion in the quarter, representing 43% of overall money in the wealth unit.

On Morgan Stanley's earnings call in July, finance chief Jonathan Pruzan credited the rule in part for gains in fee-based assets. "The Department of Labor's fiduciary rule has contributed to these fee-based flows," he said, and "revenues continue to grow with fee-based assets."

Observers also note that market performance has helped drive assets higher, regardless of account type.

MOVIES

Continued from the prior page
January-to-March period in U.S. exhibition history. "The movement of one movie out of one quarter can make a dramatic difference," Mr. Zoradi said.

Last summer featured two movies that grossed more than \$400 million in the U.S. and Canada: Disney's "Finding Dory" and "Captain America: Civil War." Only one title this summer—Warner Bros.' "Wonder Woman"—passed that mark.

This summer, shares at AMC, Cinemark and **Regal Entertainment Group** have steadily fallen, hit by numerous fizzles at the box office. On Aug. 2, AMC shares plunged 27%, the biggest one-day percentage drop on record, after the company said it would report a second-quarter loss and institute a cost-saving plan. The company's stock price has halved since early

The Big Picture

Movie-theater chains are reeling from a disappointing summer.

Year-to-date share performance:



May, closing at \$14.05 on Friday.

Making matters worse: China's focus on AMC's owner, Chinese conglomerate Dalian Wanda Group Co., has spooked investors who worry the crackdown could extend to the exhibitor. AMC has sought to

calm those concerns. In a statement following reports of government scrutiny, AMC said it is "an American company run from its Leawood, Kansas, headquarters."

No major exhibitor has been immune to the downturn. Regal's second-quarter net in-

come fell about 30% to \$23.6 million. Cinemark weathered the storm better than its competitors, with net income dropping about 5% to \$51.2 million.

Nonetheless, challenges at

one of the big three exhibitors tends to sow doubt among investors in all of them.

"If one of us gets a cold, everybody sneezes a little bit," said Mr. Zoradi.

Declining attendance has stoked concerns over what many believe to be inevitable: a time when studios start distributing first-run movies in the home within a few weeks of opening in theaters versus within months, as now is standard practice.

If such a service were introduced, Wall Street fears movie-theater attendance would immediately drop off.

That could lead to shrinking sales and an uncharted business model for exhibitors, who maintain they will only agree to a deal that gives them a cut of the home-video revenue.

INDIA

Continued from the prior page

Alibaba Group Holding Ltd. and Tencent, with all parties betting that even a modest slice of the growing Indian market is worth the fight.

India's e-commerce market alone should be worth some \$63.5 billion by 2021, according to Satish Meena, an analyst at research firm Forrester, up from a third of that this year. By comparison, China had \$681 billion in sales last year, nearly double the U.S., making it the world's biggest e-commerce market, said Mr. Meena.

As part of a transaction with Flipkart, SoftBank would provide the local player not only with a substantial cash infusion that it could use to invest in infrastructure and expand its services, but Flipkart would also benefit from

the know-how of executives at Chinese e-commerce giant Alibaba, according to a person familiar with the negotiations.

Mr. Son first invested in Alibaba in 2000, when it was a tiny firm, and has compared the group of companies in which SoftBank has invested to a kind of Silicon Valley network, where tips are traded among peers.

"We remain committed to our India business with a long-term perspective," an Amazon spokeswoman said. E-commerce in India is "at a nascent stage" and "will require investments for many years."

"Geography-wise I think now India has the best opportunity in front of us," Mr. Son said at a conference in New Delhi in December, highlighting the country's huge population and many English speakers.

He said SoftBank investments in India will surpass \$10 billion over 10 years.

chief financial officer of the company's international arm, wrote in a local Indian newspaper column last month that online shopping in India was poised to take off as consumers leapfrog organized retail and "gravitate directly toward mobile e-commerce."

According to corporate filings last month, Amazon has just received its latest tranche of cash, some \$260 million, which it can use to fuel its operations.

"Amazon has clearly made India a top priority," said Oscar Orozco, an analyst at research firm eMarketer. Data show that while Flipkart got a head start in the South Asian nation, having been founded a decade ago, Amazon has rapidly risen to prominence.

India's e-commerce companies don't share their sales numbers, but some 35% of mobile-device users in India opened Amazon's app at least

once between May 10 and June 10, according to New York-based research company 7Park Data.

That was up from 25% a year earlier, and higher than the 33% who opened Flipkart's app and 9% who opened Snapdeal's. Rates for both Flipkart and Snapdeal dropped slightly over that time. Some 79% of internet usage in India is done on mobile devices, online analytics provider StatCounter said in March.

Flipkart could also use the new funds from SoftBank to push into an area Amazon has moved first to dominate in India: online grocery deliveries. A Flipkart executive was quoted by a local newspaper in India last month as saying the firm plans to launch such a service in several cities, but a company spokeswoman declined to comment.

—Laura Stevens
in San Francisco
contributed to this article.

TECHNOLOGY

WSJ.com/Tech

Facebook's Onavo Offers Peek at Rivals

Information from data-security app shows company what people do on phones

BY DEEPA SEETHARAMAN AND BETSY MORRIS

Months before social-media company Snap Inc. publicly disclosed slowing user growth, rival Facebook Inc. already knew.

Late last year, Facebook employees used an internal database of a sampling of mobile users' activity to observe that usage of Snap's flagship app, Snapchat, wasn't growing as quickly as before, people familiar with the matter said. They saw that the shift occurred after Facebook's Instagram app launched Stories, a near-replica of a Snapchat feature of the same name.

In February, just before going public, Snap confirmed that its user base grew more slowly in the last three months of 2016 than the prior year.

Snap's latest financial figures Thursday showed that its growth challenges persist.

Facebook's early insight came thanks to its 2013 acquisition of Israeli mobile-analytics company Onavo, which distributes a data-security app that has been downloaded by millions of users. Data from Onavo's app has been crucial to helping Facebook track rivals and scope out new prod-



Facebook offices in Berlin. The company bought Israeli mobile-analytics startup Onavo in 2013.

men use an app in a specific country.

Onavo Protect has been downloaded an estimated 24 million times, mostly on Android devices, according to app-research firm Sensor Tower.

The app's privacy policy says it may share information with "affiliates" that include its owner, Facebook.

"Instead of converting data for the purpose of advertising, they're converting it to competitive intelligence," said Ashkan Soltani, an independent researcher.

Within a few months of Facebook's acquisition of the Tel Aviv-based company in 2013, Onavo's data paved the way for the social-media firm's biggest deal, the February 2014 purchase of WhatsApp, the people familiar said.

Onavo showed the messaging app was installed on 99% of all Android phones in Spain—showing WhatsApp was changing how an entire country communicated, the people said.

With Snapchat, one of Facebook's biggest rivals, Onavo, at one point, revealed information as detailed as how many Snaps were sent every day.

A year ago, Facebook began rolling out disappearing photo and video strings on Instagram called "Stories," similar to the identically named feature on Snapchat.

—Tripp Mickle and Jack Nicas contributed to this article.

Facebook Launches An App in China

Facebook Inc. covertly launched a mobile app in China, marking a shift from the company's public campaign to woo Beijing officials who have blocked the social network.

In May, Facebook made its debut a photo-sharing app called Colorful Balloons in China under the name of a different company, according to a person familiar with the matter. The app was developed by Young LLC but doesn't advertise its affiliation with Facebook.

"We have long said that we are interested in China, and are spending time understanding and learning more about the country in different ways," a Facebook spokeswoman said.

The New York Times reported on Friday the app's connection to Facebook, whose services have been blocked on China's internet since 2009.

Facebook executives spent years publicly courting Chinese officials.

More recently, Facebook's public outreach to Beijing has cooled off. Colorful Balloons suggests the social-media giant is undertaking a more subtle approach.

—Deepa Seetharaman

MIMS

Continued from page B1
murder mystery if it mixed in (same gender) people from other houses. Tellingly, those same teams were less sure they were right and often felt their interactions were less effective.

Overall, women represent only 11% of engineers in the U.S., according to the Society of Women Engineers. At Google, women are 31% of the overall workforce but 20% of technical staff.

Company cultures that are unfriendly or even hostile to women and minorities not only lead to less diverse workforces, but they also harm the performance of the women and minority employees they do have, says Aubrey Blanche, head of diversity and inclusion at enterprise software company Atlassian. This happens for a number of reasons, notably the "stereotype threat," where humans live up—or down—to others' expectations of them.

The No. 1 reason women leave tech isn't a life transition like starting a family, but the fact that they didn't feel welcome or included at their companies, in their teams or within the industry as a whole. This is according to many studies, from researchers at MIT and the University of Wisconsin-Milwaukee, as well as professional societies and private foundations.

Meritocracy Paradox

When faced with the business case for diversity, many managers—particularly in Silicon Valley—have countered with the meritocracy argument: A business where reward is proportional to effort and ability alone should be immune from the need to promote diversity or reduce bias in hiring, promotion and bonuses.

The trouble with this idea is that true meritocracies don't exist. Indeed, a study of individuals with managerial experience found that they were more likely to favor men in a simulated com-

pensation scenario when the instructions emphasized meritocratic values, according to an oft-cited 2010 study from researchers at MIT Sloan School of Management and Indiana University Bloomington.

In a more recent project, Emilio Castilla, one of the 2010 study's co-authors, examined promotions and bonuses within a company after controlling for every other significant variable, including job title, education, experience, skills and performance. He found that demographics influenced rewards in this company (which he can't name because of a confidentiality agreement). Subsequently, the company created a system of transparency and accountability to address the disparities, and his follow-up research found it eliminated pay and promotion gaps that were the result of bias based on someone's gender, race or national origin.

One thing that both defenders and detractors of diversity initiatives seem to overlook is that these arguments apply beyond gender and ethnicity. Dr. Castilla has also demonstrated that managers tend to more favorably review employees who are like them.

This means those wishing for "ideological diversity," at Google or elsewhere, could potentially benefit from the same diversity and inclusion best practices aimed at eliminating other biases.

How to Move Forward

To become a place where merit is truly rewarded, a tech company must commit to an ongoing and systematic evaluation of its corporate culture, says Atlassian's Ms. Blanche. It's easier for companies not to undertake the hard work of transparency, accountability and organizational change required. But in the long run, failing to do so can make them less competitive.

"Diversity is not the goal in itself," says Ms. Blanche. "Strengthening your process begets diversity and leads to

better collaboration and teamwork."

Being systematic, transparent and accountable for how important workplace decisions are made removes opportunities for conscious and unconscious bias.

Google is apparently working on it: It spent a total of \$264 million on diversity and inclusion in 2014 and 2015. But the company is also being sued by the Labor Department, which is investigating gender-pay gaps at the company.

Google hasn't responded to a request for comment. For an issue that affects so many people, at least the voiceless public discussion that is following Mr. Damore's memo might be viewed as a form of progress.

When I spoke to Jonna Gerken, president of the Society of Women Engineers and a manufacturing engineering manager at Pratt & Whitney, she said, "If it promotes more discussion about organizational climate, I think that's a good thing."

REVIEW

Why I Was Fired By Google

BY JAMES DAMORE

I WAS FIRED by Google this past Monday for a document that I wrote and circulated internally raising questions about cultural taboos and how they cloud our thinking about gender diversity at the company and in the wider tech sector. I suggested that at least some of the male-female disparity in tech could be attributed to biological differences (and, yes, I said that bias against women was a factor too). Google Chief Executive Sundar Pichai declared that portions of my statement violated the company's code of conduct and "cross the line by advancing harmful gender stereotypes in our workplace."

My 10-page document set out what I considered a reasoned, well-researched, good-faith argument, but as I wrote, the viewpoint I was putting forward is generally suppressed at Google because of the company's "ideological echo chamber." My firing neatly confirms that point. How did Google, the company that hires the smartest people in the world, become so ideologically driven and intolerant of scientific debate and reasoned argument?

A dissenter at the company sees an ideological echo chamber.'

and beliefs about how the world is and should be. Having these views challenged can be painful, so we tend to avoid people with differing values and to associate with those who share our values. This self-segregation has become much more potent in recent decades. We are more mobile and can sort ourselves into different communities; we wait longer to find and choose just the right mate; and we spend much of our time in a digital world personalized to fit our views.

Google is a particularly intense echo chamber because it is in the middle of Silicon Valley and is so life-encompassing as a place to work. With free food, internal meme boards and weekly companywide meetings, Google becomes a huge part of its employees' lives. Some even live on campus.

For many, including myself, working at Google is a major part of their identity, almost like a cult with its own leaders and saints, all believed to righteously uphold the sacred motto of "Don't be evil."

Echo chambers maintain themselves by creating a shared spirit and keeping discussion confined within certain limits. As Noam Chomsky once observed, "The smart way to keep people passive and obe-

dient is to strictly limit the spectrum of acceptable opinion, but allow very lively debate within that spectrum."

But echo chambers also have to guard against dissent and opposition. Whether it's in our homes, online or in our workplaces, a consensus is maintained by shaming people into conformity or excommunicating them if they persist in violating taboos. Public shaming serves not only to display the virtue of those doing the

shaming but also warns others that the same punishment awaits them if they don't conform.

In my document, I committed heresy against the Google creed by stating that not all disparities between men and women that we see in the world are the result of discriminatory treatment.

When I first circulated the document about a month ago to our diversity groups and individuals at Google, there was no outcry or

charge of misogyny. I engaged in reasoned discussion with some of my peers on these issues, but mostly I was ignored.

Everything changed when the document went viral within the company and the wider tech world. Those most zealously committed to the diversity creed—that all differences in outcome are due to differential treatment and all people are inherently the same—could not let this public offense go unpunished. They sent angry emails to Google's human-resources department and everyone up my management chain, demanding censorship, retaliation and atonement.

Upper management tried to placate this surge of outrage by shaming me and misrepresenting my document, but they couldn't really do otherwise: The mob would have set upon anyone who openly agreed with me or even tolerated my views. When the whole episode finally became a giant media controversy, thanks to external leaks, Google had to solve the problem caused by my supposedly sexist, anti-diversity manifesto, and the whole company came under heated and sometimes threatening scrutiny.

It saddens me to leave Google and to see the company silence open and honest discussion. If Google continues to ignore the very real issues raised by its diversity policies and corporate culture, it will be walking blind into the future—unable to meet the needs of its remarkable employees and sure to disappoint its billions of users.

Mr. Damore worked as a software engineer at Google's Mountain View campus from 2013 until this past week.



THE AUTHOR

Thursday in Mountain View, Calif.

PETER DUKE



Being transparent about how important workplace decisions are made removes opportunities for conscious and unconscious bias.

Laura Morton for The Wall Street Journal

JOURNAL REPORT | C-SUITE STRATEGIES

How to Survive an Office Jerk

Many employees have rude or abusive colleagues and bosses. Here are some ways to make life at work a little easier.



BY ROBERT SUTTON

FOR MANY PEOPLE, going to work every day can be hard enough. When they have to deal with a jerk in the office, it can be unbearable.

Countless studies document the damage inflicted by rude, demeaning and disrespectful people—including anxiety, depression, sleepless nights and heart problems. What's more, employees who have to deal with unpleasant bosses, colleagues and customers are less productive and creative, and make worse decisions.

Bad behavior is also contagious. Trevor Foulk and his colleagues from the University of Florida found a single exposure to a rude person (say, an insulting email from a customer) turns targeted people into "carriers" who then infect others. As they put it, rudeness spreads much "like the common cold." (Dr. Foulk is now an assistant professor of management at the University of Maryland.)

Battling bullies, though, is risky business. It's upsetting and time-consuming, and even if you are confident of victory, the jerks might be stronger

than you think. The new human-resources chief of a large company once bragged to me that she was firing the firm's most abusive senior executives. She assured me that the CEO was in her corner and she had a mandate to sack them. She was wrong. The jerks went to the CEO and persuaded him they were less expendable than she was—and she was canned a few weeks later.

At the same time, it may be equally hard for people to escape toxic workplaces. Some stay because their work is so fulfilling that it seems worth it to endure the haters. For others, the grass is even browner elsewhere: Their only options are jobs that pay far less or are at places where the incivility is worse. For still others, an abrupt departure would do irreparable harm to their careers.

So, what's an employee to do? Plenty, as it turns out. While jerks take a toll on everyone, there are ways to reduce the suffering. Here are a handful of techniques, based on academic studies and thousands of email exchanges and conversations I've had over the years with people who deal with rudeness, disrespect and backstabbing at work.

Keep your distance. Sometimes the most obvious solution is the best: Stay away from the offending person, limiting the frequency, duration and intensity of toxic encounters.

Even a few extra feet can help, because communication drops off rapidly as distance increases. Research in the 1970s by Thomas Allen, a professor of management at the Massachusetts Institute of Technology, found that people are four times as likely to communicate regularly with a colleague who sits 6 feet away compared with a colleague who sits 60 feet away.

Recent research further shows the dangers of getting too close to a jerk. From 2013 to 2015, Michael Housman, then chief analytics officer at Cornerstone OnDemand, and Dylan Minor, an assistant professor at Northwestern University's Kellogg School of Management, tracked 2,000 workers at a technology company and found that toxic behavior was "contagious." If a toxic worker sits near you, they concluded, your chances of behaving in a toxic way rises by one and half times. They also found that people

who sat within 25 feet of a toxic employee were twice as likely to leave the company as employees who sat further away from the local jerks.

Slow down. Slowing the rhythm of interactions is another useful technique. Many abusive people take pleasure in their targets' pain. When they provoke visible reactions from targets—tears, anger, kissing up, effusive apologies, or writing a long email in response to their imaginary emergency—the pleasure centers in their twisted minds light up.

Don't give the bully that pleasure. Instead, respond as slowly and infrequently to the jerk as possible, and when you do respond, stay as calm and composed as you can. That way, your tormentor is denied reinforcement. This method reduces how often abuse occurs and helps you predict and control when it happens.

I learned this technique from a doctoral student who had a rude and temperamental adviser. At first, when the adviser sent the student demeaning emails, or called at 2 a.m. to give her grief, the student answered right away. This fueled further abuse because he got the instant reinforcement that he craved.

The student learned to respond more and more slowly, first waiting hours, then days, and sometimes weeks. Over time, the abuse persisted, but to a much lesser degree. That student is now a tenured professor at a prestigious university—and believes she wouldn't have stayed sane or finished her Ph.D. without this technique.

Early-warning systems. In many workplaces, people spread warnings when powerful jerks are in vile moods (and it is best to avoid them) or are "incoming." Real life sometimes resembles a scene from "The Proposal," a 2009 film in which Sandra Bullock plays a cruel New York book editor. As she approaches the office, her assistant emails his colleagues "THE WITCH IS ON HER BROOM." In an instant, the gossiping and eating stops, people scurry back to their cubicles, and each pretends to be doing something productive.

Look at it another way. Another category of survival methods entails "reframing" the jerk's behavior in a more

positive and less threatening light. This strategy is akin to how cognitive behavioral therapists help patients construe their difficulties and concerns as less upsetting, or even good things. Among the reframing techniques I've observed: telling yourself you aren't to blame ("she's just a jerk doing what jerks do"), playing down the threat ("this is a small matter"), focusing on the silver lining ("sure, my boss is a jerk, but she's taught me so much"), and rising above it (in Michelle Obama's words, "when they go low, we go high").

Imaginary time travel is another simple and effective reframing technique. Emma Bruehman-Senecal, a postdoctoral researcher at the University of California, Berkeley, and Ozlem Ayduk, a professor of psychology at the university, studied how people dealt with rough patches such as poor performance on an exam or the end of a long-term relationship. When people framed current troubles in terms of how they would feel about them in the distant future (rather than the near future), they experienced less anxiety, anger, sadness and guilt in the present.

Similarly, targets of workplace bullying can tell themselves "this too shall pass," and imagine it is hours, days or years later and the sting is gone. That's how one U.S. Air Force Academy cadet survived the traditional hazing during his freshman year. He wrote me that when upperclassmen berated him, he imagined it was a few years later, he was flying a plane, and the temporary torment was a small price for living his dream of becoming a pilot. And that's what happened.

Protective reframing is also achieved via emotional detachment—defining your predicament in ways that help you tune out, feel indifferent or become emotionally distant from the jerks. When one university administrator I know encounters a mean or condescending colleague, he pretends to be a doctor who specializes in diagnosing intriguing, rare and extreme cases of "jerkism." He tells himself how lucky he is to find such a "fascinating case," which prevents him from getting mad or feeling hurt.

From enemy to friend. Finally, there's the technique

than may be the most effective one of all: Turn your tormentor into a friend. As psychologist Robert Cialdini documents in his classic book "Influence," flattery, smiles and other signs of appreciation (even if not entirely sincere) can win over strangers, critics and enemies.

Another way to make friends is to get the jerk to do you favors. In "You Are Now Less Dumb," David McRaney dubs this "the Benjamin Franklin effect." When Franklin was a young man struggling to overcome his modest means and lack of formal education, a wealthy peer gave a speech attacking his actions and motives.

Franklin was furious, but didn't fire back. Instead, he wrote his critic and asked to borrow a "very scarce and curious book" from his library. The man sent the book, and Franklin later returned it with a warm thank-you note. In Franklin's words, this man "ever after manifested a readiness to serve me on all occasions, so that we became great friends, and our friendship continued to his death." Mr. McRaney explains he turned "his hater into a fan" because, as many experiments show, "we grow to like people for whom we do nice things and dislike those to whom we areunkind."

Look in the mirror. One last, perhaps painful point: If you are a jerk, it won't be easy to admit it to yourself or others. We humans have a penchant for denial and delusion. As a result, we need to see how others see us—even when it hurts. We need people who know us and won't sugarcoat the truth, and to accept their candid feedback.

According to the U.S. Workplace Bullying Survey, nearly half of respondents report they've been bullied or witnessed others doing it; less than 1% admit to being perpetrators.

In other words, there are a lot of jerks out there who aren't confessing their sins. And you might be one of them.

Dr. Sutton is a professor of management science at Stanford University and author of "The Asshole Survival Guide: How to Deal With People Who Treat You Like Dirt," to be published in September. This piece is based on that book. He can be reached at reports@wsj.com.

The Key to Increasing Diversity in Tech

Damien Hooper-Campbell, chief diversity officer at eBay, says it can't be just about the numbers

BY CAT ZAKRZEWSKI

AS EBAY INC.'S first chief diversity officer, Damien Hooper-Campbell is helping break new ground daily for both his company and the tech industry as a whole. And a lot of people are watching.

Reports of sexual harassment at Uber Technologies Inc. and of bias in hiring and compensation at Silicon Valley venture-capital firms helped train a spotlight on the sector's white-male-dominated business culture. In response, companies such as Alphabet Inc.'s Google and Facebook Inc. have said they are making efforts to hire and promote more women and minorities and have released reports that measure the diversity of their workforces. Google's diversity push sparked controversy recently when an employee wrote a memo critical of the campaign, and was subsequently fired.

Mr. Hooper-Campbell, who declined to comment on the Google controversy, says there is still plenty of work to do regarding diversity at eBay, a company with 12,600 employees and offices around the globe. In its first diversity report since it sold its PayPal unit, the company said its leadership is 2% black, 3% Hispanic, 29% Asian and 65% white.

More favorably, he points to steps eBay is taking to increase its diversity, such as recruiting at a broader set of colleges in the U.S., including historically black colleges. He spoke with The Wall Street Journal about specifics in eBay's approach to diversity, as well as the challenges that lie ahead for the industry. Edited excerpts follow.

WSJ: In terms of diversity, where do you think eBay is right now?

MR. HOOPER-CAMPBELL: eBay is in a very good place. We're not starting from zero. eBay has been investing in diversity and inclusion much longer than I've been with the organization. However, we've pivoted to having a much broader definition. I don't think we've solved the problem. But I do think we have almost 13,000 engaged people from every corner of the world who are ready or are already taking action.

In terms of our goals, you're not going to see us publishing a statement that says we're currently at X, and we want to be at X+3 percentage points. We obviously have a universal goal to increase diversity across all dimensions. But the way we measure it is a little bit different. We're going to look at all of our people processes, we're going to look at things like attrition, promotion, compensation. We're also going to look at where we recruit.

WSJ: Should companies follow up on diversity reports with specific hiring targets?

MR. HOOPER-CAMPBELL: I think it's really company-specific. I don't knock any company that follows up and says, "Here's our target." However, that's a slippery slope. When you put targets and goals out, sometimes it gets people to move. But it can also incentivize wrong behavior. When we all want to meet a certain target, we might not be doing things that jibe with the company culture and a meaningful and authentic way to approach diversity and inclusion.

At eBay we're spending a

lot of time engaging with our people, having real conversations about it, making policy changes that will, as a result, change our numbers.

WSJ: Have you come up with a global definition for what diversity means for eBay?

MR. HOOPER-CAMPBELL: The bigger conversation around diversity and inclusion at eBay is really about opportunity for all. But how that is implemented is very local.

WSJ: How did you shape your role as the company's first chief diversity officer?

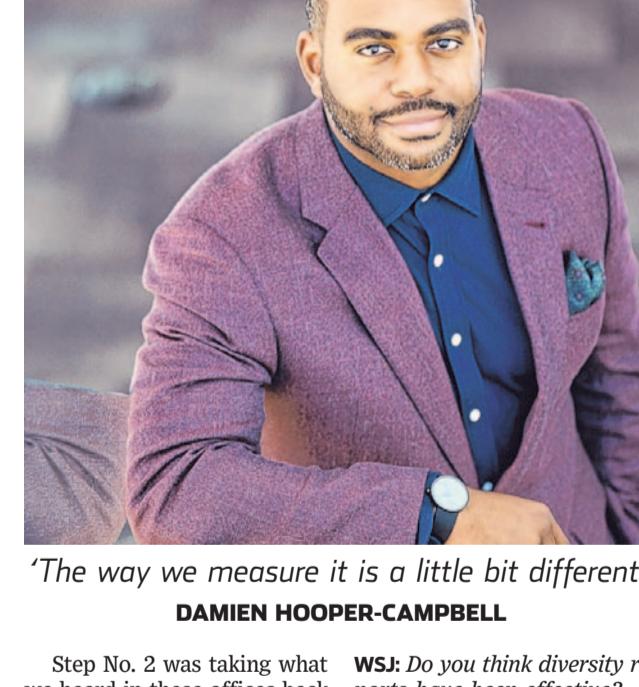
MR. HOOPER-CAMPBELL: I spent time with people across all levels and functions, just listening and understanding what eBay has done so far, what's worked and what hasn't.

I wanted to make sure that this wasn't a U.S.-centric conversation. In certain parts of the world, people don't even have a familiarity with this term diversity and inclusion.

Ethnicity might not even be a conversation in certain parts of the world. Really where they lean in might be around intergenerational differences or around disability. The only way we get to know that is if we ask that question.

WSJ: How have you focused on diversity and inclusion in smaller offices?

MR. HOOPER-CAMPBELL: First of all, you go and visit them. What you find is, many times, folks just want to be heard and engaged on this topic. While the company was supporting people doing things around diversity and inclusion, we hadn't really had a senior leader out there engaging with the offices.



'The way we measure it is a little bit different.'

DAMIENTHOOPER-CAMPBELL

Step No. 2 was taking what we heard in these offices back to headquarters and incorporating it into our strategy. For example, our Istanbul office has done amazing work around the LGBTQA population. [LGBTQA refers to lesbian, gay, bisexual, trans and queer/questioning, while the A is variously interpreted as asexual, aromantic, allies or advocates.]

Recently during Trans Awareness Month, they had an entire week dedicated to educating people inside the office, dedicated to bringing in internal speakers to talk about the trans community, but also having dialogues written on it. Twenty-five employees in the office got together to write a play focused on gender and on differences around identity and expression and put that on for the entire office. Now they're thinking about taking that outside the office.

In addition to representation, numbers and hiring, we think there are other measures of diversity and inclusion that show progress. When we have a new employee group for the first time in eBay history,

that's progress. When we start to see men joining the women-in-technology group and being active in leadership roles, that's progress. When senior leaders, like the leader of our North American business, dedicate two full-time positions toward diversity and inclusion on the marketing side for the first time in eBay's history, that's progress.

WSJ: What are some of the most common microaggressions you see in the industry?

MR. HOOPER-CAMPBELL: The most common microaggression is when you talk about diversity, people say things like, "We don't want to lower our standards." A lot of people who haven't had exposure to diversity and inclusion initiatives often equate it with philanthropy.

At eBay, our entire mission around diversity and inclusion has to do with everybody having an opportunity and with us getting the absolute best talent. The more we can help people get immersed in a certain culture, whether they're in the majority or the minority; the more we can see men participating in affinity groups focused on women, attending meetings and listening and asking questions; the more we can have a culture change.

It's not just about making the environment comfortable for underrepresented minorities. Our goal is to make the environment good for folks across the board. That means minority groups getting proximate with majority groups, and vice versa. That's the only way we're going to move the needle, if both communities come to the table with an open mind.

Ms. Zakrzewski is a Wall Street Journal reporter in San Francisco. Email her at cat.zakrzewski@wsj.com.

FINANCE & MARKETS

Uber Shareholders Battle Over Ex-CEO

Investor group fights Benchmark Capital suit to oust Kalanick from upstart's board

BY GREG BENSINGER
AND DOUGLAS MACMILLAN

A legal feud between **Uber Technologies** Inc.'s co-founder and one of its biggest investors spiraled on Friday into a broader battle among shareholders that threatens to throw the world's most highly valued startup into further turmoil.

A day after **Benchmark Capital** filed a lawsuit to try to force former Uber Chief Executive Travis Kalanick off the board, another group of Uber shareholders is pushing back with a letter calling for Benchmark to relinquish its board seat and divest its shares in the ride-hailing giant.

The letter to Benchmark was signed by three investors: **Sherpa Capital's** Shervin Pishevar, **Yucaipa Cos.'** Ron Burkle and Adam Leber of the **Maverick** music management firm.

According to the letter, a copy of which The Wall Street Journal reviewed, the shareholders acknowledged Benchmark's concerns about Uber's recent woes but called the tactics Benchmark has used to address them "ethically dubious" and "value-destructive."

The series of events has shaken a company that was

already reeling from the ouster of Mr. Kalanick and a series of other executive departures that have left Uber simultaneously seeking a new CEO, heads of finance, marketing and operations, and a new chairman.

Benchmark on Thursday filed suit against Mr. Kalanick, alleging fraud. The suit claims he knew about misbehavior at the company, including sexual-harassment allegations, among other things, when he persuaded Benchmark and other shareholders to allow him to add three board seats now under his control.

The venture firm, which owns about 13% of Uber, is seeking to force Mr. Kalanick off the board, and to have those three seats returned to board control. Mr. Kalanick's spokesman said in a statement Thursday that the lawsuit is without merit and "riddled with lies."

It is virtually unprecedented in Silicon Valley for a venture-capital firm to sue a founder at a startup of Uber's magnitude because it can hurt the investor's reputation, lawyers say.

"What founder wants to take money from an investor who sues entrepreneurs?" said Charley Moore, founder and CEO of online legal service RocketLawyer.com. "VCs want to show that they are supportive of entrepreneurs."

In Friday's letter, the investors, whose holdings in Uber are undisclosed, said they believed Benchmark's lawsuit



Benchmark Capital alleges Travis Kalanick knew of misbehavior at Uber before he exited as CEO.

could cost the company public goodwill, interfere with fund-raising and impede the CEO search.

"We ask you to please consider the lives of these employees and allow them to continue to grow the company in peace and make it thrive," the letter said. "These actions do the opposite."

The letter calls for Benchmark partner Matt Cohler to step down from the board and for Benchmark to sell at least 75% of its stake to other investors. The investors say other shareholders will join the letter in the coming days.

In a statement on Friday,

Uber's board said it was disappointed that Benchmark was suing. "The Board has urged both parties to resolve the matter cooperatively and quickly, and the Board is taking steps to facilitate that process," according to the statement, which was signed by six of eight board members, not including Mr. Kalanick or Benchmark's Mr. Cohler. "Our priority remains to select Uber's new CEO as quickly as possible. We are fortunate to have several outstanding candidates."

Representatives for Benchmark and Mr. Kalanick didn't respond to requests for com-

ment on the letter, which was reported Friday afternoon by Axios.

Benchmark has been at the center of much of the drama surrounding Uber this year.

In June, it dispatched two partners to meet Mr. Kalanick at a Chicago hotel with a letter signed by other shareholders demanding his resignation. After Mr. Kalanick stepped down, Benchmark partner Bill Gurley resigned as a director to be replaced by his colleague, Mr. Cohler.

Benchmark also has been negotiating for months a potential deal with tech investor **SoftBank Group Corp.** to sell

part of its stake at a discount to Uber's last valuation of nearly \$70 billion, according to people familiar with the matter.

Some shareholders say they resent that Benchmark has become such an activist because the firm is set to reap a once-in-a-lifetime reward. According to the shareholder letter on Friday, Benchmark's investment of \$27 million into Uber is worth \$8.4 billion at the latest valuation.

The investor rancor at Uber is a distraction as the board seeks to fill the CEO seat left by Mr. Kalanick. It has narrowed the list to three, including former General Electric Co. CEO Jeff Immelt, according to people familiar with the matter.

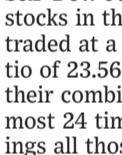
Messrs. Kalanick and Cohler are both on the five-member executive search committee.

On Thursday, Uber's first employee, Ryan Graves, said he would step aside next month from his daily work as senior vice president of operations, though he will retain his board seat.

Uber's troubles extend to the courtroom, where it is grappling with a continuing lawsuit by Google parent **Alphabet Inc.** over allegedly stolen trade secrets. And the company is still dealing with the fallout from a probe into its culture after a former software engineer alleged rampant sexism and sexual harassment during her time there.

INTELLIGENT INVESTOR | By Jason Zweig

When Lower P/E Ratios of Funds Don't Mean Anything



How's this for an investing optical illusion? As of June 30, according to

S&P Dow Jones Indices, the stocks in the S&P 500 index traded at a price/earnings ratio of 23.56—meaning that their combined price was almost 24 times the net earnings all those companies had generated over the past year.

Three ETFs holding those same stocks claim to have significantly different P/Es.

On their websites, based on June 30 data, the iShares Core S&P 500 ETF reported that its portfolio was valued at 21.69 times earnings; the Vanguard S&P 500 ETF, 21.5 times; and the SPDR S&P 500 ETF, 18.65 times.

All three portfolios are indistinguishable from each other and from the index they seek to replicate.

These ETFs seem to be at a discount to the index of

stocks they hold. That could make them look attractively cheap in a market that many analysts regard as overvalued. But the apparent bargain is an illusion.

Stock indexes, and by extension the funds that are based on them, are averages. You can calculate an average in many different ways, and deciding which method to use is part science, part art and part opinion. Investment regulators say that fund companies are free to calculate and report an average valuation any way they wish, as long as it doesn't mislead or deceive investors.

So you should pay attention to how these funds report valuations. **State Street Global Advisors**, which manages the SPDR S&P 500 ETF, bases its P/E ratio not on the profits companies have

earned over the past 12 months, but on the earnings that analysts estimate will roll in over the year to come.

Matthew Bartolini, head of SPDR Americas research, says the firm uses that multiple of estimated profits because "the market is forward looking" and the projected P/E "tells investors how much they're paying for forthcoming earnings."

State Street also ignores money-losing companies when it calculates average valuation. Including "massive outliers," a few companies

with huge profits or monstrous negative earnings, can severely distort the P/E of an index, Mr. Bartolini says.

PowerShares, too, adjusts its calculations of average values to lessen the impact of extreme results. That, says John Frank, a product strategist at the firm, "provides a cleaner result not distorted by earnings."

Depending on how you calculate the average, sub-

tracting the large losses of a few companies from the combined profits of the others can leave a much smaller total of net earnings to go around. That can make the index look more expensive than it effectively is.

The iShares and Vanguard ETFs also knock unprofitable companies out when they calculate valuation ratios, those firms say.

S&P Dow Jones Indices, which calculates the S&P 500 index, doesn't do that.

"These earnings reflect what companies actually did make or did not make," says Howard Silverblatt, a senior index analyst there. "If earnings are distorted to some degree by negative earnings from some companies, well, maybe that needs to be taken into account. It's in there."

Fidelity uses an independent firm to calculate valuations on its own ETFs and on those it offers from other managers, so different ETFs

investing in the same index show similar ratios on Fidelity's website. That gives "a consistent apples-to-apples comparison," says spokeswoman Nicole Goodnow.

Rich Powers, head of ETF product management at Vanguard Group, says it uses FactSet, an independent research firm, to calculate measures like P/E, eliminating negative earnings from the average.

Still, "using different methodologies may be introducing a level of noise," says Dorothy Lariviere, an analyst and product specialist at iShares. "Across the fund providers that claim to have the same exposure to the same index, it probably would make some sense to have more standardization."

Until that happens, don't let yourself imagine that one ETF is "cheaper" than another that follows the same index—or that either is cheaper than the index itself.



CHRISTOPHE VORLET

Malaysia's 1MDB Makes Belated Payment to IPIC

BY YANTOULTRA NGUI

KUALA LUMPUR, Malaysia—Malaysia's troubled state-investment fund **1Malaysia Development Bhd.**, or 1MDB, said Friday that it had paid the equivalent of \$350 million to Abu Dhabi's sovereign **International Petroleum Investment Co.** after missing a pair of deadlines.

The money is a partial payment by 1MDB to compensate its former business partner for an emergency loan and other financial support extended after the Malaysian fund, which is under investigation in half a dozen countries, was unable to service its debt obligations.

"All funds paid to IPIC are from proceeds of the ongoing rationalization program," 1MDB said in a statement, referring to an effort to reduce debt by selling assets. No other details were offered.

1MDB initially said in a statement that \$360 million had been paid, then lowered the figure to \$350 million, blaming a typographical error.

In a separate statement to the London Stock Exchange on Friday, IPIC confirmed it had received the payment.

Earlier this month, Malaysian Prime Minister Najib Razak had said funds existed for the payment but it hadn't been paid for unspecified

reasons. The prime minister's office didn't respond to requests to comment.

The balance of the \$628.75 million that 1MDB had previously been obliged to pay the Abu Dhabi fund by July 31 is now due by the end of this month. IPIC said last week that it had granted 1MDB the extension provided that it paid at least \$310 million by Saturday.

The partial payment comes after 1MDB missed the original deadline and an initial five-day extension granted by IPIC. The Malaysian fund also has to pay default interest on the delayed payment, according to IPIC.

1MDB was launched by Mr. Najib in 2009 to spur economic development but accumulated \$13 billion in debt and is in the process of being wound down.

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 else-

where. U.S. investigators allege at least \$4.5 billion was stolen.

1MDB has denied wrongdoing and promised to cooperate with investigators. Mr. Najib also has denied wrongdoing and was cleared of any wrongdoing by the Malaysian attorney general.

IPIC and 1MDB signed a settlement agreement in April. The roughly \$600 million payment owed to IPIC 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.

IPIC had said it would pay IPIC back from the proceeds of the sale of those fund units through a "monetization." It hasn't given details.

The mystery surrounding the units, owned by a 1MDB subsidiary called Brazen Sky, has plagued 1MDB for years. The company went through three auditors trying to find one to value it without seeing the underlying assets, according to 1MDB board minutes.

Another payment of about \$600 million to IPIC is due at year-end.

—Nikhil Lohade contributed to this article.

\$350

Amount in millions that 1MDB paid to Abu Dhabi fund IPIC

Earlier this month, Malaysian Prime Minister Najib Razak had said funds existed for the payment but it hadn't been paid for unspecified

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FUND NAME GF AT LB DATE CR NAV YTD 2-YR %RETURN—

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8866 CAM-CF Limited OT MUS 08/04 USD 31208.09 3.3 5.5 3.0

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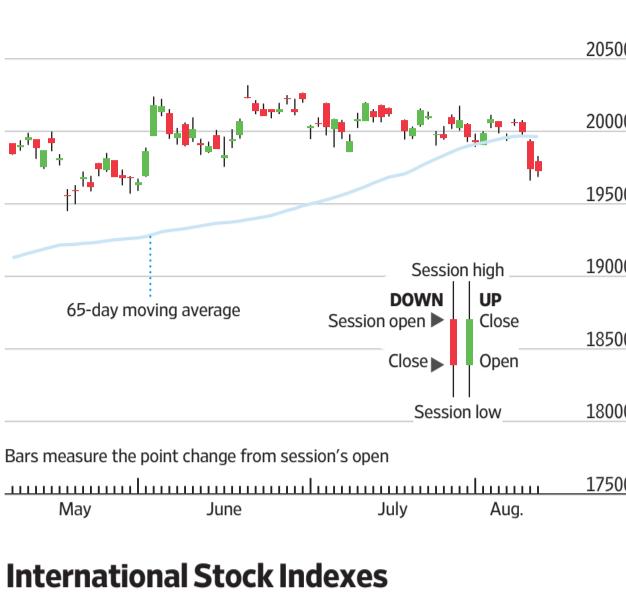
MARKETS DIGEST

Data as of Friday, August 11, 2017

Nikkei 225 Index

19729.74 Market Closed

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.

STOXX 600 Index

372.14 ▼ 3.91, or 1.04%

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



May June July Aug.

S&P 500 Index

4 p.m. New York time

Last 23.59 24.91

P/E estimate * 18.78 18.57

Dividend yield 1.99 2.09

All-time high: 2480.91, 08/07/17

2441.32 ▲ 3.11, or 0.13%

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



May June July Aug.

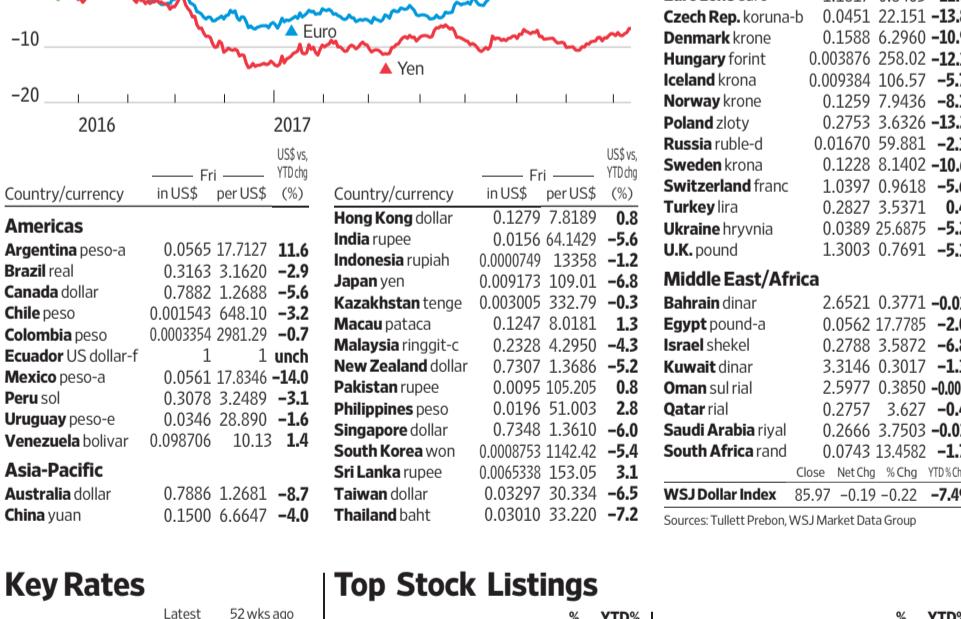
International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2821.52	-9.46	-0.33	2390.11	2878.99	11.5		
	MSCI EAFE	1916.65	-10.76	-0.56	1614.17	1955.39	13.8		
	MSCI EM USD	1042.80	-13.41	-1.27	838.96	1078.53	20.9		
Americas	DJ Americas	586.72	0.68	0.12	503.67	596.96	8.6		
Brazil	Sao Paulo Bovespa	67358.59	366.50	0.55	56820.77	69052.03	11.8		
Canada	S&P/TSX Comp	15033.38	-40.87	-0.27	14349.10	15922.37	-1.7		
Mexico	IPC All-Share	50645.10	-261.74	-0.51	44364.17	51713.38	11.0		
Chile	Santiago IPSA	3824.14	-18.08	-0.47	3127.54	3905.76	18.6		
U.S.	DJIA	21858.32	14.31	0.07	17888.28	22118.42	10.6		
	Nasdaq Composite	6256.56	39.68	0.64	5046.37	6422.75	16.2		
	S&P 500	2441.32	3.11	0.13	2085.18	2480.91	9.0		
	CBOE Volatility	15.51	-0.53	-3.30	9.36	22.51	10.5		
EMEA	Stoxx Europe 600	372.14	-3.91	-1.04	328.80	396.45	3.0		
	Stoxx Europe 50	3030.83	-33.37	-1.09	2730.05	3276.11	0.7		
France	CAC 40	5060.92	-54.31	-1.06	4332.45	5432.40	4.1		
Germany	DAX	12014.06	-0.24	-0.00	10259.13	12888.95	4.6		
Greece	ATG	823.55	-10.23	-1.23	551.93	858.08	28.0		
Israel	Tel Aviv	1363.50	...	Closed	1363.50	1478.96	-7.3		
Italy	FTSE MIB	21354.02	-327.59	-1.51	16134.71	22048.30	11.0		
Netherlands	AEX	516.97	-6.66	-1.27	439.07	536.26	7.0		
Russia	RTS Index	1022.41	-6.85	-0.67	944.96	1195.61	-11.3		
Spain	IBEX 35	1028.90	-167.10	-1.60	8450.60	11135.40	10.0		
Switzerland	Swiss Market	8884.04	-65.82	-0.74	7593.20	9176.99	8.1		
South Africa	Johannesburg All Share	55155.13	-545.51	-0.98	48935.90	56163.60	8.9		
Turkey	BIST 100	106963.10	-837.32	-0.78	72519.85	109781.13	36.9		
U.K.	FTSE 100	7309.96	-79.98	-1.08	6665.63	7547.63	2.3		
Asia-Pacific	S&P/ASX 200	5693.10	-67.80	-1.18	5156.60	5956.50	0.5		
China	Shanghai Composite	3208.54	-53.21	-1.63	2980.43	3292.64	3.4		
Hong Kong	Hang Seng	26883.51	-560.49	-2.04	21574.76	27854.91	22.2		
India	S&P BSE Sensex	31213.59	-317.74	-1.01	25765.14	32575.17	17.2		
Indonesia	Jakarta Composite	5766.14	-59.81	-1.03	5027.70	5910.24	8.9		
Japan	Nikkei Stock Avg	19729.74	...	Closed	16251.54	20230.41	3.2		
Malaysia	Kuala Lumpur Composite	1766.96	-10.81	-0.61	1616.64	1792.35	7.6		
New Zealand	S&P/NZX 50	7719.11	-70.60	-0.91	6664.21	7799.64	12.2		
Philippines	PSEI	7928.43	-37.82	-0.47	6563.67	8071.47	15.9		
Singapore	Straits Times	3279.72	-43.52	-1.31	2787.27	3354.71	13.8		
South Korea	Kospi	2319.71	-39.76	-1.69	1958.38	2451.53	14.5		
Taiwan	Weighted	10329.57	-0.17	-0.00	8902.30	10579.38	11.6		
Thailand	SET	1561.31	-10.33	-0.66	1406.18	1591.00	1.2		

Currencies

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



London close on Aug. 11

US\$ vs. Fri YTD chg (%)

Country/currency in US\$ per US\$ (%)

Key Rates

Latest 52 wks ago

Cur Stock	Sym	Last	% Chg	YTD% Chg	Cur Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans									
Stoxx 50									
Liber					CHF ABB	ABBN	21.98	-0.45	2.33
One month	122889%	0.50765%			CHF ABB	ABBN	21.98	-0.45	2.33
Three month	130911	0.81700			CHF ABB	ABBN	21.98	-0.45	2.33
Six month	145278	1.20395			CHF ABB	ABBN	21.98	-0.45	2.33
One year	1.72844	1.51950			CHF ABB	ABBN	21.98	-0.45	2.33
Euro Libor				</td					

The collage shows a laptop, a tablet, and a smartphone all displaying different sections of The Wall Street Journal's digital platform. The laptop screen features a large green callout bubble in the top right corner with the text "Data Plus" and a subtext: "Don't just track the markets—get live analysis up to the closing bell and beyond." The tablet screen shows a detailed financial chart titled "Amazon Pushes Into New Terrain With \$13 Billion Whole Foods Deal". The smartphone screen displays a news article about health insurance plans.

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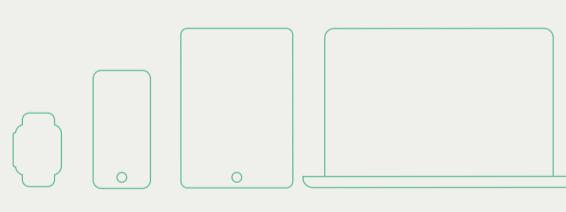
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MARKETS

THE DAILY SHOT | By Lev Borodovsky and Colin Barr

China Drives a Melt-Up in Metals Prices

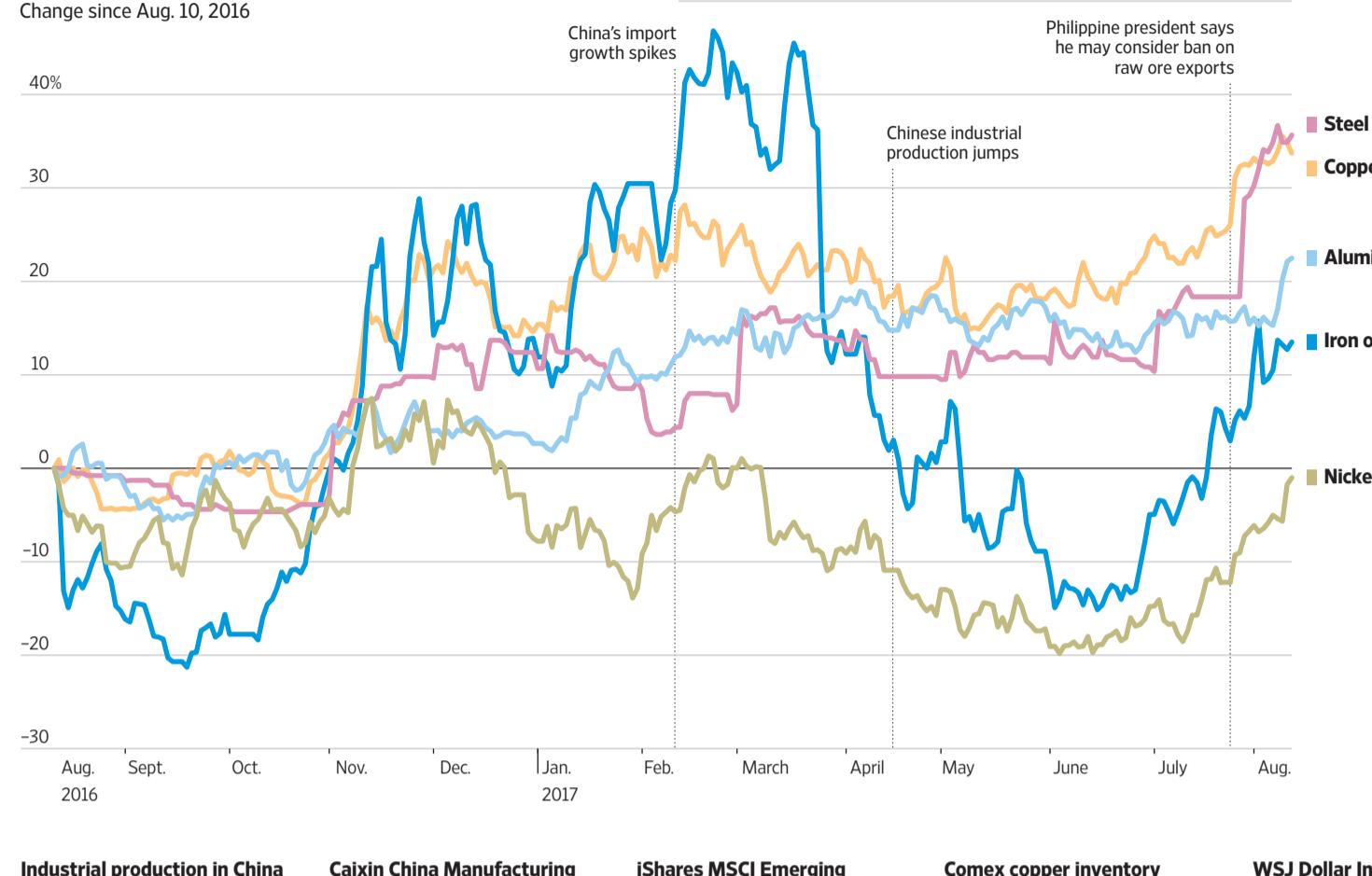
Signs that China's economy is rebounding, led by solid growth in manufacturing and construction activity, have helped fuel a furious rally in industrial commodities. Beijing has also been trying to cut back on overcapacity, especially in steel and aluminum, further boosting prices.

Industrial commodities such as iron ore, steel, aluminum and copper have been surging. Nickel also has shot up since Philippine President Rodrigo Duterte last month chided the country's mining industry for its environmental record and said he may consider stopping the exports of unprocessed raw materials. The Philippines is the world's largest exporter of nickel ore.

China's revival, together with a softening U.S. dollar, have helped support a significant rally this year in emerging-markets shares.

But is the rally overdone? Copper inventories on Comex have been on the rise, suggesting that the market is well supplied. What's more, the rally appears vulnerable to the rising tension between the U.S. and North Korea. Like so many wild cards in financial markets, that one may not matter until it does.

Price performance Change since Aug. 10, 2016



Industrial production in China Change from a year earlier



Caixin China Manufacturing Purchasing Managers Index



iShares MSCI Emerging Markets exchange-traded fund



Comex copper inventory



WSJ Dollar Index



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Sources: Thomson Reuters (steel rebar, aluminum, nickel); FactSet (copper, iron ore); National Bureau of Statistics of China (industrial production); IHS Markit (PMI); WSJ Market Data Group (ETF, dollar index); Commodities Exchange Center (copper inventory)

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Focus on RH Debt, Not Buyback

The motto for Restoration Hardware-owner RH is: "Where less is more and minimal is magnified." The same awkward phrase applies to RH's stock.

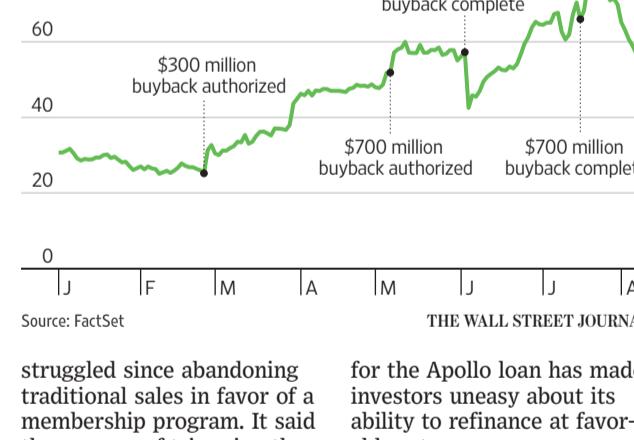
Over the span of less than five months earlier this year, RH bought back 48% of its shares outstanding. Its remaining shares more than tripled in price.

That crushed short sellers who had bet heavily against the maker of expensive, retro-style furniture and enriched shareholders, including RH's board and management. But the real story for RH lies in its debt.

RH borrowed more than half of the \$1 billion it spent on buying back its stock, including a \$100 million second lien term loan from Apollo Global Management bearing an interest rate of 9.48% as of July 14. This pushed its net debt to 7.6 times trailing earnings before interest, taxes, depreciation and amortization, excluding leases, up from 4.6 times.

RH reported a first-quarter net loss on June 1 and lowered full-year guidance. It has

Padded Furniture



penditures.

RH said it expects to repay the Apollo loan by the end of the fiscal year with the "significant free cash flow" it expects to generate.

RH's shares have dropped sharply over the past three weeks, although they still trade at more than 20 times fiscal 2017 earnings estimates. Despite the earlier pain, short sellers still are betting heavily against the company.

Chief Executive Gary Friedman held 16.7% of RH's stock as of April 28, which should now be a 29% stake, assuming he didn't buy or sell any stock since then. Meanwhile, he is selling a 5,770-square-foot mansion in Saint Helena, Calif., renovated, designed and furnished by an RH team.

On the positive side, RH generated \$112 million in free cash flow in the first quarter and analysts are forecasting free cash flow of \$194 million for the full year. Operating cash flow is getting a short-term boost from its efforts to reduce inventory. RH also is slowing the pace at which it is opening new large-format stores, lowering capital ex-

for the Apollo loan has made investors uneasy about its ability to refinance at favorable rates.

On the positive side, RH generated \$112 million in free cash flow in the first quarter and analysts are forecasting free cash flow of \$194 million for the full year. Operating cash flow is getting a short-term boost from its efforts to reduce inventory. RH also is slowing the pace at which it is opening new large-format stores, lowering capital ex-

penditures.

For anyone betting against the stock, the biggest risk is that Mr. Friedman will team up with Apollo or another firm to take the company private. That could cause the stock to soar. Barring such an event, the air should continue to leak from RH's overinflated shares.

—Miriam Gottfried

OVERHEARD

Beijing's Grip Tightens on Web Giants

By blocking foreign competition, China's censorship regime has groomed the country's internet companies into some of the world's biggest companies. Now Big Brother is turning against the behemoths.

The country's largest social-media platforms—including internet giant Tencent's ubiquitous WeChat messaging app, Twitter-like microblogging site Weibo and Tieba, a message board run by search leader Baidu—are being investigated for spreading rumors, pornography and terror-related content that threaten public security and social order, in the words of China's internet regulator Friday.

If not a crackdown, this is certainly another insistent nudge: Beijing wants the companies to be more alert for content that it might consider threatening to its grip on power and on discourse. In June, the government ordered Weibo to stop streaming video and audio content that propagate "negative speech." A month earlier, Tencent had received a similar warning.

Their services haven't been interrupted, but Beijing's ever-tighten grip should worry investors. Last month tons of foreign entertainment content was forced off video sites.

Chinese internet companies have been relatively free so long as they keep the most politically sensitive content off their sites. A heavier Beijing hand could stifle the creativity that has allowed them to thrive.

Shares of Hong Kong-listed Tencent fell 5% Friday, partly because of the news. Chinese internet names have rallied this year—Tencent up 64%, New York-listed Weibo doubling—but now may be the time to price in the risks of censorship.

—Jacky Wong

Productivity Woes Portend Margin Pressure for U.S. Firms

Productivity growth is companies' best weapon against rising costs. Unfortunately for them, it has been extraordinarily weak and is unlikely to get much better.

Productivity is the secret sauce of a strong economy. The more workers can produce, the faster the economy can grow—a situation that tends to be good for workers and employers alike, who typically share in a growing pie. A big part of why the U.S. economy has been so disappointing in recent years is that productivity growth has been so scant.

Figures released by the Labor Department on Wednes-

day showed that productivity, as measured by how much the typical worker produces in a typical hour, has grown at just a 0.6% annual rate over the past five years. The only time on record when productivity's trend was weaker was during the dismal period that spanned the late 1970s through the early 1980s.

A big part of why productivity has been so weak is that for years now, companies have been hesitant to invest in the new plants and equipment that could help them operate more efficiently. Some of this probably reflected worries about whether the returns those

What Robot Invasion?

Five-year change in productivity, at an annual rate



Source: Labor Department

toward dividends and share buybacks. Weak wage growth also may have taken away some of the urgency to buy labor-saving equipment.

Now, though, plenty of companies probably wish they had some of that equipment in place. Labor costs are rising, and with the unemployment rate at its lowest level in over decade, workers are harder to come by. But unfortunately for the companies, boosting productivity isn't as simple as buying a new piece of equipment and plugging it in. You have to integrate it into your operations, and train your workers how to use it, both

of which take time.

Moreover, while profit growth has been strong lately, it has been driven mainly by multinationals' overseas operations, with domestic profit growth slowing.

The problem is that, when profits weaken, companies' knee-jerk tendency is to go into cost-cutting mode rather than to buy equipment that might boost efficiency in the future.

This suggests that companies will continue to struggle to find offsets for higher costs, kicking themselves for not investing more in the past while still hesitating to invest more for the future.

—Justin Lahart