

THE WALL STREET JOURNAL.

DOW JONES | News Corp

FRIDAY - SUNDAY, AUGUST 4 - 6, 2017 ~ VOL. XXXV NO. 130

WSJ.com EUROPE EDITION

DJIA 22026.10 ▲ 0.04%

NASDAQ 6340.34 ▼ 0.35%

NIKKEI 20029.26 ▼ 0.25%

STOXX 600 378.93 ▲ 0.08%

BRENT 52.01 ▼ 0.67%

GOLD 1267.80 ▼ 0.31%

EURO 1.1877 ▲ 0.17%

What's News

Business & Finance

Avon said its CEO will resign in March, as the company grapples with weak results and pressure from activist investors. **A1**

◆ The U.S. case against two ex-J.P. Morgan traders collapsed after the "London Whale" shifted blame for hiding losses to top officials. **A1**

◆ Teva shares plunged after the generic-drugs maker posted disappointing results, cut its full-year outlook and slashed its dividend. **B1**

◆ Facebook is rolling out a "related articles" feature as part of its strategy to fight fake news. **B1**

◆ FedEx said it won't charge added fees for most orders during the holiday season, undercutting rival UPS. **B2**

◆ Kering agreed to drop a suit against Alibaba as part of a deal to fight counterfeit goods on the Chinese company's websites. **B3**

◆ LSE's chief backed a proposal for a new listing category for state-owned firms, a move that could make it easier to woo Aramco. **B5**

◆ Commonwealth Bank was accused by an Australian agency of lapses in efforts to fight money laundering and financial crimes. **B5**

◆ Invesco is in talks to buy Guggenheim Partners' retail-funds business. **B5**

◆ The Fed proposed scaling back the requirements it places on banks' boards. **B5**

◆ Inflation in the G-20 fell to its lowest level in almost eight years in June. **A3**

World-Wide

◆ Special Counsel Mueller has impaneled a grand jury to investigate Russia's interference in the 2016 U.S. elections, a sign his inquiry is growing in intensity and likely will continue for months. **A1**

◆ China urged the U.S. to back off plans for tough trade actions, warning that conflict would hurt both countries. **A3**

◆ A Chinese court gave a four-year prison term to an activist known for documenting social unrest and labor tensions. **A3**

◆ Japan's Abe named new cabinet members, aiming to shore up plunging approval ratings and head off potential unrest in his party. **A3**

◆ Trump tweeted that relations with Russia had deteriorated to an "all-time & very dangerous low," and said Congress was to blame. **A4**

◆ Kushner's family firm was subpoenaed by federal prosecutors regarding its use of an investment-for-immigration program. **A5**

◆ The Justice Department is seeking attorneys to probe racial bias in U.S. college admissions in a complaint by Asian-Americans. **A5**

◆ The Bank of England said that it anticipates raising interest rates in the U.K. at a faster pace than investors currently expect. **A4**

◆ Brazil's President Temer fended off corruption charges, allowing the political establishment to preserve its hold on power. **A3**

CONTENTS Markets B8
Books A7-9 Off Duty W1-8
Business News B3 Opinion A10-11
Crossword A12 Technology B4
Head on Street B8 U.S. News A5
Life & Arts A12 Weather A12
Mansion W9-12 World News A2-4

€3.20; CHF5.50; £2.00;
U.S. Military (Eur) \$2.20

3 1
9 7792 19 986153

© Copyright 2017 Dow Jones & Company. All Rights Reserved

Iranian President Starts New Term in Office



SITTING PRESIDENT: Iranian Supreme Leader Ali Khamenei, left, formally endorsed a second presidential term for Hassan Rouhani, right.

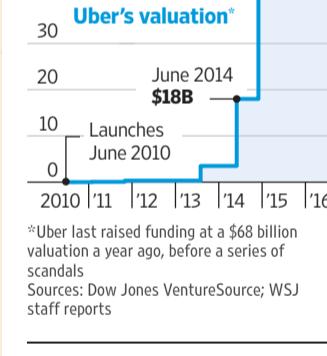
HOW A CAR FIRE IN SINGAPORE SPARKED A QUIET CRISIS AT UBER

Chasing growth, the company bought Hondas in Singapore subject to a recall—then one caught fire

BY DOUGLAS MACMILLAN AND NEWLEY PURNELL

Driving Growth

Uber's valuation rose rapidly as it pursued global market share.



*Uber last raised funding at a \$68 billion valuation a year ago, before a series of scandals. Sources: Dow Jones VentureSource; WSJ staff reports

Uber driver Koh Seng Tian had just dropped off a passenger in a residential neighborhood in Singapore when he smelled smoke in his Honda Vezel sport-utility vehicle. Flames burst from the dashboard, melting the interior and cracking a football-size hole in his windshield.

Mr. Koh walked away unhurt, according to the accident report filed with authorities. But the fire in January caused panic at Uber Technologies Inc.

The ride-hailing company had rented the Vezel to Mr. Koh after Honda Motor Co. recalled the model in April 2016 for an electrical component that could overheat and catch fire.

Uber managers in Singapore were aware of the Honda recall when they bought more than 1,000 defective Vezels and rented them to Mr. Koh and other drivers without the needed repairs, according to internal Uber emails and documents reviewed by The Wall Street Journal and interviews with people

familiar with Uber's operations in the region.

Three days after the fire, executives at Uber's San Francisco headquarters were briefed on a response plan, according to the emails and former Uber managers in Asia: The company would deactivate the faulty devices and leave the cars on the road while waiting for replacement parts. The plan called for seeking approval from Singapore authorities and advice from auto-repair experts.

In the wake of the Vezel fire, Singapore managers sought to add new safety measures, Uber said. After the fire, "we took swift action to fix the problem, in close coordination with Singapore's Land Transport Authority as well as technical experts," an Uber spokesman said. "But we acknowledge we could have done more—and we have done so."

The emails don't indicate whether San Francisco executives knew about the Vezel safety recall before Mr. Koh's car caught fire.

Mr. Koh, 61, declined to comment.

Please see UBER page A6

Trader Blames Top Brass For 'London Whale' Mess

The U.S. case against two former J.P. Morgan Chase & Co. traders charged with concealing billions of dollars in losses fell apart because a key

witness known as the London Whale shifted blame to Chief Executive Officer James Dimon and other top executives,

according to a person familiar with the matter.

The 2012 trading debacle that unfolded inside a London outpost of J.P. Morgan ultimately cost the U.S. bank more than \$6 billion. The former trader Bruno Iksil, who was nicknamed the London Whale for his outsize bets, agreed in 2013 to testify against former coworkers Javier Martin-Artajo and Julian Grout for their alleged roles in concealing the losses.

By Lucy McNulty, Gregory Zuckerman and Rebecca Davis O'Brien

But over the past year, Mr. Iksil changed his story.

"I mostly inferred that Dimon and his close lieutenants were responsible much, much more than my two colleagues could ever be," Mr. Iksil said in an email, his first comments since prosecutors requested the case be dropped on July 21.

Mr. Iksil's shifting explanations about who was responsible helped to end the high-profile U.S. criminal case, the

According to a person familiar with the matter.

The 2012 trading debacle that unfolded inside a London outpost of J.P. Morgan ultimately cost the U.S. bank more than \$6 billion. The former trader Bruno Iksil, who was nicknamed the London Whale for his outsize bets, agreed in 2013 to testify against former coworkers Javier Martin-Artajo and Julian Grout for their alleged roles in concealing the losses.

But over the past year, Mr. Iksil changed his story.

"I mostly inferred that Dimon and his close lieutenants were responsible much, much more than my two colleagues could ever be," Mr. Iksil said in an email, his first comments since prosecutors requested the case be dropped on July 21.

Mr. Iksil's shifting explanations about who was responsible helped to end the high-profile U.S. criminal case, the

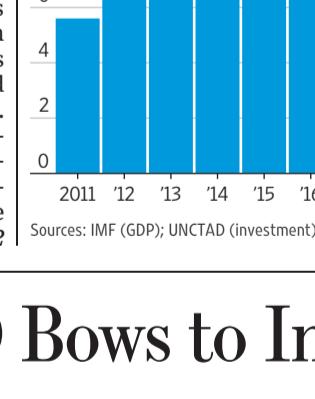
Please see TRADER page A2

Investors Lose Faith in Suu Kyi's Myanmar

Myanmar's opening economy is among the world's fastest growing, but GDP expansion and foreign investment have both slipped under a new government. **A3**

GDP growth

Change from a year earlier



Sources: IMF (GDP); UNCTAD (investment)

Foreign direct investment



THE WALL STREET JOURNAL.

Blimey, Now We Can't Even Swear Over Our Pints Anymore

*

*

*

A British pub chain bans expletives, eliciting profane objections from patrons

By JOE PARKINSON AND GEORGI KANTCHEV

LONDON—One afternoon last week at The Cock Tavern, Allan Gow and Callum Herod were on a rant about how "bollocks" shouldn't be classified as an unacceptable word.

The 18th-century pub, close to London's Oxford Street, recently banned the use of expletives, and the two former military men were voicing objections. "You just can't ban swearing in a place where they serve alcohol," said Mr. Gow, 63, over a pint of Organic Lager. "That's bullshit."



"Tell whoever issued this ridiculous policy," said Mr. Herod, 64, "to go stuff themselves." Samuel Smith Old Brewery, the 250-year-old brewery that operates The Cock Tavern and more than 200 other pubs across Britain, in April instituted a "zero-tolerance policy" against swearing—the first time, pub historians say, a British pub chain has sought an official ban.

The pubs' "landlords," as the British call tavern operators, have been instructed to refuse orders from foul-mouthed drink-

ers.

Avon CEO Bows to Investor Push

BY IMANI MOISE AND SHARON TERLEP

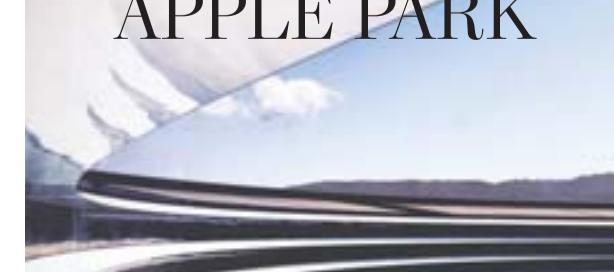
Avon Products Inc. said Chief Executive Sheri McCoy will resign in March, as the company grapples with weak results and pressure from activist investors to accelerate its turnaround plan.

The announcement of Ms. McCoy's exit on Thursday comes as the company reported bleak second-quarter results in which sales declined and fewer people around the world sold Avon products.

The company is two years into a three-year restructuring effort, which has come under

Please see AVON page A2

INSIDE



Mueller Imppanels Grand Jury in Probe

BY DEL QUENTIN WILBER AND BYRON TAU

Special Counsel Robert Mueller has impaneled a grand jury in Washington to investigate Russia's interference in the 2016 elections, a sign that his inquiry is growing in intensity and entering a new phase, according to people familiar with the matter.

The grand jury, which began its work in recent weeks, signals that Mr. Mueller's inquiry will likely continue for months. Mr. Mueller is investigating Russia's efforts to influence the 2016 election and whether President Donald Trump's campaign or associates colluded with the Kremlin as part of that effort.

A spokesman for Mr. Mueller, Joshua Stueve, declined to comment. Moscow has denied seeking to influence the election, and Mr. Trump has vigorously disputed allegations of collusion. The president has called Mr. Mueller's inquiry a "witch hunt."

Ty Cobb, special counsel to the president, said he wasn't aware that Mr. Mueller had started using a new grand jury. "Grand jury matters are typically secret," Mr. Cobb said. "The White House favors anything that accelerates the conclusion of his work fairly....The White House is committed to fully cooperating with Mr. Mueller."

Before Mr. Mueller was tapped in May to be special counsel, federal prosecutors had been using at least one other grand jury, located in Alexandria, Va., to assist in their criminal investigation of Michael Flynn, a former national security adviser. That probe, which has been taken over by Please see PROBE page A5

◆ Russia portrays a Washington in turmoil..... A4

◆ Trump says ties are at historic low, blames Congress..... A4

FEROCIOUS ELECTRIC CARS

OFF DUTY, WI

SUMMER HOME SMACKDOWN

MANSION, W9

WORLD NEWS

Iraq's Murky Lesson For U.S. in Afghanistan



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

As President Donald Trump's administration weighs how to handle Afghanistan's chronic war, looming large is the question of what is the right lesson of the 2011 U.S. withdrawal from another conflict: Iraq.

Was it a strategic failure—or a step that, over the long term and at significant cost, forced the Iraqis to assume responsibility for their own war? And if so, can this experience be replicated in Afghanistan?

In 2014, as Islamic State surged to the doorstep of Baghdad and the Iraqi army collapsed, it seemed to many that the American pullout was a catastrophic mistake that enabled international terrorism.

Now that reinvigorated Iraqi security forces have rolled back most of Islamic State's gains, this perspective isn't as clear-cut—even taking into account the war's huge human toll.

After all, in the absence of American backup, Islamic State's existential threat forced a strong immune response from the Iraqi body politic.

The Popular Mobilization Forces that sprang up from Shiite militias in 2014, after a call to defend the homeland by top Iraqi Shiite cleric Grand Ayatollah Ali al-Sistani, stopped the extremist group's blitzkrieg.

Then, quarreling Iraqi po-



A Marine watched as a statue of Saddam Hussein was toppled in Baghdad in 2003. The U.S. withdrew most of its forces from Iraq in 2011.

litical factions came together. The Kurdish regional government in the north ushered in unprecedented security cooperation with Baghdad and the rebuilt Iraqi army. Defeating Islamic State became an Iraqi rather than an American war.

"The American withdrawal put Iraqis in front of their own challenges and they realized that they have to resolve these problems on their own," said Iraqi lawmaker Dhiya al-Assadi. Mr. Assadi heads a parliamentary bloc of supporters of Moqtada al-Sadr, a populist Shiite cleric whose militias used to fight U.S. troops before 2011.

True, the U.S. and other Western allies had to send troops back to

Iraq, mostly in an advisory capacity, in 2014. They are, however, viewed very differently these days. Even the once-hostile Shiite militias consider them, however reluctantly, de facto allies.

So, as the White House debates its options in Afghanistan—ranging from a significant troop increase to a full withdrawal—to what extent are Iraq's experiences applicable to the Afghan conflict? Could the Afghan state, left to its own devices at least for a time, also transform the battle against the Taliban into a national and popular struggle?

The answer is, most likely, no. America's Afghan war, now 16 years long, is different from the Iraqi conflict in many crucial respects. And

that is not just because Afghan President Ashraf Ghani, unlike Iraq's leader six years ago, wants an American military presence to continue for as long as possible.

While the Iraqi insurgency raged within the country's Sunni minority, Afghanistan's Taliban are drawn mostly from the country's dominant ethnic group, the Pashtuns.

And the Taliban keep advancing despite the presence of nearly 9,000 U.S. troops. While U.S. casualties in Afghanistan are relatively rare nowadays, they still occur. On Wednesday, the Pentagon said two U.S. troops died in Kandahar. Unlike oil-rich Iraq, Afghanistan can't pay for its own military and requires several billion dollars in Western assistance every year.

Add to this a political class that is even more corrupt and riven by infighting than the Iraqis in 2014, and it becomes clear that removing the American backstop would likely precipitate a rapid and inevitable collapse of the Afghan state, former and current Western officials say.

"Withdrawing and daring the Afghans to 'step up' when they cannot without U.S. support is a recipe for disaster," said James Cunningham, a former U.S. ambassador to Kabul and a non-resident fellow at the Atlantic Council think tank.

In Iraq, he added, "victory" depended on circumstances that are particularly Iraqi and the destruction of a major city. The circum-

stances in Afghanistan are different and collapse of the government and reversion to chaos will not be easily reversed, if at all."

That is one of the reasons why America's North Atlantic Treaty Organization allies, even though many of them pressed for an end date to the Afghan military mission five years ago, have since accepted the open-ended deployment. That is especially so given the emergence of Islamic State's regional affiliate in parts of Afghanistan.

Compared with Afghanistan today, "Iraq was far more stable at the time of the U.S. withdrawal, and it still collapsed," said Vali Nasr, dean of the School of Advanced International Studies at Johns Hopkins University and a former State Department adviser on Afghanistan. "Afghan national security forces don't look like they have the capacity to take on the Taliban and ISIS. They are losing ground even with U.S. troops there and will lose even more ground without U.S. troops."

While a military victory against the Taliban isn't in the cards anytime soon, the relatively small U.S. presence in Afghanistan prevents the fall of Kabul and other main cities. Considering the failure of past military surges to permanently alter the situation on the ground, such a stalemate may be the best possible outcome.

"The overall lesson in the region as a whole and its various parts is we can neither pivot out of it, nor go in massively to fix it definitively," said James Jeffrey, a former U.S. ambassador to Iraq who is a fellow at the Washington Institute for Near East Policy. "Rather, we have to deal with it on a long-term basis like a chronic illness."

TRADER

Continued from the prior page
person said.

On July 21, prosecutors in the Manhattan U.S. attorney's office filed a motion in federal court to drop the charges against Messrs. Martin-Artajo and Grout, saying the government "no longer believes that it can rely on the testimony of Iksil in prosecuting this case" after "a review of recent statements and writings made by Iksil." The office provided no other details beyond that statement.

The reversal is an unexpected turn in one of the biggest banking scandals since the end of the 2008 financial crisis. The 2012 fiasco raised questions about risk controls inside J.P. Morgan—which initially had dismissed the possibility of significant losses related to the trades—and led to congressional testimony from many of the bank's top officers, including Mr. Dimon. The bank eventually paid at least \$800 million in fines to regulators. "We have accepted responsibility and acknowledged our mistakes from the start, and we have learned from them and worked to fix them," Mr. Dimon said in a September 2013 statement.

The evolution of Mr. Iksil's views over the past year was reflected on a website he created to explain his version of events; a 400-page unpublished memoir; and a letter to several publications.

The losses, Mr. Iksil wrote in a chapter of the unpublished memoir reviewed by Dow Jones & Co.'s Financial News, developed in the years after senior managers asked a London outpost of the bank known as the Chief Investment Office to reduce certain positions.

Mr. Iksil never asserted that Mr. Dimon gave this initial order, but on his website, he cited a September 2010 public presentation from the CEO that predicted such reductions as a way of meeting new regulatory demands.

Even as losses mounted in 2012, valuations of those positions weren't hidden, Mr. Iksil wrote in his memoir. Instead, he wrote, they were communicated to top bank officers, suggesting to Mr. Iksil that others were fully aware of the issues.



J.P. Morgan Chase Chief Executive James Dimon

A J.P. Morgan spokeswoman declined to comment about Mr. Iksil's allegations.

A federal judge formally closed the criminal case against Messrs. Martin-Artajo and Grout last week. Both men still face civil charges brought by the Securities and Exchange Commission. They have denied wrongdoing.

Mr. Iksil in 2013 reached a deal with U.S. prosecutors to not be prosecuted in exchange for his willingness to testify. J.P. Morgan hasn't been charged.

The question of who was ultimately responsible for the losses was a subject of public debate after the losses came to light. J.P. Morgan said in its 2013 report on the episode that Mr. Dimon and the bank's chief financial officer instructed the office in late 2011 to reduce its exposure to riskier assets as a way of meeting new regulatory demands, but traders then placed inaccurate values on certain positions as they debated the size of the losses.

Top J.P. Morgan executives, including the person in charge of the office responsible for the trades, testified publicly that they were often misinformed about the positions by the firm's traders.

But a report issued by the U.S. Senate Permanent Subcommittee on Investigations concluded the bank didn't express a problem with how the positions were being treated, brushed off internal warnings and misled regulators and investors about the scope of its losses. The same report, citing testimony from Mr. Iksil, stated that a decision was first made in 2010 to shrink the po-

sitions but didn't attribute that order to any specific person.

Mr. Iksil's latest version of events aligns more closely with the Senate's report. In his emailed comment, he says he looked through reports published by the Senate and J.P. Morgan in 2013 as well as details of an investigation into the matter by the U.K.'s Financial Conduct Authority. The FCA shared those details with Mr. Iksil before it dropped its investigation of the trader in 2015, according to the FCA and Mr. Iksil.

In his email, Mr. Iksil surmised that his change hurt the U.S. case against his former colleagues. It "certainly relied on my testimony...after reading my recent statements and writing...the DOJ got the belief" that they could not proceed with the case," Mr. Iksil wrote.

But Mr. Iksil said the failure of the case wasn't all due to his new stance. The case stalled, he said, because U.S. authorities weren't able to extradite Mr. Martin-Artajo, a Spanish citizen, and Mr. Grout, a French citizen.

"Extradition was impossible so far, which means that the DOJ could not proceed with its case anyway," he wrote.

When announcing they would drop the charges on July 21, federal prosecutors noted that a Spanish court had rejected a request to extradite Mr. Martin-Artajo, and said they had determined attempts to extradite Mr. Grout from France "would have been futile."

"Even if the defendants appeared," the prosecutors said, they no longer believed they could rely on Mr. Iksil's testimony.

AVON

Continued from the prior page

Coy's ouster, arguing she had "overseen a tremendous destruction of shareholder value" and wasn't able to adequately manage the company.

The Wall Street Journal previously reported that Ms. McCoy, who has run the company since 2012, had been in talks with the company's board over the timing and terms of her departure, according to people familiar with the discussion, and the company has made some key executive appointments in recent weeks.

Avon said it has retained executive search firm Heidrick & Struggles to help find a successor to Ms. McCoy.

Avon, one of the U.S.'s largest direct sellers, has been losing legions of its door-to-door sales representatives as it has failed to modernize its products and capitalize on the internet's influence over shopping habits. In its most recent quarter, active representatives declined 3% across all of the company's segments and average orders declined 1%.

The beauty company pledged to turn business around when it launched a transformation plan in 2016. Avon sold its North America business to private-equity giant Cerberus Capital Management last year as the segment struggled to focus on its stronger international business.

The move temporarily quelled investor concerns, but a surprise loss in the first quarter of this year put Ms. McCoy back under scrutiny.

Standard Chartered PLC is targeting a return on equity above 8% by an unspecified date and then will seek to get it above 10%, after having to delay targets to reach 8% by 2018 and 10% by 2020. A Business & Finance article Thursday erroneously said the target was to be above 8% by 2020.

Office rents in some of Barcelona's 22@ District's buildings are as high as \$21.93 for 10 square feet. An International

"We got to a point where we had conversations and decided it was the right time," Ms. McCoy said in an interview. "It is the right time, and I am very proud of what I've done."

Ms. McCoy, who declined to comment on the terms of her exit, said she succeeded in her main goals: splitting off and selling Avon's North American unit, relocating the company from the U.S. to London and putting in place a new management team. "The board always knew I wasn't going to stay in the U.K.," she said.

Ms. McCoy's departure marks the second announce-



Avon CEO Sheri McCoy

ment of a female chief executive's resignation this week. The move also highlights a recent shift by activists, who are increasingly targeting CEOs as they seek new ways to boost the shares of targets.

Since January, such investors have helped push out the leaders of insurance giant American International Group Inc., railroad CSX Corp., aerospace-parts maker Arconic Inc., restaurant chain Buffalo Wild Wings Inc. and

property article on Wednesday about Barcelona incorrectly said the rents were as high as \$23.46 for 10 square feet.

Garry Kasparov's last name was misspelled as Kasparao in the headline of a Life & Arts article Wednesday about celebrities coming out of retirement.

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

now Avon.

In all, for the second quarter, the company reported adjusted earnings of 3 cents per share, down from 7 cents a year earlier. Revenue fell 3% to \$1.35 billion. Analysts polled by Thomson Reuters were expecting earnings of 7 cents on \$1.44 billion in sales.

Given its second-quarter performance, Avon now expects full-year sales to be on the low end of its previous guidance.

Avon's results for the quarter were further marred by some missteps that cost the company sales and frustrated representatives.

In the U.K., Avon switched over from local carriers to a national delivery firm, which meant that representatives weren't able to get their deliveries scheduled as conveniently as in the past. The company also was unprepared to meet demand created by a bump in incentives.

The earnings news was met harshly by investors. Avon shares were down 11% to \$2.99 in afternoon trading.

"Why does the board think yet another management team will fix the problem?" Bernstein analyst Ali Dibadj asked on a call with company executives. "This has been a seemingly endless turnaround at this point."

THE WALL STREET JOURNAL.

Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street,
London, SE1 9GF

Thorold Barker, Editor, Europe
Graeme McCarthy, Senior News Editor, Europe
Cicely K. Dyson, News Editor, Europe
Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Anna Foot, Advertising Sales

Jacky Lo, Circulation Sales

Andrew Robinson, Communications

Jonathan Wright,
Global Managing Director & Publisher

Advertising through Dow Jones Advertising

Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701;

Frankfurt: 49 69 29725390; London: 44 20 842 9600; Paris: 33 1 40 17 01;

New York: 1-212-659-2176

Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hürriyet A.S. Branch; Italy: Qualprinters srl; United Kingdom: Newsprinters (Brockhouse) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office.

Trademarks appearing herein are used under license from Dow Jones & Co.

©2017 Dow Jones & Company, All rights reserved.

Editor responsible: Thorold Barker M-17936-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

NEED ASSISTANCE WITH YOUR WEB?

By web: <http://services.wsj.com>

By email: subwsj@djwones.com

By phone: +44(0)20 3426 1313

WORLD NEWS

Economic Focus Eludes Myanmar Leader

Investors say slowing growth is about more than the inefficiencies of a new government

BY BEN OTTO
AND MYO MO

YANGON, Myanmar—Aung San Suu Kyi came to power last year with a laser focus on ending the insurgencies that have dogged Myanmar for decades. The consuming nature of that goal has led to a new problem for the Nobel laureate: falling investor confidence in her ability to manage a fast-opening \$67 billion economy.

A business slowdown in long-isolated Myanmar, also known as Burma, has exposed Ms. Suu Kyi's early limitations in running an economy that many had hoped would boom after her civilian-led government replaced a military regime and the U.S. removed longstanding sanctions.

"Myanmar has great potential if it's managed right," said Kiwi Aliwarga, chief executive of Yangon-based conglomerate UMG. "The problem now is that the economy is not a priority of the leadership; they still believe they have to push reconciliation first."

A growing chorus of investors are questioning the inexperienced government's strategy after Myanmar's rate of economic expansion in the latest fiscal year fell to its lowest



LYNNE BO/EPIC/REUTERS

On Martyrs' Day in Yangon last month, a man holds up an image of Aung San Suu Kyi. The leader faces criticism over slow reforms.

point since 2011, when the Southeast Asian nation was first emerging from decades of isolation under military rule. Foreign direct investment dropped 22% to \$2.2 billion in 2016 from a year earlier, according to the United Nations Conference on Trade and Development, though it is still more than twice the 2011-14 average.

Part of the slowdown was intentional. New leaders halted a dizzying construction boom in this former British colonial capital to review compliance issues and pushed investment away from petroleum and mining to diversify the economy.

And while political transitions often lead to economic uncertainties, investors say more is at stake here, in a country desperate to shake off decades of isolation and underdevelopment. Some of the malaise lies with the 72-year-old Ms. Suu Kyi's management style and her arm's-length discussions with the private sector, investors and political analysts say.

They point to a forum in March where business leaders appealed to the leader for small workplace reforms in the country, which is ranked 170 of 190 nations in the World Bank's ease of doing business index.

She advised them to instead think about how they could contribute to the peace process. "The message was, 'you're on your own,'" one attendee said.

"We've lost some trust in the government," said Myo Thet, chairman of wood-furnishings producer Pacific Woodmark Co.

Zaw Htay, a spokesman for Ms. Suu Kyi, said ongoing reforms in areas such as debt governance and mobile money are "taking us from an economy based on connections, relationships and speculation to one based on competition and equal opportunity." He added: "Business is certainly not on

its own in this transition.

"It is important to remember where we were when we began this work. Decades of mismanagement and isolation left us with a deteriorating economy when we took office," he said, adding that the government had "stabilized the situation and set the stage for growth."

Myanmar was one of the wealthiest countries in Southeast Asia following World War II, but became one of the poorest under decades of military rule, crony capitalism and economic sanctions imposed by the West. The regime began open-

ing in 2010, ultimately allowing elections in 2015 that swept Ms. Suu Kyi, a democracy activist and daughter of Myanmar's independence leader, into power.

Ms. Suu Kyi spent her first year trying, with limited success, to resolve longstanding insurgent conflicts, some of which date back to the end of World War II. The country's de facto leader, she has developed a reputation as a micromanager in a top-down bureaucracy, serving as foreign minister, minister of the president's office and state counselor in a cabinet comprised of largely aging freedom fighters, many of whom spent years in prison.

"The decision-making process has been slowed down dramatically," said Eric Rose, who opened the first American law firm in Myanmar several years ago. "With a few notable exceptions, at the macro level this government doesn't have the talent of the old government."

There have been signs of a nascent turnaround in economic policy. The government recently issued clarifying investment regulations, cut the number of sectors requiring foreign investors to join with local companies to 22 from 90, and shot down a bill that would have imposed travel and other restrictions on foreigners. In a cabinet reshuffle this week, the government replaced the energy minister and made a well-respected former central banker the deputy finance minister.

In Shake-Up, Japan's Abe Adds Critics to His Cabinet

BY ALASTAIR GALE

had damaged trust in his administration.

"Once again, I express my deep regrets and apologies to the people," Mr. Abe said before bowing, a common sign of contrition.

In opinion polls, voters have identified a lack of trust in Mr. Abe as a major reason for declining support, potentially making it more difficult for him to push through contentious objectives such as amending the nation's pacifist constitution and exposing the economy to more foreign competition through free-trade deals.

Opposition lawmakers and other critics say power has become too heavily concentrated among Mr. Abe and his close advisers.

The cabinet overhaul appeared designed to indicate that Mr. Abe is willing to em-



KIM KYUNG-HOON/REUTERS

brace a wider range of views within the ruling Liberal Democratic Party, analysts said.

"It looks like an effort to bring forward more talented LDP folks who are not close to

Mr. Abe but whom the public trust," said Sheila Smith, an expert in Japanese politics at the Council on Foreign Relations, a Washington think tank.

Among the major changes,

Taro Kono, 54, was named foreign minister, putting a rare English-speaking lawmaker in the role. Mr. Kono is the son of a former foreign minister and has in the past criticized government policies on immigration and nuclear power. Ms. Smith described Mr. Kono as a sophisticated policy maker who is well-regarded in the U.S.

Mr. Kono succeeds Fumio Kishida, who was given the position of policy chief for the LDP.

The new defense minister, Itsunori Onodera, 57, returns to a post he held previously and replaces Tomomi Inada, a protégé of Mr. Abe who was accused by opposition lawmakers of covering up sensitive reports about Japanese peacekeeping operations. Ms. Inada denied a cover-up but resigned last week after acknowledging

she mishandled the matter.

Mr. Onodera has been a leading figure in the LDP in discussions about boosting missile defense and potentially procuring capabilities to attack foreign bases in response to rising threats from North Korea.

Mr. Abe also named Seiko Noda, 56, as minister of internal affairs and communications, one of two women in the new cabinet, down from three previously. Ms. Noda challenged Mr. Abe for the party leadership in the last LDP presidential election and has been critical of Mr. Abe's security policies.

Mr. Abe retained the top two figures in the cabinet after himself, close allies Chief Cabinet Secretary Yoshihide Suga and Deputy Prime Minister Taro Aso.

—Koji Everard contributed to this article

WORLD WATCH

GLOBAL ECONOMY

Inflation Hits Lowest Level Since 2009

Inflation in the Group of 20 largest economies fell to its lowest level in almost eight years in June, deepening a puzzle confronting central banks as they contemplate removing postcrisis stimulus measures.

The Organization for Economic Cooperation and Development said Thursday that consumer prices across the G-20—the countries that account for most of the world's economic activity—were 2% higher than a year earlier. The last time inflation was lower was in October 2009, when it stood at 1.7%, as the world started to emerge from the sharp economic downturn that followed the global financial crisis.

The contrast between then and now highlights the mystery facing central bankers in developed economies as they attempt to raise inflation to their targets, which they have persistently undershot in recent years.

—Paul Hannon

BRAZIL

Temer Beats Back Corruption Charges

President Michel Temer fended off corruption charges against him in a landmark congressional vote, allowing the embattled political establishment to preserve its tenuous hold on power.

The lower house of Congress, where over a third of lawmakers are also under investigation for various crimes, voted by a large margin to reject bribery charges against Mr. Temer, preventing his case from going to trial at the Supreme Court. In a tense session punctuated by a brief fist-

fight and protests from opposition parties, lawmakers in favor of the president justified their vote by saying they favored political stability and economic growth.

With an approval rating of just 5%, Mr. Temer has relied on his negotiating skills, drawing lawmakers with funds for their cash-strapped states. Protests have waned as demonstrators tired of the prolonged political and economic turmoil.

Mr. Temer's victory allows the leader to push ahead with economic reforms aimed at relieving Brazil's fiscal crisis. But corruption watchdogs condemned the result of the vote—the first of its kind in the country's history—as a setback for the nation's institutions and Brazil's recent efforts to tackle what they say is an enduring culture of impunity.

—Samantha Pearson and Paulo Trevisani

CZECH REPUBLIC

Rates Raised for First Time Since 2008

The Czech central bank raised its key policy rate Thursday for the first time in nearly a decade, in a milestone for Europe's central banks, which have taken dramatic easing steps in recent years to prop up their economies and keep their currencies from strengthening too much.

The Czech National Bank raised its two-week repo rate to 0.25% from 0.05%, the first significant increase by a European Union central bank in recent years. It had been at 0.05% since November 2012. The bank last raised rates in February 2008. It raised the Lombard rate by 25 basis points to 0.5% and held the discount rate unchanged at 0.05%.

—Brian Blackstone

CHINA

Activist Is Sentenced For 'Picking Quarrels'

A court gave a four-year prison term to an activist known for documenting social unrest in China, in a case that has underscored Beijing's harsh approach to managing labor tensions.

Former migrant worker Lu Yuyu was sentenced after being convicted of "picking quarrels and provoking trouble," according to one of his lawyers, Xiao Yunyang.

Mr. Lu had worked to collect information about public protests and worker strikes that he tallied on social media. Authorities detained the Mr. Lu in June 2016, closing a rare window on social unrest and labor tensions.

Mr. Lu is appealing the sentence, the lawyer said.

—Chun Han Won and Te-Ping Chen



SOMETHING FISHY: Dozens of firefighters battled a blaze at Tokyo's Tsukiji fish market. The fire department said no one was injured. The cause of the fire wasn't immediately known.

China Appeals to U.S. On Tough Trade Moves

BY EVA DOU

BEIJING—China urged the Trump administration to back off plans for tough trade actions, calling on the U.S. to remain cooperative and warning that conflict would hurt both sides.

Beijing hopes to avoid a trade war with the U.S., but it is preparing to target American businesses if Washington proceeds with trade sanctions, Chinese government advisers and industry experts said.

China's Commerce Ministry said Thursday that all members of the World Trade Organization should abide by its rules, and reminded the U.S. that the two economies are intertwined. "We both win through cooperation. We both are hurt in a fight," spokesman Gao Feng said in remarks posted on the ministry's website.

The Trump administration is considering invoking a little-used provision of U.S. trade law to penalize China for perceived unfair trade practices, The Wall Street Journal reported Tuesday. Doing so would mark a break from the two countries' reliance on the WTO to adjudicate their disputes and would likely aggravate tensions over North Korea and the South China Sea.

The Trump administration has shown increasing disappointment with Beijing for not reigning in North Korea's missile development or moving to address a trade imbalance heavily in China's favor.

Targeted in the planned U.S. measures are Chinese theft of intellectual property and policies that require foreign companies to share advanced tech-

nology to gain access to the Chinese market. A first step would be invoking a little-used provision of U.S. trade law to investigate whether China's intellectual-property policies constitute "unfair trade practices," according to people familiar with the matter.

Beijing may consider reversing recently concluded agricultural agreements, such as American beef exports to China, said Li-Gang Liu, chief China economist at Citigroup. China might

Trump White House may go after China for perceived unfair trade practices.

also target aircraft or other sectors where the U.S. enjoys a large trade surplus, he said.

China's Commerce Ministry spokesman defended the country's protection of intellectual property. "China's government has consistently stressed intellectual property protection, and the results are there for all to see," Mr. Gao said.

China's critics point to the imbalance in trade in goods as a sign the country isn't playing fair. China's surplus with the U.S. reached \$117.5 billion over the first half of the year, or more than 63% of the total surplus it ran with all of its trading partners, according to China's customs bureau. Chinese officials have said that figure is overblown.

—Liyan Qi contributed to this article.

WORLD NEWS

Russia Portrays a Washington in Turmoil

Moscow sees new sanctions, which Trump signed into law, as sign of Beltway disarray

BY NATHAN HODGE
AND THOMAS GROVE

MOSCOW—Switch on the news in Russia, and the message is clear: Washington is in chaos.

Dmitry Kiselev, the host of a weekly television show, summed up U.S. President Donald Trump's return from last month's Group of 20 meeting in Germany by saying Mr. Trump had "plunged back into his native American hell, into an atmosphere of paralyzing persecution."

The recent passage by Congress of a tough new sanctions bill—which Mr. Trump signed into law on Wednesday—is only the latest sign of Beltway disarray, in the Russian view.

"The current president does not have the support of not only the Democrats, but also the Republicans. He's not part of the system," Maria Zakharova, the press aide to Russian Foreign Minister Sergei Lavrov, wrote on a Facebook page that is often quoted on national television.

And in the wake of the congressional action, Russian state-controlled media, which openly cheered for Mr. Trump during last year's U.S. presidential election, depict the situation in Washington as proof that the Trump administration is floundering.

On Wednesday, Kremlin spokesman Dmitry Peskov even made a public plea to Mr. Trump, asking him to voice some opinion on the sanctions bill. "It's of the utmost importance what the president is thinking," he said. But, he said, there have been mixed signals over Mr. Trump's posi-



President Trump, seen arriving at a New Jersey airport last month, criticized the limits the sanctions bill places on his ability to lift penalties.

YURI GRIPAS/REUTERS

tion on the sanctions.

In a pair of statements, Mr. Trump said the bill was "seriously flawed" because it encroached on White House authority, and called some provisions unconstitutional. But he said he signed it "for the sake of national unity," and said it showed the American people want to "see Russia take steps to improve relations with the U.S."

During last year's presidential campaign, Democratic candidate Hillary Clinton was portrayed in Russian media as an anti-Russian hawk, and Mr. Trump was shown in a flattering light.

As news of Mr. Trump's victory came in on Nov. 9, Margarita Simonyan, the editor in chief of the Kremlin-funded network RT, announced on Twitter: "Today I want to ride around Moscow with an American flag in the window, if I

can find a flag."

Ms. Simonyan had earlier predicted a win by Mrs. Clinton. "I officially call back my yesterday's post 'Democracy R.I.P.' and replace it with 'Establishment R.I.P,'" she wrote on Twitter after Mr. Trump's win.

The new administration's

tumultuous first few months, however, presented Russian media with a conundrum. Mr. Trump's election raised hopes in Moscow of a quick rapprochement with Washington and a change from the icy relations that followed Russia's annexation of Crimea from

Ukraine in 2014.

U.S. investigations have picked up speed into what the U.S. intelligence community has concluded was Russian meddling in last year's election and into contacts between Russians and members of Mr. Trump's campaign team. Amid those de-

Trump Says Ties Are at Historic Low

President Donald Trump said that relations with Russia had sharply deteriorated and he seemed to suggest that a new bill slapping sanctions on Russia for its meddling in the 2016 elections was to blame.

In his tweet, the president said, "Our relationship with Russia is at an all-time & very dangerous low. You can thank Congress, the same people that can't

even give us HCare! [health care]."

Mr. Trump on Wednesday signed the sanctions bill, but criticized the limits it places on his ability to lift penalties. The measure overwhelmingly passed both houses of Congress last week.

In a statement, Mr. Trump wrote the bill was "seriously flawed," limiting the president's ability to "strike good deals for the American people." He said he signed the measure "for the sake of national unity."

The White House didn't re-

spond to a request for comment.

In a response to the president's charge, Sen. John McCain (R., Ariz.) said Mr. Trump spares Russian President Vladimir Putin from any blame.

In his own tweet, which follows the same construction as that of Mr. Trump, the senator wrote: "Our relationship w/ Russia is at dangerous low. You can thank Putin for attacking our democracy, invading neighbors & threatening our allies."

—Peter Nicholas

BOE Signals Earlier Rate Hike

BY JASON DOUGLAS
AND PAUL HANNON

LONDON—The Bank of England joined other major central banks in signaling a long era of easy money is gradually drawing to a close, saying that it anticipates raising interest rates in the U.K. at a faster pace than investors currently expect.

In its quarterly outlook, the U.K. central bank trimmed its growth forecasts for this year and next but said the economy's ability to expand without stoking inflation is being hamstrung by last year's vote to leave the European Union.

BOE Gov. Mark Carney said the economy is nearing its growth "speed limit" as uncertainty about the U.K.'s relationship with the EU causes businesses to delay investment or rethink expansion plans.

"The process of leaving the EU is beginning to affect potential supply in the U.K.," Mr. Carney said, adding that this squeeze means rate increases may soon be needed despite sluggish growth. Inflation is above the BOE's 2% goal and Mr. Carney said officials expect it to accelerate further as a weakened pound works its way through the economy. Unemployment is at a four-decade low.

Short-term interest rates in financial markets suggest investors expect the BOE to lift its benchmark rate only twice in the next three years, to 0.5% late next year and to 0.75% in mid-2020. But Mr. Carney said borrowing costs would need to rise more swiftly to keep inflation in check—assuming the U.K. stays on course to negotiate a smooth transition from EU membership to a new trading relationship with the EU after Brexit, scheduled for March 2019.

The reaction in financial markets suggests investors are doubtful the BOE will follow through. Officials voted 6-2 to hold their benchmark interest rate steady in August at 0.25%, a record low. Sterling fell 0.8% to \$1.3119 Thursday, while U.K. government bond yields, which move inversely to prices, fell.

BRUSSELS BEAT | By Laurence Norman and Stephen Fidler

EU Open to Standstill Deal For Brexit Transition

The British government's apparent agreement that it will seek a post-Brexit transitional deal with the European Union is aimed at easing business uncertainty. But companies still have no idea about what rules will govern the economic relationship between the EU and U.K. when Britain leaves the bloc less than 20 months from now.

Westminster politics has ensured there is still plenty of confusion about what the government wants the transition to look like, and the waters haven't been tested on how the EU will react to any British demand, an issue that has been absent from the British debate.

In principle, EU officials have been open to the idea—though they have insisted that "sufficient progress" should be made on the divorce terms, including a British financial settlement, before they begin discussing it.

From the outset, EU officials envisaged two possible types of transition. The first type would look more like the eventual permanent landing place for the relationship, with phasing out periods for current arrangements. The second would replicate more

closely the relationship that exists now, shifting after an agreed time to the permanent arrangement.

However, with time short, negotiating a detailed transitional deal of the first type looks highly ambitious, because it would also require the shape of the permanent future ties between the EU and the U.K. to be worked out. A transition of the second type—a temporary standstill—would be easier and is the stated preference of many businesses.

So what is the EU position? Michel Barnier, the EU's chief negotiator, has regularly said a transition would only be plausible as a bridge toward the future trade agreement between the EU and U.K.

That is reflected in negotiating guidelines that were agreed to by the 27 other EU governments on April 29.

They said transitional arrangements should "provide for bridges towards the foreseeable framework for the future relationship" and "must be clearly defined, limited in time, and subject to effective enforcement mechanisms."

The European Parliament,

which must approve the divorce deal before Britain leaves, was more specific on the length of any transition, saying it should last no more than three years.

This leaves a host of questions.

The first is whether a status quo arrangement would meet the EU criterion of taking the two sides toward the end state of a future EU-U.K.

Many businesses want a transition deal that mimics the status quo for a time.

agreement. Indeed, some EU governments are concerned that such a transition, while helpful for Britain, could merely perpetuate uncertainty for the other 27 EU nations, which are generally confident they can handle the impact of Brexit.

If they agreed in principle to a temporary standstill, what would the EU require in return? Would it demand that all EU citizens who arrived in the U.K. after Brexit

should be offered the same expansive rights and benefits that it wants Britain to offer those who are already there? If so, that would push back by years the as yet undetermined cut-off point after which new arrivals would no longer be guaranteed a path to permanent residency.

Would the price of British temporary membership of the customs union and the single market be the same as it is now once the U.K. was no longer a member? Would the EU insist that Britain would have to give up its long-cherished budget rebate, which lowers its net contribution to EU coffers to around €10 billion annually?

To be sure, a British status quo offer would have attractions to the EU 27. It would rid the EU of the large budget gap it will face at least for the remainder of the current 2014-20 budget period by ensuring continued British payments to Brussels in 2019 and 2020, and possibly beyond. (It might also lower the British divorce bill, easing negotiations there.)

The EU would also stand to lose from British economic turbulence—and the loss of

tariff-free export markets—if the U.K. were to exit before it is economically ready to do so. EU officials quietly say it is an offer the bloc would carefully consider.

"It's easy to agree to keep everything as it is for two years," one senior EU diplomat said last month, saying it would be a "clever" offer from London. However, he added, "For sure, some countries would like a quite limited transition, two-three years is already pushing it."

"I don't think it would be divisive," said a second diplomat involved in the negotiations. "The main issue to consider is that everybody wants a smooth Brexit and whatever we can do to ensure that smooth Brexit is something that merits discussion."

One thing is clear, however. The EU won't offer anything until the U.K. clarifies its position and makes an official proposal. An agreement will then have to be struck on terms. The longer all this takes, the longer post-Brexit uncertainty for business will last and the less valuable a transitional deal will be.

—Valentina Pop contributed to this article.

Isolated Qatar Moves to Ease Residency Rules

BY NIKHIL LOHADA
AND ASA FITCH

DUBAI—Qatar, isolated by its Arab neighbors in an intensifying diplomatic standoff, is accelerating efforts to bolster its economy and security.

The gas-rich country approved a draft law that will grant permanent residency to some foreigners, such as highly skilled workers, the official Qatar News Agency said Wednesday. That is unprecedented in the Gulf region, aimed at making Qatar a more attractive destination for expatriates vital to its development.

Also Wednesday, the foreign ministry announced the conclusion of a deal it initially signed in June last year to buy seven Italian naval vessels valued at nearly \$6 billion, buttressing its ties with Western allies to

Sheikh Tamim bin Hamad Al-Thani, Qatar's ruler, has directed the government to focus on strengthening sectors important to the country, the news agency said, as it copes with its worst crisis in decades.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt in June broke diplomatic and some commercial ties with Qatar, accusing it of supporting Islamist groups like the Muslim Brotherhood and Hamas, and citing its alleged links to terrorist groups like al Qaeda. Saudi Arabia and its Sunni Muslim allies are also critical of Qatar's ties with Shiite Iran, their biggest rival for power and influence in the Middle East.

Facing a prolonged boycott, Qatar has sought to leverage its ties with Western allies to

help resolve the Gulf crisis, which is also hurting its economy.

The Saudi-led alliance's transport ban disrupted the Gulf state's trade routes, impacting vital imports such as food and construction material.

To cope with the transport ban, Qatar has opened new trade routes, for instance via Oman's ports and Iranian airspace, and is signing deals with new suppliers from countries such as Turkey.

Doha this week lodged a

formal complaint with the World Trade Organization challenging the Saudi-led group's trade boycott.

Qatar's ruler has also asked officials to expedite the adoption of new measures that will help attract investments and diversify the economy, the QNA said.

The draft law says foreigners married to Qatari, those who have performed great services to the country and people with special skills will be eligible for permanent residency.

It is unlikely to include hundreds of thousands of blue-collar workers—mainly from South Asian countries like India, Nepal and Pakistan—many of whom are employed by construction companies and paid as little as a couple of hundred dollars a month.



GIUSEPPE LAMI/EUROPEAN PRESSPHOTO AGENCY

Italy's Foreign Minister Angelino Alfano, right, meets with his Qatar counterpart, Sheikh Mohammed bin Abdulrahman Al-Thani.

It is unlikely to include hundreds of thousands of blue-collar workers—mainly from South Asian countries like India, Nepal and Pakistan—many of whom are employed by construction companies and paid as little as a couple of hundred dollars a month.

U.S. NEWS

Crackdown Faces Pushback

Case of citizen wrongly jailed as an illegal immigrant reverberates amid Trump agenda

By LAURA MECKLER

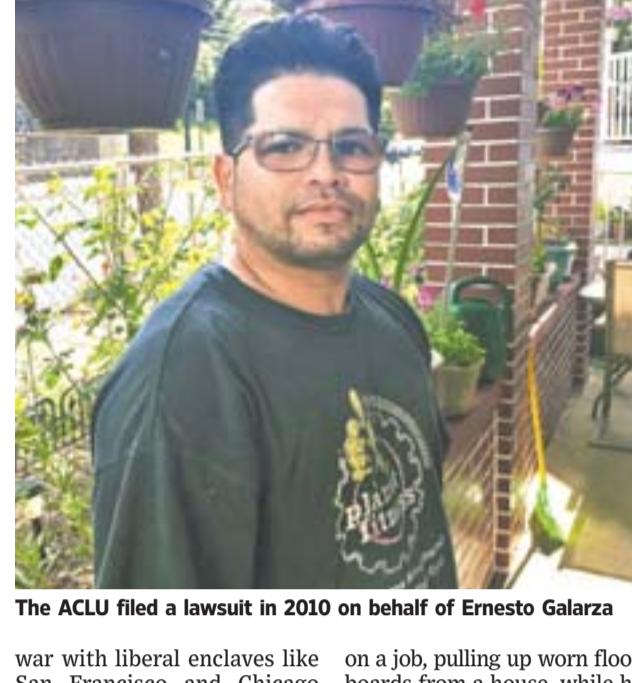
ALLENTELLON, Pa.—One of the chief strategies in President Donald Trump's battle against illegal immigration is being undercut by an unlikely figure: a New Jersey native named Ernesto Galarza.

In 2008, Mr. Galarza was doing construction work in this eastern Pennsylvania city when his boss allegedly sold drugs to an undercover police detective. Mr. Galarza was arrested along with the boss, and booked into the Lehigh County jail. Mr. Galarza posted bond, but wasn't released because a federal immigration agent asked the jail to hold him. He sat behind bars three extra days before anyone realized he was a U.S. citizen.

The American Civil Liberties Union later won \$95,000 from Lehigh County for violating Mr. Galarza's constitutional rights, laying the groundwork for today's high-profile battle between President Trump and what are often called "sanctuary cities."

The Galarza case, and two similar ones that followed, signaled that counties will be held accountable in court if they wrongly imprison someone, and that acting at the request of the Immigration and Customs Enforcement agency isn't a viable legal defense.

Many cities and counties nationwide, including Lehigh, no longer hold people just because ICE asks. So while the president and his aides are at



Laura Meckler/The Wall Street Journal

The ACLU filed a lawsuit in 2010 on behalf of Ernesto Galarza

war with liberal enclaves like San Francisco and Chicago that declare themselves sanctuaries, they also are on a collision course with places like Lehigh County, a middle-class region where Republicans control the county commission.

The sanctuary movement has prompted a backlash beyond the Trump administration. Some state lawmakers elsewhere are working to counter the trend. In the Allentown area, a tea-party group is trying to overturn Lehigh County's decision to no longer obey ICE detention orders.

Few people had ever heard of the issue back in 2008, when Mr. Galarza was arrested. Born in 1974 in Perth Amboy, N.J., he spent part of his childhood in Puerto Rico, where his family is from. At 21, he moved to Allentown. On Thursday, Nov. 20, 2008, Mr. Galarza was

on a job, pulling up worn floorboards from a house, while his boss allegedly sold 14 grams of cocaine to an undercover Allentown police detective. The detective concluded Mr. Galarza was acting as a lookout and arrested him too.

After posting bail, Mr. Galarza was on his way out of the county jail when an officer stopped him. Mr. Galarza had told the officer he was born in New Jersey but she didn't believe it and reported him to ICE, according to court documents.

An ICE officer then filed a "detainer" instructing the jail to hold Mr. Galarza. He spent the weekend in the jail. He finally was released Monday night. By then, he had lost a part-time job and wages from two other jobs, court documents show. Five months later, he was acquitted of the drug charge.

More than a year later, the

legal director of the ACLU in Pennsylvania, Witold Walczak, was passing through Allentown and asked a local attorney he knew, David Viada, if he was aware of any American citizens who had been wrongly held on an ICE detainer. Mr. Viada had represented Mr. Galarza in his drug trial and made the introduction.

In November 2010, the ACLU filed a federal lawsuit on Mr. Galarza's behalf against the Allentown detective, the ICE agents, the city of Allentown and Lehigh County. It alleged that Mr. Galarza's constitutional rights were violated and noted that no probable cause to hold him had been established. The officers and the city lost and each settled out of court.

The judge let the county off the hook, but Mr. Galarza appealed to the Third U.S. Circuit Court of Appeals. Lehigh County, which operates the jail, defended itself by saying it was simply following orders from a federal agency. That argument was undermined by statements from ICE that detainees were "requests" and compliance couldn't be compelled.

In 2014, the appellate court ruled, 2-1, that the federal government had no right to require agencies to comply with detainees, under Supreme Court precedent preventing Washington from "commandeering" state and local agencies for federal purposes.

Lehigh County settled the case for \$95,000 and by agreeing to a new policy whereby it no longer holds people because of an ICE request. The vote on the new policy by the county commission was 9-0.

—Jim Oberman contributed to this article.

Kushner Family Firm Gets a Subpoena

Kushner Cos., the New York property development business owned by the family of White House senior adviser Jared Kushner, has been subpoenaed by New York federal prosecutors regarding its use of an investment-for-immigration program, people familiar with the matter said.

By Erica Orden, Aruna Viswanatha and Byron Tau

The subpoena concerns at least one Jersey City, N.J., development financed in part by a federal visa program known as EB-5: twin, 66-floor commercial-and-residential towers called One Journal Square, a person familiar with the subpoena said.

A spokesman for the Brooklyn U.S. attorney's office, which issued the subpoena, declined to comment. The Kushner Cos. general counsel, Emily Wolf, said in a statement that "Kushner Companies utilized the program, fully complied with its rules and regulations and did nothing improper. We are cooperating with legal requests for information."

The subpoena, received by the company in May, was a document request that included a demand for emails, according to a person familiar with it. It isn't clear what potential violations are being probed by the U.S. attorney.

In early May, the company drew attention for a marketing campaign in Beijing and Shanghai that solicited Chinese investors for One Journal Square, saying that up to 300 individuals who put \$500,000 each into the project could be eligible for green cards under

the EB-5 program, according to marketing materials reviewed by The Wall Street Journal.

The EB-5 program, which offers green cards to immigrants who invest at least \$500,000 in certain U.S. businesses that have been determined to create at least 10 jobs per investor, has been at the center of debate in Washington. Critics say the program is used to boost wealthier areas of the country instead of aiding poorer ones as intended.

A green card permits a foreign national to live and work in the U.S. indefinitely. The majority of EB-5 visas go to wealthy Chinese individuals.

The subpoena concerns use of a federal visa program known as EB-5.

Kushner Cos. used the EB-5 program for another Jersey City property known as Trump Bay Street. It is unclear whether the scope of the subpoena concerned that project.

The marketing push in China included a video clip and photo of President Donald Trump, the Journal reported in May.

Mr. Kushner, who is married to Mr. Trump's daughter Ivanka, had been running the Kushner business before last year's election. Mr. Kushner subsequently resigned from the business and sold his personal stake in some projects.

—Rebecca Ballhaus contributed to this article.

Justice Department to Look at College-Admission Bias

The Justice Department is seeking attorneys to investigate racial bias in college admissions as the agency prepares to review a 2015 complaint that claims Harvard University discriminates against Asian-American applicants.

By Melissa Korn, Nicole Hong and Beth Reinhard

An internal job posting calls for employees to work on "investigations and possible litigation related to intentional race-based discrimination in college and university admissions." The job posting, reviewed by The Wall Street Journal, said candi-

dates should be available to start work in two weeks.

The move unnerved some school administrators, college lawyers and civil-rights groups because they are worried it signals a major shift away from helping traditionally disadvantaged minorities, including African-Americans and Hispanics, through race-conscious admissions policies.

Many education lawyers believed a 2016 Supreme Court ruling on the subject had quieted some of the controversy surrounding affirmative action.

It wasn't immediately clear who listed the job opening, as it wasn't approved by top Justice Department officials, according

to a person familiar with department policy. The New York Times reported earlier on news of the job posting. The connection to the Harvard case hasn't been previously reported.

Justice Department spokeswoman Sarah Isgur Flores said the complaint, unresolved by the Obama administration, was filed by a coalition of 64 Asian-American associations alleging racial bias in Harvard's admissions policies. She said the potential intervention didn't indicate a sweeping policy change, despite some civil-rights groups' concerns.

"This Department of Justice has not received or issued any directive, memorandum, initia-

tive, or policy related to university admissions in general," she said in a written statement.

Harvard spokeswoman Melodie Jackson said the university's "admissions process considers each applicant as a whole person, and we review many factors, consistent with the legal standards established by the U.S. Supreme Court."

"To become leaders in our diverse society, students must have the ability to work with people from different backgrounds, life experiences and perspectives. Harvard remains committed to enrolling diverse classes of students," she said.

Some backers of the suits by Asian-Americans believe that

eliminating race-conscious admissions would help not just those students, but white students as well.

Civil-rights groups and supporters of college diversity initiatives quickly criticized what they saw as a potential new Justice Department effort. An ostensible push on behalf of Asian-Americans, who are often well-represented at colleges and universities, could be an indirect way to cut back on programs that help historically disadvantaged groups, they fear.

Affirmative-action policies have long been points of discord on college campuses. School officials have argued that to create a diverse class of

students, they should be able to consider race among other factors when deciding who to admit.

Opponents, including some white and Asian students, say the practice discriminates against them in favor of Hispanic and black students.

Last summer, the Supreme Court upheld racial preference in public-university admissions, ruling that the University of Texas at Austin could maintain its policy of considering race as an additional factor when evaluating certain black and Hispanic applicants in an effort to diversify the campus. The court advised schools to regularly review their race-based policies.

Federal Bureau of Investigation agents, Mr. Mueller has assembled a team of accomplished prosecutors and lawyers specializing in criminal and national security law.

Twelve attorneys are on temporary assignment to the special counsel's office from the Justice Department or FBI, and three came from Mr. Mueller's firm of WilmerHale. Mr. Andres is the most recent addition.

Mr. Trump has questioned the neutrality of Mr. Mueller's office, telling Fox News he is concerned that Mr. Mueller's prosecutors are "Hillary Clinton supporters" and that Messrs. Mueller and James Comey are friends. Mr. Comey was a top Justice official in the George W. Bush administration when Mr. Mueller was the FBI director; both were appointed by Republicans.

Those who know both men said they aren't social friends, though they respect each other and had a solid relationship in government.

At least eight members of Mr. Mueller's team have given to Democratic candidates, including the presidential campaigns of Barack Obama and Mrs. Clinton, according to Federal Election Commission records.

At least one—James Quarles, a member of the Watergate Special Prosecution Force—has donated to those in both parties.

Mr. Mueller made two contributions in 1996 to Republican William Weld, then a candidate for a U.S. Senate seat in Massachusetts, according to the Center for Responsive Politics, which tracks money in politics.

—Siobhan Hughes and Rebecca Ballhaus contributed to this article.



Aaron D. Bernstein/Reuters

Special Counsel Robert Mueller, center, after meeting with members of the Senate Judiciary Committee at the Capitol in Washington.

very serious. He wouldn't do this if it were winding down."

Another sign the investigation is ramping up: Greg Andres, a top partner in a powerhouse New York law firm, Davis Polk & Wardwell LLP, has joined Mr. Mueller's team.

Mr. Andres, a former top Justice Department official who also oversaw the criminal division of the U.S. attorney's office in Brooklyn, wouldn't leave his private-sector job for a low-level investigation, Mr. Zeno said. "People like Greg Andres don't leave private practice willy-nilly," Mr. Zeno said. "The fact he is being added after couple of months shows how serious this is and

that it could last a long time."

Mr. Andres couldn't be reached to comment.

The developments unfolded amid a new sign of concern by Congress that Mr. Mueller's independence needs to be protected. Sens. Thom Tillis (R., N.C.) and Chris Coons (D., Del.) introduced legislation Thursday making it harder for Mr. Trump to fire Mr. Mueller. Under the legislation, a special counsel could challenge his or her removal, with a three-judge panel ruling within 14 days on whether the firing was justified.

If the panel found no good cause for the firing, the special counsel would immediately be reinstated.

The legislation follows a similar effort from Sens. Lindsey Graham (R., S.C.) and Cory Booker (D., N.J.). "The introduction of two bills with two different bipartisan pairs strengthens the message that there is broad concern about this," said Mr. Coons, who said that Mr. Tillis approached him on the Senate floor about teaming up on legislation.

According to a January report from the U.S. intelligence community, the highest levels of the Russian government were involved in directing the electoral interference. Its tactics included hacking state election systems; infiltrating and leaking information from party commit-

tees and political strategists; and disseminating through social media and other outlets negative stories about Democratic nominee Hillary Clinton and positive ones about Mr. Trump, the report said.

It is unclear how long Mr. Mueller's investigation will last, and there is no deadline for its completion. The probe is complicated by the classified nature of much of the information Mr. Mueller's team is reviewing. Evidence of its sensitivity came in June when Mr. Mueller moved from his temporary offices to a nearby secure facility that his representatives have declined to identify.

While working closely with

"This doesn't mean he is going to bring charges," Mr. Zeno cautioned. "But it shows he is

IN DEPTH

UBER

Continued from page A1

The Singapore episode, which wasn't previously public knowledge, adds to a list of crises that unfolded at Uber on the watch of former Chief Executive Travis Kalanick, during which he insisted on running the company like a scrappy startup although it had become a large global operation.

The eight-year-old company spread to more than 70 countries in part by giving regional teams authority to adapt to local markets and expand as quickly as possible. Yet Uber didn't build the kind of systems and professional bureaucracy that multinational companies typically employ. It has no chief financial officer or chief operating officer. Its top global-safety executive left last year, and the role has been folded into the remit of Uber's head of insurance.

Uber has often flouted local laws in its drive for growth. It has been found in violation of transportation laws in countries such as South Korea and France. In the U.S., it defied California regulators by putting self-driving cars on San Francisco streets last year without proper permits, and it remains beset by a litany of legal challenges and a corporate culture stung by sexual-harassment allegations.

Meanwhile, Uber lost over \$3 billion last year. It retreated from costly battles with ride-hailing rivals in two big markets, China and Russia, and shut down its service in Macau due to pressure from regulators.

In Singapore, the plan Mr. Kalanick authorized to buy and rent out cars backfired, and Uber's slow response to the recall appears to have jeopardized the safety of drivers and passengers. A spokesman for Mr. Kalanick, who resigned in June, said the former CEO declined to comment.

Asian beachhead

Singapore in 2013 was Uber's first Asian city, a beachhead for expansion. Uber however struggled to find enough drivers, documents show. The cost of owning a car there is among the highest in the world.

Uber created a unit, **Lion City Rentals Pte Ltd.**, or LCR, in February 2015 to rent Uber-owned cars to drivers for about \$50 a day. Buying a fleet of cars was new for Uber, whose business model relies on not owning assets.

Uber filled parking lots with shipments of 200 used cars a month, one former manager said, and by early 2016 had exhausted much of the local supply of used-car dealers.

Mr. Kalanick approved a plan to borrow about 800 million Singapore dollars (about US\$590 million) from banks including **Goldman Sachs Group Inc.** to buy thousands of new cars and rent them out in Singapore, said people with knowledge of the plan.

Rather than buy most new vehicles from authorized Honda and Toyota Motor Corp. dealers, Uber's LCR unit bought new sedans and SUVs from more than a dozen auto importers, the emails show. These small dealers operate in the gray market—a legal channel outside manufacturers' autho-



Inside Uber driver Koh Seng Tian's Honda Vezel, as shown in the accident report. Mr. Koh emerged unhurt.

rized networks—where safety, service and legal contracts are difficult to enforce. The Singapore team calculated it would be able to buy cars for 12% less than at authorized Honda dealers, according to the emails.

Uber is suing one such dealer, Singapore-based **Sunrita Pte Ltd.**, claiming it failed to deliver a shipment of cars valued at more than \$50 million. A judge in July dismissed Uber's request that Sunrita be subject to judicial management. A lawyer for Sunrita, Sivakumar Murugaiyan, said the dealer wasn't contractually bound to deliver the cars by a certain deadline. "As such, LCR were not creditors as regards the undelivered cars," he said.

Uber assured drivers that the cars they rented from LCR were in "perfect running condition," according to a rental agreement from 2016 reviewed by the Journal.

The company had already bought some new Vezels, according to an internal document, when Honda issued a recall for gasoline-powered models on April 4, 2016, advising owners to get them serviced as soon as possible. The issue was an electrical component, designed to shut off the engine when the car is idle, which Honda said could overheat.

Uber assured drivers that the cars they rented from LCR were in "perfect running condition," according to a rental agreement from 2016 reviewed by the Journal.

It sold Uber as of the end of August 2016, citing a shortage of replacement parts in emails to Uber. Uber periodically sent emails asking Sunrita to speed up that process. It continued to rent faulty cars to drivers, emails show. An Uber spokeswoman said Sunrita hasn't provided replacement parts.

Sunrita's lawyer said Uber's LCR unit "requested Sunrita to procure replacement parts from their suppliers at Sunrita's costs. Sunrita duly did so and provided the replacement parts to LCR when these parts became available."

By January 2017, all of Uber's still-defective Vezels were rented to drivers, emails show.

The episode adds to a list of crises at Uber under ex-CEO Travis Kalanick's watch.

Mr. Koh's fire

An internal Uber report shows that two days later, Uber bought 100 Vezels from Sunrita. On May 5, Sunrita sent Uber notices of the recall, estimating it would replace the affected parts by August's end, documents show.

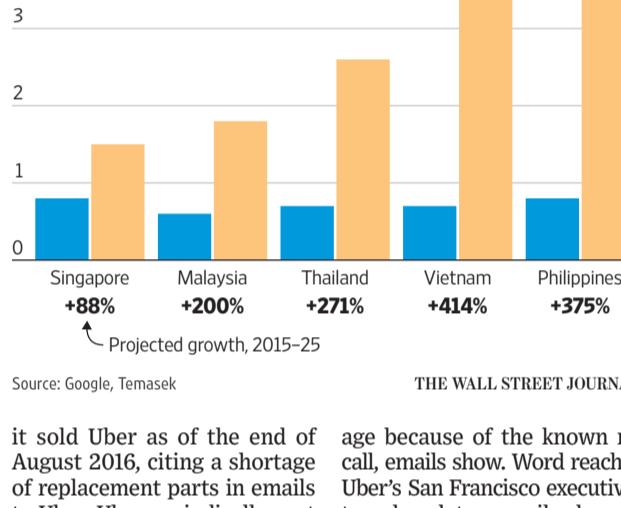
Over the following eight months, Uber bought thousands of cars from Sunrita and other dealers, including 1,065 additional new Vezels with the faulty electrical part, emailed records show. The cars weren't fixed as of January 2017, emails show.

Sunrita hadn't fixed the cars

Hotbed of Growth

Southeast Asia is one of the fastest-growing markets for Uber and its competitors.

People using a ride-hailing service at least once a month



Source: Google, Temasek

age because of the known recall, emails show. Word reached Uber's San Francisco executives two days later, emails show.

Uber's lawyers in Singapore began assessing the liability, including possibly violating driver contracts for supplying faulty cars and failing to immediately inform the Land Transport Authority about the defective cars, emails show. "There is clearly a large safety/responsible actor/brand integrity/PR issue" for Uber, an internal report read.

Some of Uber's managers urged taking the defective cars off the road, a plan that Michael Brown, general manager of the Asia Pacific region, said would help avoid "unnecessary risk," according to an email he sent to Singapore colleagues on Jan. 13.

Warren Tseng, Uber's Singapore general manager, replied in an email that the plan would cost the firm about \$1.4 million a week (about US\$1 million)

in driver wages, rental fees and parking costs. "Asking drivers to give up their keys with no suggested fix will send panic alarm bells to the mass market," he wrote in an email to Mr. Brown and others.

Messrs. Tseng and Brown declined to comment, referring inquiries to Uber's public-relations department. The Uber spokesman declined to comment on their emails.

Another Singapore manager,

Chan Park, supported Mr. Tseng, emailing that leaving cars on the road "feels like low risk," and: "The recall happened nine months ago," according to a review of the email. Mr. Park didn't respond to inquiries. The Uber spokesman declined to comment on the email.

Uber opted to leave the cars on the road and wait for replacement parts, documents show. Meanwhile, Uber asked drivers to bring cars to repair shops to disable the faulty part, a stopgap measure managers described in emails as a "hack" not authorized by Honda, but one they believed would lower risk.

Uber also planned to get its repair effort approved by Singapore authorities.

Top San Francisco executives were informed of the plan Jan. 14, including General Counsel Salle Yoo, insurance and regulatory chief Curtis Scott and global compliance chief Joseph Spiegler, according to the emails and some of the former managers.

The executives didn't respond to inquiries. Uber said they declined to comment.

The Uber spokesman said the company quickly notified affected drivers, asking them to disable the part and make appointments to replace it when parts became available.

Four days after the fire, Uber texted affected drivers that their Honda Vezel required "immediate precautionary servicing" and needed to be seen that week, according to a review of the messages. It directed them to a website that informed them there was a recall but didn't mention the overheating and fire dangers Honda spelled out in its advisory.

'Hush-hush affair'

Alexander Yudhistira, a 31-year-old driver who had rented a defective Vezel from Uber since April 2016, said the company didn't make clear to him why it needed urgent servicing.

"The recall was done in a hush-hush affair," said Mr. Yudhistira, who is no longer an Uber driver. "Drivers weren't told about the real issue behind the Vezel."

Honda, in emails to Uber reviewed by the Journal, said it wasn't liable for the gray-market vehicles and declined

to help Uber with the repairs or acknowledge whether disabling the part improved safety. Uber in emails acknowledged Honda didn't have a legal duty to do repairs.

A Honda spokesman, asked about the cars Uber bought from Sunrita, said that "In Singapore, with parallel imported cars, the importer must handle the recall," referring to gray-market dealers. He said he couldn't comment on steps Uber took to disable the faulty part because he wasn't aware of the technical details.

Uber's repair process, beginning in January, continued at least several months, according to internal progress reports.

Seeking to limit negative publicity, Uber's communications team in Singapore prepared an information packet including the recall's details and responses to media questions. "The recall was announced in April 2016. Why is LCR only aware/taking action now?" was one question. Uber intended to blame the delay on the importers who didn't provide replacement parts, a review of the packet shows.

Renting out cars with known safety defects became illegal in the U.S. in 2015. U.S. companies aren't bound by American auto-safety laws in other countries.

The Uber spokesman said that, after the fire, the company notified the Land Transport Authority, which approved its plan to fix the cars. In an internal report, Uber said the LTA failed to adequately maintain a list of recalled vehicles and check it against new cars coming in the country. The LTA didn't respond to requests to comment.

In the wake of the Vezel fire, Uber said, Singapore managers improved tracking of auto-maker recalls, posted job ads for automotive-safety experts and stopped buying cars from unauthorized importers. "We've introduced robust protocols and hired three dedicated experts in-house at LCR whose sole job is to ensure we are fully responsive to safety recalls," said the Uber spokesman. "Since the beginning of the year, we've proactively responded to six vehicle recalls and will continue to do so to protect the safety of everyone who uses Uber."

Uber has over the past two years expanded its rental-car operation, buying a small number of vehicles in India and Vietnam, people familiar with the expansion said. It also leases cars to drivers in 24 U.S. cities, holding titles in a trust rather than on its balance sheet as in Singapore.

At February's end, Aik Chung Goh, an Uber associate general manager in Singapore, invited staff to a celebration to reward everyone who helped the company get through "the Vezel snafu." The email invitation, which called for dinner, a massage and "other shenanigans," joked that transportation "might be in a Vezel."

Uber said Mr. Goh declined to comment.

The week of the scheduled dinner, an Uber manager reported to his colleagues in an email that more than 65% of the defective Vezels still hadn't had the faulty parts replaced. The Uber spokesman said all the Vezels have now been fixed.

—Jake Maxwell Watts, P.R.

Venkat and Greg Bensinger contributed to this article.

SWEAR

Singapore in 2013 was Uber's first Asian city, a beachhead for expansion. Uber however struggled to find enough drivers, documents show. The cost of owning a car there is among the highest in the world.

Uber created a unit, **Lion City Rentals Pte Ltd.**, or LCR, in February 2015 to rent Uber-owned cars to drivers for about \$50 a day. Buying a fleet of cars was new for Uber, whose business model relies on not owning assets.

Uber filled parking lots with shipments of 200 used cars a month, one former manager said, and by early 2016 had exhausted much of the local supply of used-car dealers.

Mr. Kalanick approved a plan to borrow about 800 million Singapore dollars (about US\$590 million) from banks including **Goldman Sachs Group Inc.** to buy thousands of new cars and rent them out in Singapore, said people with knowledge of the plan.

Rather than buy most new vehicles from authorized Honda and Toyota Motor Corp. dealers, Uber's LCR unit bought new sedans and SUVs from more than a dozen auto importers, the emails show. These small dealers operate in the gray market—a legal channel outside manufacturers' autho-

mandments," said J D Wetherspoon PLC Chairman Tim Martin. "There's a word or two that are completely off-limits, but the general rule is you don't swear at people."

Some independent landlords are taking their own irreverent approaches, with one popular sign demanding: "No Bloody Swearing!"

The antiprofanity push, intended to lure families, is the latest chapter in a decades-long shift in British drinking culture that has transformed thousands of traditional beer houses into bijou bars and gastropubs—establishments serving high-end food and craft beer.

Over the following eight months, Uber bought thousands of cars from Sunrita and other dealers, including 1,065 additional new Vezels with the faulty electrical part, emailed records show. The cars weren't fixed as of January 2017, emails show.

Sunrita hadn't fixed the cars

has to offer.

Moreover, "the British pub is an institution where people go to enjoy themselves, an informal place where class and salary are forgotten," said Tom Stainer of the Campaign for Real Ale, or CAMRA, an organization that says it represents 187,000 beer drinkers around the world. "We don't need rules to restrict that."

Petr Knava, a 29-year-old public-health worker and long-time Samuel Smith's patron, promised to unleash a barrage of blasphemy at the pubs to protest "this shitmonkey of a decision," which he calls "arse-backwards twattery."

Sam Eeles, a 31-year-old software engineer, was working his way through the "The Sam Smith's Challenge"—a tour of the brewer's three dozen pubs in London—when he and his friends were repeatedly reprimanded for swearing.

"It feels like you're sitting in your grandma's lounge," he said, "after you've been told to watch your language."

Samuel Smith's, whose website boasts of its "uncompromisingly Victorian" traditions—its pubs are known for Victorian-era décor and cheap

drinks—has kept tight-lipped on the reasons for the ban.

Several Samuel Smith's pubs visited by The Wall Street Journal displayed signs reading: "We wish to inform all of our customers that we have introduced a zero-tolerance policy against swearing in all of our pubs."

Melissa Gillespie, a 20-year-old bartender at The Horse and Groom in London's Fitzrovia District, polices the ban by first pointing to the sign or holding it aloft. Formal warnings follow. She said she hasn't kicked anyone out.

"Regulars come here to take pictures of the sign because

they can't believe we would implement it," she said. "One man I showed the sign said he couldn't stop swearing because he had a chronic case of Tourette's. I wasn't sure how to react."

At the Widow Cullens Well, a Samuel Smith's pub in the English East Midlands city of Lincoln, manager James Pizza said he recently had to eject a "massive group of 17 blokes" for repeatedly swearing. "I'm lucky they didn't beat me up."

Despite their freewheeling reputation, British pubs for centuries sought to shape behavior according to fashions of

the day. In 1656, Oliver Cromwell's puritanical government banned musicians from playing in pubs.

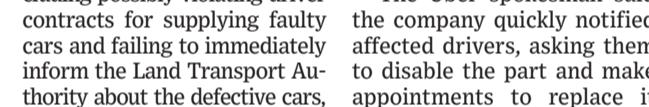
During World War I, the Defence of the Realm Act forbade "treating"—patrons' buying each other drinks—to reduce binge-drinking in towns where munitions were manufactured.

A Wetherspoon pub last year banned tracksuits and baseball caps. Some pubs have put an embargo on bare chests.

Back at The Cock Tavern, Messrs. Gow and Herod weren't booted for their impolite words, including the bollocks.

Some drinkers noted the ban could see them ejected for mentioning the name of the pub in the wrong context. Others insisted swearing and story-telling were part of the essential nature of British pubs.

"Swearing is the language that accentuates stories. It gets across your emotional response in a visceral way," said Matt Hill, a 30-year-old sound engineer from North London. "What better place to do that than the pub?" he said. "For want of a better word people won't give a shit."



The Cock Tavern is part of Samuel Smith's swearing ban in its pubs.

ALLAN GHERKINS FOR THE WALL STREET JOURNAL

Continued from page A1

ers and have begun ejecting some patrons who refuse to curb their cursing.

That ban may or may not include "bollocks," British slang for testicles and nonsense. A Cock Tavern bartender declined to comment on the word.

Landlords said the edict, which wasn't publicly announced, was communicated by Samuel Smith's in an April memo they said doesn't list unacceptable words.

"Where do you draw the line?" asked a landlord at a Samuel Smith's pub in Northwest London. "Is 'bloody' a swear word? It's quite confusing."

Samuel Smith's didn't respond to inquiries.

Other bars clamping down on cursing include Wetherspoon's, the U.K.'s largest pub chain, which last year expanded its management training to help landlords muzzle their more lo

BOOKS

'Always vote for principle, though you may vote alone, and you may cherish the sweetest reflection that your vote is never lost.' —John Quincy Adams

The Daily Brilliance of JQA

The candid diary of a great American statesman is a matchless window on the early republic

The Diaries of John Quincy Adams

Edited by David Waldstreicher
Library of America, 1,488 pages, £57.25

BY RICHARD BROOKHISER

JOHN QUINCY ADAMS (1767-1848) was the sixth president of the United States, chosen by the House of Representatives after the chaotic contest of 1824, crushed in his re-election bid by Andrew Jackson in 1828. But his public career stretched decades before and after his single term. His diplomat father, John Adams, took him on his first European trip when he was 10; he suffered a fatal stroke on the floor of the House of Representatives when he was 80. In the seven decades in between he served as ambassador to four countries, senator, secretary of state, congressman and advocate before the Supreme Court.

He also kept a diary, with a juvenile start in 1779 called "A Journal by Me, J Q A, Vol: 1st." It grew, as he entered adulthood, into an almost daily record. An electronic facsimile of this running autobiography, comprising 14,000 digitized pages of JQA's original handwriting, can be found at the website of the Massachusetts Historical Society.

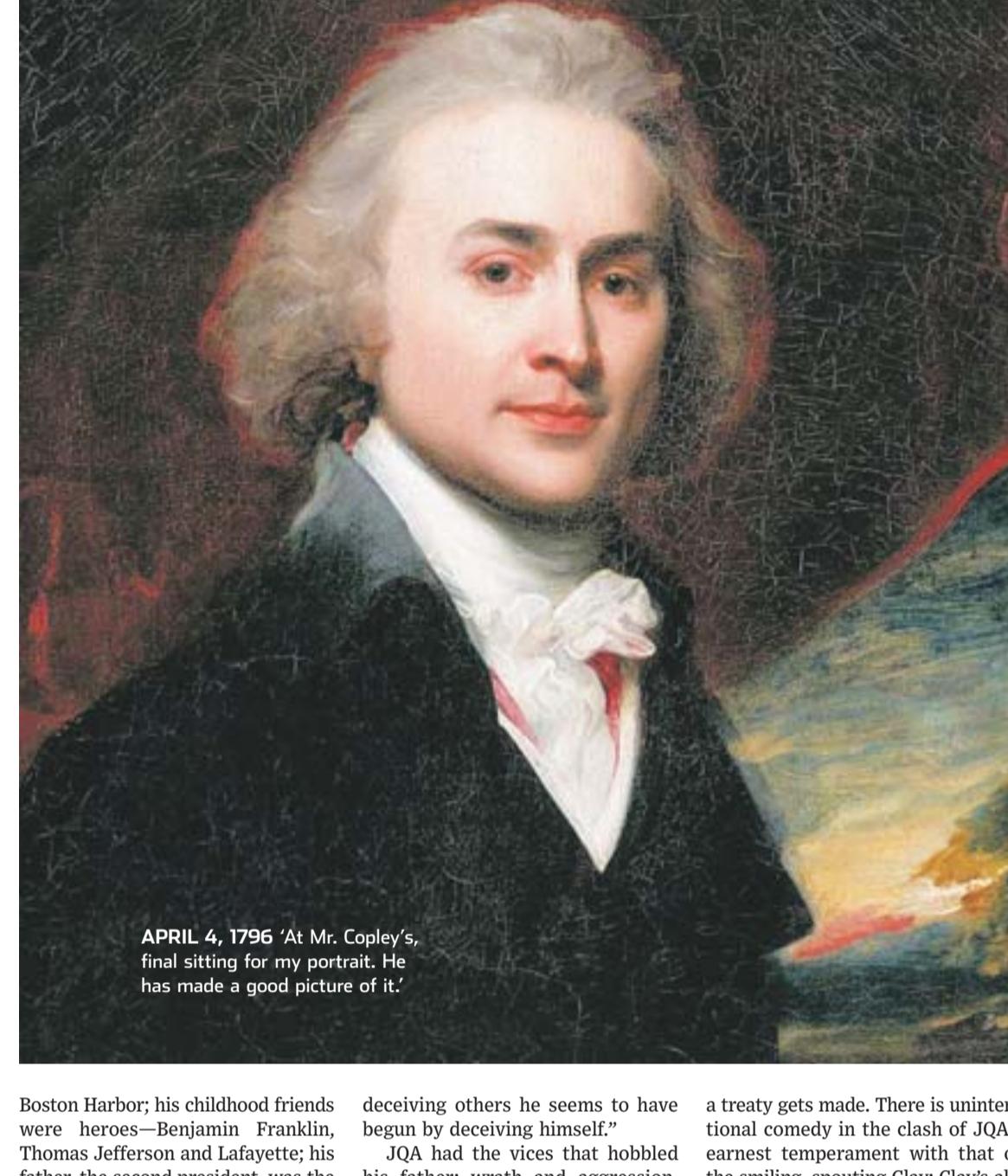
David Waldstreicher, professor at the Graduate Center of the City University of New York, has distilled 1,200 pages of it, plus chronology and notes, into two volumes in the Library of America's handsome format. It will be the standard reader's edition of this masterpiece, which gives an account of both a fascinating life and a thrilling, disastrous period of American history.

JQA is a masterly diarist. He could write in sentences and paragraphs, unlike modern politicians. (Sad!) His style is always clear, often elegant, informed by his reading in Latin, French and German (not Austrian). He has a sharp eye for people, places and things.

While he was representing the United States in St. Petersburg he described a Russian Orthodox baptism: "Another singularity was that at one part of the ceremony they were all required to spit on the floor." Throughout his life, he noted sunrises (he himself typically rose at 4 a.m.), sunsets and eclipses.

Although public affairs consumed him, he had a variety of quirky interests and habits. He had a garden at home in Quincy, Mass., where he tried to start the seedlings of trees, usually with no luck. When he was in Washington he swam (he called it "bathing") in the Potomac; he once nearly drowned, and on another occasion saw a drowned body pulled from the river. He was forever writing verse, and scolding himself for its poor quality. "It is with poetry as with Chess and Billiards—There is a certain degree of attainment, which labour and practice will reach, and beyond which no vigils and no vows will go."

His signal deficiency as a chronicler is that he had almost no sense of humor. Whatever seriousness was not drilled into him by his Puritan heritage, history and Adams family history supplied. When he was 7 he saw the smoke and heard the cannon of the Battle of Bunker Hill across



APRIL 4, 1796 'At Mr. Copley's, final sitting for my portrait. He has made a good picture of it.'

Boston Harbor; his childhood friends were heroes—Benjamin Franklin, Thomas Jefferson and Lafayette; his father, the second president, was the hero at home. The private history of the Adams family was somber: JQA's two brothers, and two of his three sons, were alcoholics.

The gusto that sunnier temperaments draw from humor, JQA got instead from bile. He knew everybody, and hated almost everybody. The diary is a cavalcade of vituperation: Stephen Douglas "cast away his cravat, unbuttoned his waistcoat and had the awkward aspect of a half naked pugilist." Daniel Webster had "gigantic intellect," "envious temper," "ravenous ambition" and a "rotten heart." Ralph Waldo Emerson was "a crack-brained young man." Alexander Hamilton's death in a duel was "divine retributive justice" for his opposing JQA's father. He acknowledged Martin Van Buren's "calmness," "gentleness of manners" and "conciliatory temper" but flayed his "obsequiousness," "sycophancy" and "fawning servility."

The sternest rebuke was reserved for Jefferson, who "combined a rare mixture of infidel philosophy, and Epicurean Morals—Of burning Ambition, and of Stoical self-control—of deep duplicity and of generous sensibility, between which two qualities and a treacherous and inventive Memory, his conduct towards his rivals and opponents appears one tissue of inconsistency." JQA ticked off some instances, then struck off this epigram: Jefferson had "a memory so pandering to the will that in

deceiving others he seems to have begun by deceiving himself."

JQA had the vices that hobbled his father: wrath and aggression, cast as righteousness. "My cause is the cause of my Country, and of human liberty. It is the cause of Christian improvement—the fulfilment of the prophecies." His canting rage was stoked by the punishments he administered to himself: for being a mediocre poet; for getting up as late as 6 a.m.; for reading for pleasure when he should have been doing research; for a hundred shortcomings, almost all of them magnified by relentless self-scrutiny. Back of the implacable internal judge lay a profound internal fear: I am not worthy—of my father; of the founding fathers; of the opportunities I have been given.

Sometimes sheer loss released him from the prison of himself, if only into grief: The death of his mother, and of his drunkard sons, touched him to the core. And day by day, poems, plants and heavenly bodies momentarily soothed him, even if he called them distractions. Otherwise the vice of his personality stayed tight.

Much of Volume I is taken up with JQA's career as a diplomat. His crowning achievement was his part in procuring the Treaty of Ghent, which ended the War of 1812. JQA belonged to a five-man American negotiating commission, which also included the young Henry Clay. The shuffling and bluffing of their British counterparts, and their own internal bickering, shows how the sausage of

a treaty gets made. There is unintentional comedy in the clash of JQA's earnest temperament with that of the smiling, spouting Clay; Clay's all-night card parties broke up just when JQA was starting his day.

In 1817 James Monroe tapped JQA to be secretary of state. Monroe's eight years in the White House became the original permanent campaign as Adams, Treasury Secretary William Crawford, Secretary of War John C. Calhoun, House Speaker Clay and Gen. Andrew Jackson jockeyed to succeed him.

JQA's account of these years, which straddles Volumes I and II, is the ultimate inside baseball. (JQA learned that, at one point, a frustrated Crawford, seeing his chances slip away, threatened to beat Monroe with his cane.) It is a tribute to JQA's public-spiritedness that in the midst of these brawls he crafted the principle of mutual European/American noninterference, known as the Monroe Doctrine, that would guide U.S. foreign policy for 90 years.

JQA beat his competitors for the White House and served a damp term as president. The most important subject in the diary—much more important than this sterile victory—is slavery.

Joseph Ellis believes that John Adams, at the end of his life, told JQA that the founders of the North had made a tacit bargain with their brothers of the South: End slavery in your own way. Since the South hadn't done so, it would be fair, and necessary, for JQA to push hard against it.

I see an earlier turning point in the diary, after Missouri applied for statehood in 1819. The House, dominated by free states, wanted Missouri to be free; the Senate, split between free and slave states, balked.

JQA recorded a conversation he had with Calhoun in March 1820, as the two walked home from a cabinet meeting at which Missouri had been the topic. JQA had argued for freedom, citing the Declaration of Independence. Calhoun, who was from South Carolina, told him "that the principles which I had avowed were just and noble; but that in the Southern Country, whenever they were mentioned, they were always understood as applying only to white men." Slavery, he went on, had "many excellent consequences.... It was the best guarantee to equality among the whites."

Adams the diarist was a hanging judge—of his Washington colleagues, his opponents and himself.

JQA wrote it all down, then ruminated: "When probed to the quick," slaveholders "show at the bottom of their Souls, pride and vain-glory in their very condition of masterdom.... They look down upon the simplicity of a yankee's manners because he has no habits of overbearing like theirs, and cannot treat negroes like dogs."

The power of this encounter comes from the fact that, at that moment, Calhoun was one of the few people JQA respected. "Calhoun thinks for himself," he wrote, "independently of all the rest." If, even so, he thought as he did, what hope was there for the country? You might as well jump straight to Antietam.

JQA did nothing with this prophetic insight—he still had the greasy pole of ambition to climb. But after winning and losing the presidency, then taking a brief time-out in private life, he returned to politics, winning a House seat in 1830, and the slavery issue returned to him.

The climax of Volume II is his double resistance to the annexation of Texas, a future slave state, and to the gag rule, which required anti-slavery petitions to the House to be tabled, unread and unrecorded. His struggle against the latter employed all his qualities, bad and good: he was bitter, resourceful, smart and brave. He gave orations, and he wrangled over points of order.

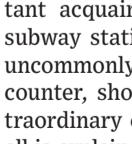
What rendered his campaign all the more splendid were the rants and threats of his slave-holding opponents. In that long-ago conversation with Calhoun he had seen their nature, and he forced them to show it again and again.

The gag rule went down in 1844, but Texas was annexed the following year; the road to disunion and war ran clear and straight. But JQA left, in his life and his diary, the example of a statesman, distracted by many projects and woes, who, late but true, grasped the vital question.

Mr. Brookhiser is the author of, among other books, "America's First Dynasty: The Adamses, 1735-1918."

FICTION CHRONICLE: SAM SACKS

Butterscotch Dream Children



EARLY IN Danzy Senna's "New People" (Riverhead, 229 pages, £19.85), a woman named Maria runs into a distant acquaintance in a New York subway station. The woman seems uncommonly excited about the encounter, showering Maria with extraordinary compliments. And then all is explained when she invites Maria to take the notorious personality test administered by the Church of Scientology.

It's at this point that most people would hurl themselves into, if not in front of, the next arriving train. But Maria has a fascination with cults. She happens to be completing a dissertation on the ethnomusicology of the Peoples Temple in Jonestown. And she herself belongs to a group that, Ms. Senna suggests, can feel

much like an exclusive social order: Both she and her fiancé Khalil are biracial. In the eyes of others their beige skin is the consummation of enlightened racial attitudes. "Maybe

Senna treats race as kind of a public performance, a provocative approach that proves strangely cathartic.

she and Khalil are some kind of solution," she thinks, "the beautiful blend that happens four hundred years after humanity's collision." The two have been selected to star in a documentary called "New People" about the future of American coupledom. When Maria wonders why their wedding announcement is



being featured in the New York Times, Khalil answers, only half joking, "We're mulatto. Everybody loves mulattos. Nobody will grow bored of us, ever."

A charmed future seems to lie ahead: "A Brooklyn brownstone, a tribe of butterscotch dream children, a fancy tenure-track job." But Maria is having severe doubts about her membership in the tribe. Her pre-wedding jitters have taken the form of a ruinous obsession with a writer friend of Khalil's she thinks of only as "the poet." The poet isn't a New Person—he's "old-school," meaning he's simply a black guy, someone who endures the slights and persecutions that come with his skin color but feels no confusion about who he is.

Maria's confusion is central to the breakdown that follows her obsession, and Ms. Senna deftly draws it out in the way of an espionage thriller, peeling back her characters' racial personas as though they were so many disguises. During the Scientology personality test, Maria real-

izes she has no idea how to answer the question "Can you remember a time when you were really real?" She was raised on Whitney Houston and LL Cool J and now she watches "Seinfeld" reruns every night. Khalil grew up a preppie—"the only black guy at the frat party"—before undergoing a road-to-Damascus conversion in which he embraced his blackness and changed his clique of friends. The frankness with which "New People" treats race as a kind of public performance is both uncomfortable and strangely cathartic.

Being a performance, it transforms easily into deception, and the story hinges on two hallucinatory sequences in which Maria falsifies her identity in order to sneak into the poet's apartment. The ending of this brittle, provocative novel carries the fated sense of a utopia heading inexorably toward collapse.

BOOKS

'The scabs outside still laughed at their murderous spree / And the children that died there were seventy-three.' —Woody Guthrie

Let Fury Have the Hour

Grown-Up Anger

By Daniel Wolff

Harper, 354 pages, £20

BY RANDALL FULLER

MORE THAN a decade before Joe Strummer of The Clash declared "anger can be power," Bob Dylan channeled the smoldering fury of generational revolt in his seminal 1965 hit, "Like a Rolling Stone." "How does it feel?" Mr. Dylan sneered, his nasal twang sounding to many listeners like a battle cry against bourgeois conformity. "How does it feel, to be on your own?"

In "Grown-Up Anger: The Connected Mysteries of Bob Dylan, Woody Guthrie, and the Calumet Massacre of 1913," author and songwriter Daniel Wolff blasts through layers of American history to uncover the rage animating Mr. Dylan's classic song, tracing its origins back through the life and music of Woody Guthrie and, even further, to a violent confrontation in Michigan decades before. Mr. Wolff's claim is that the death of dozens of striking copper miners and their children reverberates, like an earthquake's aftershocks, half a century later in Mr. Dylan's music. "Follow that darkish vein back to find . . . what?" he writes. "The history of anger. Hope. The truth."

"Grown-Up Anger" is an associative—rather than a chronological—history, its narrative pieced together from seemingly disparate events and personalities. Tying together the book's various strands is another Dylan tune, "Song to Woody," written several weeks after the aspiring songwriter arrived in New York in 1961 and visited Guthrie, who was confined to a New Jersey psychiatric hospital. He had been admitted with Huntington's chorea after his family could no longer take care of him. As Mr. Dylan later recalled: "It was one of them freezing days . . . a February Sunday night. . . . And I just thought about Woody, I wondered about him, thought harder and wondered harder. I wrote this song in five minutes."

In classic folk-singer tradition, Mr. Dylan borrowed the melody for "Song to Woody" from one of Guthrie's own songs, "1913 Massacre," a haunting ballad about the death of dozens of Polish and Italian copper miners and their children in Calumet, Mich. Guthrie learned about the tragedy from Mother Bloor, a long-time labor activist and Communist Party member, who said that the massacre occurred at the newly built Italian Hall during a Christmas party



GETTY IMAGES

COPPER MINERS Shift workers in an open tram, Calumet, Mich., 1906.

when someone falsely shouted "fire." The panicked crowd tried to flee, and 60 children and 13 adults were crushed to death. Guthrie's song, one of the saddest he ever wrote, begins with an invitation—"Take a trip with me in 1913"—but quickly adopts the voice of the grieving community: "We carried our children back up to their [Christmas] tree."

What the song doesn't say outright is that the copper miners in Italian Hall were on strike and that whoever was responsible for yelling "fire" was almost certainly affiliated with the mining company. In the process of recounting this episode, "Grown-Up Anger" excavates America's long and often bloody history of labor strikes and union organization, implicitly arguing that these sporadic conflicts better capture the nation's democratic soul than the more familiar

and triumphant accounts of upward mobility and material success. Along the way, we learn of the accidental discovery of copper in Michigan, its prompt seizure and exploitation by New England financiers, and the birth of the labor movement at various coal and copper mines throughout the country.

Mr. Wolff populates his story with activists from early in the 20th century, including Joe Hill, the Swedish immigrant who became a popular cartoonist and songwriter for the Industrial Workers of the World (or Wobblies) and who was executed in 1915 after being falsely accused of murder in Utah. Also making appearances are the song collector Alan Lomax and folk icon Pete Seeger, both of whom aligned themselves with Popular Front radicals and worked on behalf of Depression-era unions.

These juxtapositions prove remarkably fruitful. For instance, Mr. Wolff traces Mr. Dylan's "Like a Rolling Stone" to Joe Hill's rhyming last will and testament: "My will is easy to decide / For there is nothing to divide / My kin don't need to fuss and moan / Moss does not cling to a rolling stone." And he is especially good at recapturing the radical fervor that characterized much late 19th- and early 20th-century labor history—a period when it seemed genuinely unclear whether capitalism or some brand of socialism would prevail as the American way of life.

But "Grown-Up Anger" is at its best when discussing Guthrie and Mr. Dylan, especially the way in which each invited history to seep into his finest work. Both songwriters were middle-class kids from the heart of the country. Both fashioned musical

personae—and voices—that allowed them to distance themselves from their upbringings while identifying with America's poor and oppressed, whether African-American sharecroppers, immigrant copper miners, Okies or bums. As Guthrie told Lomax in a letter: "Music is some kind of electricity that makes a radio out of a man."

In telling their story, Mr. Wolff hopes to effect something similar—to encourage his readers to reimagine American history as a continuing struggle to live up to its promise of equality of opportunity. What is not

We still listen to protest songs by Dylan and Guthrie. But workers no longer take to the streets.

addressed in "Grown-Up Anger" is whether anger at social injustice is more effectively mobilized as political action or articulated by singular poets. Is the bracing outrage of "Like a Rolling Stone" all that is left of the 20th century's various labor movements? Are popular songs capable of reawakening the struggle for workers' rights at a time when those rights are out of favor in the country?

For Guthrie, the Calumet Massacre was one of countless injustices that fueled his vast corpus—a body of work he hoped would chronicle "the struggle of working people in bringing to light their fight for a place in the America that they envisioned." For Mr. Dylan, anger would become detached from political movements by 1965, evolving into a deeply individual fury that lashed out with equal force against racism, war, the smug pieties of the folk movement and the betrayals of unnamed women.

"Like a Rolling Stone" is now as remote from our time as the Calumet Massacre was from Mr. Dylan's when he wrote the anthem. Mr. Wolff's gripping account reminds us of an important, if submerged, reality of American life—that the rich and powerful have often exploited labor in the name of economic freedom, upward mobility and (that most sacred word in the national lexicon) democracy. The story of the Calumet Massacre as it was passed along from Woody Guthrie to Bob Dylan is also a record of the gradual erosion and burying of hope for labor equality.

Mr. Fuller is the Herman Melville Distinguished Professor of 19th-Century American Literature at the University of Kansas.

From Negotiator to Autocrat

The Last Palestinian

By Grant Rumley and Amir Tibon

Prometheus, 274 pages, £21

BY ADAM RUBENSTEIN

ON SEPT. 30, 2016, Palestinian leader Mahmoud Abbas attended the funeral of Shimon Peres, the last of Israel's founding fathers and his counterpart in the peace negotiations of the 1990s. Some observers saw his presence there as purely political, a maneuver to ingratiate himself with the world leaders also attending. Others, including many of his fellow Palestinians, found it in bad taste, even incendiary.

Political calculations aside, Mr. Abbas was there to mourn the passing of an old friend, who months before his death had called Mr. Abbas "an outstanding man who really does want to commit to peace." Peres's daughter had phoned him to say that she thought her father would have wanted him there. "He should be recognized for coming," she told the Jerusalem Post. "He took a risk and made a very courageous decision. We are very appreciative of that."

Grant Rumley and Amir Tibon, the authors of "The Last Palestinian: The Rise and Reign of Mahmoud Abbas," say that Mr. Abbas's attendance at Peres's funeral made him "more popular in Washington than in Ramallah, Gaza, or Jerusalem." This tension between support in the West (which Mr. Abbas has needed for negotiations to take place) and support at home (which he has needed for negotiations to succeed) turns out to be the central struggle of the 82-year-old's now 12-year tenure as leader of the Palestinian Authority.

Mr. Rumley, of the Washington-based Foundation for Defense of Democracies, and Mr. Tibon, of the Israeli newspaper Haaretz, open their book with a treatment of the first 58 years of Mr. Abbas's life, from his birth through the beginning of the Oslo peace process in the early 1990s.

Their assessment spares little detail in its account of his personal and political story. Mr. Abbas was born in Safed in 1935 and fled with his family during Israel's 1948 War of Independence. They went to Damascus, where he became a teacher and a husband

Mahmoud Abbas is nothing if not a shrewd politician. One does not enter the 12th year of a four-year term by being a political neophyte.

and got his start in politics. In the 1950s, after Mr. Abbas had taught for a few years in Syria, he moved to Qatar, where he joined the country's Ministry of Education. By the early 1960s, he began his rise within Fatah, Yasser Arafat's newly created Palestinian nationalist movement.

The authors' portrait of Mr. Abbas stands or falls by its assessment of his disposition toward nonviolence and by the seriousness of his support for the concept of a two-state solution. The authors contrast their view of him, that he is peacefully disposed, with that of his predecessor, Arafat, who openly embraced terror attacks against civilians. In the West, Mr. Abbas's relative peacefulness made him a welcome alternative to

the bellicose Arafat—if not necessarily at home.

Mr. Abbas has always been weaker than Arafat, the authors explain, offering that he, unlike Arafat, "is not the charismatic leader of Palestinians. . . . He does not appeal to the Palestinian street." Arafat, they argue, had the power to make peace with Israel but not the courage or the will. Mr. Abbas suffers from the contrary ailment: He appears to have had the will to make peace but not the strength.

According to Messrs. Rumley and Tibon, Mr. Abbas "would become so obsessed with [Mr. Fayyad's] challenging his rule that he would attack anyone associated with Fayyad's reform movement. At one point, Abbas or-

dered Fatah subordinates to protest against Fayyad's economic policies outside his offices."

The problem for Mr. Abbas, and for those whom he represents, becomes one of succession. If he is unwilling to cede power to his deputies, or to reform the "corruption and nepotism—which [are] rampant and deeply ingrained in Ramallah"—he may very well be the last Palestinian leader. Whatever his flaws, the authors suggest, it is hard to imagine a leader with equal historical and domestic legitimacy arising from the fractured politics and rival claims of Palestinian nationalism today.

Messrs. Rumley and Tibon offer a strong analysis of Mr. Abbas's cult-of-personality leadership style and its problematic turn after his disastrous loss to Hamas in the Palestinian legislative elections of 2006. After that loss, they say, Mr. Abbas "was able to focus on the West Bank, and indeed consolidate his grip on politics there. . . . Survival was now the sole goal of his rule—much more than peace and statehood." The public had shown greater support for Hamas than for Mr. Abbas, and he needed to win them back.

His response, to internationalize his conflict with Israel and to capitalize on his diplomatic relationships abroad, boosted his standing at home and pushed peace further away. Mr. Abbas's leadership style, in these, the waning years of his reign, is "a poor match to address the Palestinian public's demands," write the authors.

The success of this book rests in its ability to analyze Mr. Abbas not only as a diplomatic figure but also as a politician with his own domestic concerns. Too often, writing on the Israeli-Palestinian conflict and its key players denies readers insight into domestic Palestinian affairs. Not here. Messrs. Rumley and Tibon treat readers to their combined expertise and understanding of internal Palestinian politics.

Mr. Abbas's story, as they argue, is a tragic one. He appeared to be the man with the greatest political potential on the Palestinian side to make peace with his neighbors. Instead, he has turned into a power-consolidating silencer of dissent who eulogizes some of the more contemptible impulses of Palestinian nationalism.

Mr. Rubenstein is a Robert L. Bartley Fellow at The Wall Street Journal.



GETTY IMAGES

Palestinian President Mahmoud Abbas.

In addition to interparty disputes with the likes of the terrorist group Hamas, Mr. Abbas currently faces sharp political divisions within Fatah, the party he inherited from Arafat, with increasing public support for his rivals Mohammed Dahlan and Marwan Barghouti. Mr. Abbas, though, is nothing if not a shrewd politician. One does not enter the 12th year of what was supposed to be a four-year term by being a political neophyte.

In the closing chapters of their book, Messrs. Rumley and Tibon portray Mr. Abbas as a tragic and corrupt strongman who has overstayed his welcome. By 2009, this much was ob-

BOOKS

'The present moment gives the motion and the color of the flake, Antiquity its form and properties.' —Ralph Waldo Emerson

Outrunning the Past

The Classical Debt

By Johanna Hanink
Harvard, 337 pages, £23.95

BY A.E. STALLINGS

DURING THE GREEK War of Independence (1821-32), the Ottoman Turks held the Acropolis in Athens. Running short of ammunition, they supposedly threatened to melt down the lead-coated iron clamps that held the Parthenon's columns together. The Greek fighters below, horrified at the threat of destruction, negotiated to send them more ammunition, with the message: "Here are bullets, don't touch the columns."

Johanna Hanink relates the story a few chapters into "The Classical Debt," which cleverly connects Western Europe's investment in ancient Greek origins with the decade-old Greek debt crisis. Ms. Hanink is an associate professor of classics at Brown who in 2014 lived in Thessaloniki. Her stay coincided with an exciting—or nerve-racking—time to be in Greece, on edge and on the cusp of dramatic changes. "Grexit" was in the air. Would Greece leave the euro and return to the drachma? Elections in January of 2015 swept Syriza, the Coalition of the Radical Left, and its young, untried leader, Alexis Tsipras, to power on the slogan of "Hope Is Coming." By July, they had painted themselves into a corner with their creditors, and Mr. Tsipras called a referendum.

While the referendum was worded in such a way as to mean different things to different people, the resounding "No" vote was interpreted as a rejection of punitive bailout conditions. Head-spinningly, within days of this populist victory, Mr. Tsipras capitulated to even more severe demands than had just been on offer; Greek banks went into capital controls, allowing the withdrawal of only 420 euros a week; and pensioners queued up weeping at bank branches. Ms. Hanink found, in short, that she knew actual Greeks who were suffering in the crisis—people who had lost their jobs or whose jobs had simply stopped paying. She became (as this book demonstrates) involved.

But back to the Parthenon story. When Ms. Hanink related the anecdote to her Modern Greek teacher, he accused her of naïveté. "Why," he asked, would the Greeks have "readily given such aid" to their Turkish foes? Ms. Hanink responded (with echoes of John 3:16), "because they loved the Parthenon so much that they would rather lose the whole Acropolis than see it destroyed." "Wrong!" the teacher said. They did it because "foreigners love stuff like that, and they knew that if they



AFP/GETTY IMAGES

SWIFT-FOOTED A demonstrator flees clouds of tear gas during an antiausterity protest in central Athens, 2011.

played the part of good Hellenes, the Europeans would send them money." She found both the story and his reaction illuminating.

In the classical era, Ms. Hanink argues convincingly, Athenians systematically set out to persuade not only themselves but also the world (and posterity) that they were exceptional. The Spartans may have been valiant on their suicide mission at Thermopylae, but it was the Athenians who held off the Persian invasion at Marathon and at Salamis in 480 B.C. For this, all Greece owed Athens, and Athens would not let them forget it. Byron, millennia later, distills this notion in verses about Marathon and Salamis from "Don Juan": "For standing on the Persians' grave / I could not deem myself a slave."

Even today, a few iconic columns are visual shorthand for Democracy, Justice, the Rule of Law. (The book is richly illustrated with cartoons and magazine covers, as well as images of Athens through the centuries.) Yet the Parthenon is less a monument to democracy than an advertisement for empire, the massive fore-gates to the Acropolis framing the view to Salamis and promoting the Athenian victory there (a brilliant insight put forth in 2012 by the scholars Samantha Martin-McAuliffe and John Papadopoulos).

Although other Greek cities and regions produced great art, Athenian philosophy, history and plays predominated, along with Attic, their particular flavor of Greek. Thus when Greek works were reintroduced to Western culture during the Renaissance, they

were already colored with the idea of Athenian exceptionality and an indebtedness that could never be paid off. Meanwhile, the Greeks themselves had fallen under the Ottoman "yoke" and seemed to exist in a state of degradation and ruin. As a result, when it comes to modern Greece, the West ends up with a marble chip on its shoulder. When contemporary Greeks fail to live up to their glorious ancestors, Ms. Hanink argues, they are the ones who are compelled to repay, with interest, not only in actual money but in punitive austerity measures. As one Greek cartoonist has quipped when asked about the future of the country: "We have a great past. You can't ask for everything."

Ms. Hanink plots a convincing argument over the course of centuries that Greece and the rest of Europe have been lashed together in a "complex push-and-pull that constantly interweaves . . . the relative values of money, history and culture." She is excellent on ancient Athens; this book might have been titled "The Athenian Debt," since she has much less to say about non-Athenian Greeks. Laconophilia (being wild for all things Spartan) comes in for barely a paragraph, although the British public school system, that builder of empire, was in some sense modeled on the Spartan ethos. Nor did the Athenians dream up out of nowhere the idea that things had been better in the past. The Boeotian poet Hesiod, at the very dawn of Greek letters, spoke of the five ages of man, descending from Gold to the present Iron, with a brief flash of glory in the generation preceding his own,

the sons of Oedipus and the heroes of the Trojan War. The Homeric epics share the concern that things aren't what they used to be—Hector can lift a huge stone with ease that the two of the strongest men "of these times" could scarcely budge with a wagon.

Ancient Athens persuaded the world that it was exceptional. No wonder modern Greeks can't live up to the standard.

Ms. Hanink is also very good on classical reception, and the history of Western travelers (and the occasional Ottoman) to Greece and their impressions. She is also masterly on the troubled birth of Hellas in the 19th century; on the disastrous loans to support Independence that British philhellenes secured from London at exorbitant interest, and with Greece itself as collateral; and the early history of the independent-but-only-on-European-terms early Greek nation-state (a regency with a Bavarian teenager on the throne).

"The Classical Debt" came out of an article that Ms. Hanink wrote in 2015 that took classicists wittily to task for their facile Greek tragedy metaphors. The book seems to have taken shape quickly, which might explain some unevenness as Ms. Hanink approaches the present. These flaws are mostly minor. Good on cultural debt, she is

vaguer on the fiscal nuts and bolts and the bailouts, for example, mentioning the IMF only in passing and the European Central Bank not at all.

Readers might also be leery of her comparisons of Islamic State's media-savvy destruction of antiquities at Palmyra, Syria, with Greece's heavy-handed use of a photograph of Nazi soldiers pulling ancient artifacts from the ground. Yes, both exploited images of antiquity for rhetorical purposes (the Greek Ministry of Defense was making a plea, doomed but not unfounded, for the Germans to pay war reparations and repay the loan they extracted from the Greeks during the Occupation). But the effect is tone-deaf in a book concerned with actual human suffering, especially considering that the Occupation is in living memory (my mother-in-law saw German tanks trundle down Athens's Patission Street) and that the human victims of Islamic State continue to fetch up daily on Greece's shores.

Ms. Hanink is a classicist but also, although she might balk at the label, a philhellene. It is a mild irony that, though she criticizes "travelers" who "were convinced that because of their classical education and personal passion for antiquity, they understood and appreciated Greece better than Greeks themselves could," she does not herself entirely escape the charge, if that is what it is, of a "proprietary attitude toward Greece." She too wants to show the West what the Greeks are really like, as when she tells the story of her Greek tutor with his authentic, cynical reaction to her clichéd sentimentality.

The Parthenon anecdote returns, some 60 pages later, with a twist. It turns out that the young Greek warrior in charge of the negotiations with the Ottomans was Kyriakos Pittakis, later an antiquities official for the new Greek state. As Ms. Hanink admits: "By all accounts . . . Pittakis really was tireless in his devotion to protecting antiquities." One contemporary recalled that when Pittakis saw people approach antiquities he became anxious, leaping "over stick and stone to the place where the greatest danger threatened."

Counterintuitively, even if the Acropolis story is apocryphal, elements of it are essentially true: Pittakis, a veteran of the War of Independence, cared about the Parthenon for itself and not as a way to cynically extort European money. The story, like most stories about Greece, is more complicated than it seems, escaping the author's attempt to allegorize it. Or maybe the allegory is there after all, Greeks continuing to send up bullets to those who have taken the high ground and laid claim to the columns.

Ms. Stallings is an American poet and translator based in Greece.

Last of the Great Mughal Emperors

Aurangzeb

By Audrey Truschke
Stanford, 136 pages, £20

BY MAXWELL CARTER

SOME EIGHT decades before Elizabeth I granted the English East India Co. its charter—and, for that matter, before Henry VIII ever set eyes on Anne Boleyn—the Mughals, Turkic-Muslim descendants of Tamerlane and Genghis Khan, marched southeast

Today he is remembered for razing Hindu temples, forcing conversions and banning music outright.

from modern-day Uzbekistan into the Punjab. Across six generations, until their precipitous 18th-century decline, the Mughals conquered much of the subcontinent and synthesized Central and South Asian aesthetic, spiritual and social traditions, leaving behind splendid miniature paintings, exquisitely proportioned tombs and fresh-as-paint chronicles of court life.

The first Mughal emperor, Babur, wrested power from the Lodi dynasty in 1526 and wrote one of the world's outstanding memoirs; the second, Humayun, rallied from defeat and exile to restore Mughal sovereignty in 1555; the third, Akbar, promoted an exemplary religious syncretism, abolishing the poll tax for non-Muslims in 1564; the fourth, Jahangir, was Mu-

ghal portraiture's keenest patron and connoisseur; and the fifth, Shah Jahan, built Delhi's Red Fort and the Taj Mahal. His son, Aurangzeb, the last of the so-called great Mughal emperors, whose reign spanned nearly 50 years (1658-1707), enlarged the empire's borders to their furthest extent. Yet today Aurangzeb is remembered for razing Hindu temples, forcibly converting nonbelievers and banning music outright. In

"Aurangzeb: The Life and Legacy of India's Most Controversial King," Audrey Truschke, of Rutgers University, re-examines the evidence and questions the severity of the verdict.

Aurangzeb's formative years were shaped by the bloody, fratricidal dynamic of Mughal succession, with childhood competition among princes culminating in do-or-die struggles for kingship. ("Either the throne or the grave," as the Persian saying went. Babur's advice to Humayun was decidedly more encouraging: "The world is his who hastens most.") So, from ages 16 to 38, Aurangzeb campaigned tirelessly abroad, gaining martial and administrative experience while his eldest brother, Dara Shukoh, in Ms. Truschke's telling, "leisure at court" and basked in their father's favor. In September 1657, Shah Jahan "awoke gravely ill" and failed to appear before his subjects. He would live for an additional nine years, but hastily spread rumors of his demise brought the long-simmering rivalry between Aurangzeb and his three brothers to its lurid conclusion.

A staggered series of victories de-

livered Aurangzeb the throne—and provoked controversy. He had his brother Dara paraded through Delhi in rags and beheaded; ordered Dara's son, Sulayman, overdosed on opium water; double-crossed and executed his youngest brother, Murad; and imprisoned his father in Agra Fort for the remainder of his life. Ruthlessly

ruthless, Aurangzeb practiced an austere

and, by most accounts, impartial brand of justice and prosecuted overreaching, Pyrrhic wars, attempting to subdue the Marathas, Hindu warriors

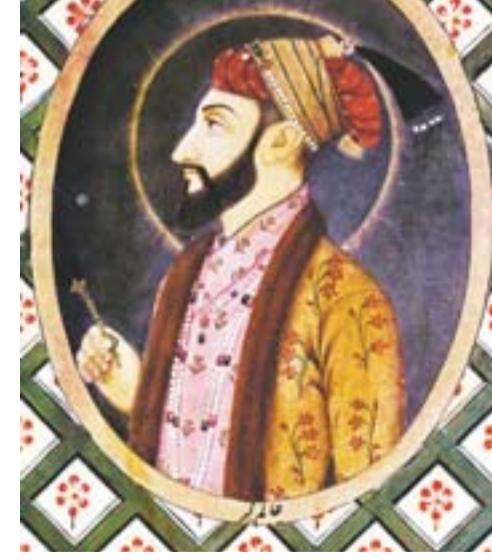
from what is now the state of Maharashtra, and the recalcitrant kingdoms of the Deccan plateau. To this end, he relocated his court south to the Deccan

in 1681, where it remained until his death in 1707.

By contemporary standards, Aurangzeb's record leaves something to be desired. In 2015, his name was removed, with tellingly little dissent, from an important Delhi thoroughfare. All the more reason, Ms. Truschke contends, why we should judge him by his lights and those of his time. Aurangzeb destroyed, in Ms. Truschke's estimation, only "a few dozen [temples] in total," bellying his reputation for systematic Hindu oppression (though, in Varanasi and elsewhere, Aurangzeb targeted particularly sacred sites); he employed more Hindu officials than any other Mughal emperor; and he didn't ban music, merely regulating select types at court. On these points and others, Ms. Truschke argues with wit and enthusiasm, even if the latter occasionally runs away with her.

The oft-repeated story of 14-year-old Aurangzeb coolly spearing an elephant, which Ms. Truschke relates without qualification, seems dubious or at least exaggerated. It's possible

just as it's possible that Kim Jong Il really invented the hamburger—but smacks of the mythologizing she pushes up against elsewhere. The



ICONIC An 18th-century miniature of Aurangzeb.

rub, above all, lies in the book's slender format—not so much brevity itself as the glibness such brevity invites. Ms. Truschke's concision is admirable; the moral judgments she takes for granted, less so. Assertions that the Raj willfully bred communal mistrust ("positing timeless Hindu-Muslim animosity embodied the British strategy of divide and conquer") or that the Hindu right trades in ahistorical, divisive fictions may contain an element of truth; they nevertheless require unpacking. A like-minded readership tends to be assumed in "Aurangzeb," which is too bad. Liberal historians and readers might applaud Ms. Truschke's approach; those who stand to benefit most from her biography won't.

The neglect and contempt the Mughals have lately suffered reflect present political symptoms more than past maladies. While their conquest of India was cynical—Babur was drawn to plunder, not the climate or customs, which he disparaged—and sometimes brutal, Mughal administration was, in certain respects, enlightened, rooted in the land and its people. The tragedy of partition can't be laid at Aurangzeb's door; nor were the Mughals alien overlords bent on Hindu persecution. Inasmuch as he did away with formal court histories, Aurangzeb is himself partly to blame for the paucity of sources and uninformed attacks on his character. Ms. Truschke's "Aurangzeb" will go some way toward his rehabilitation, yet there is more work to be done.

Mr. Carter is the head of the Impressionist and modern art department at Christie's in New York.

OPINION

REVIEW & OUTLOOK

The Carney Conjecture

Bank of England Governor Mark Carney warned Thursday that U.K. interest rates will rise faster than markets seem to expect, and good luck to the ladies and gents in the City who had to trade on that guidance. Who can say whether it's true this time?

Ahead of Thursday's policy meeting, markets priced two rate rises between now and mid-2020, which would bring the policy rate to all of 0.75%. But on Thursday the bank said that if the economy stays on the bank's predicted track, "monetary policy could need to be tightened by a somewhat greater extent over the forecast period" than markets expect.

If that sounds familiar, it's because Mr. Carney previously warned that rates would rise "sooner than markets currently expect"—in 2014. Unemployment long ago fell below the 7%

Markets have to guess when all talk will become a little action.

level Mr. Carney once suggested would lead to policy normalization. Back then Mr. Carney tried to signal which objective events might trigger a rate hike. Now he can't say, other than that inflation of around 3% isn't enough.

Central bankers these days have little choice but to try to signal their plans for the future, so as to avoid bad surprises from these institutions that have become mammoth market participants. But Mr. Carney is in danger of swinging too far in the other direction, offering so much advance notice, and for so long, that markets begin to doubt whether all the talk will ever lead to even a little action.

The warning to his peers: Having primed markets to expect a tentative start to normalization, there will be considerable costs in lost credibility if they fail to follow through.

Tillerson's Korea Confusion

Rex Tillerson said Tuesday that the U.S. isn't North Korea's enemy and it doesn't seek regime change as a way to neutralize the rogue regime's nuclear weapons threat. But Kim Jong Un may have his doubts. Later the same day White House Press Secretary Sarah Huckabee Sanders answered a reporter's question about the possibility of a pre-emptive military strike on North Korea by saying, "The President's not going to broadcast any decisions, but all options are on the table."

So why is the Secretary of State trying to take options off the table? There are two interpretations of Mr. Tillerson's "no regime change" pledge. One is that he believes Kim Jong Un will negotiate away his nuclear weapons if the U.S. gives him security assurances and a big enough incentive. This would mean Mr. Tillerson has learned nothing from three decades of failed talks and the North Koreans' own statements that it will never give up its nukes.

An alternative explanation is that Mr. Tillerson still hopes to convince China to help solve the North Korean problem, so he is playing the good cop in the dialogue with Beijing. While President Trump tweets his disappointment with China's inaction and CIA Director Mike Pompeo hints that the U.S. should work toward the overthrow of Kim Jong Un, America's leading diplomat offers cooperation to reduce the risk of a crisis on China's doorstep.

Mr. Tillerson tried to play down his boss's accusations that China failed to stop the Kims. "Only the North Koreans are to blame for this sit-

The Secretary of State offers happy talk about Chinese cooperation.

uation," he said. "But we do believe China has a special and unique relationship because of this significant economic activity to influence the

North Korean regime in ways

that no one else can."

That is true, but China is not going to be charmed into cutting off trade with North Korea. Years of futile U.S. pleading show that Beijing

wants the Kim regime as a buffer state and perhaps as a thorn in the U.S. side. Nothing short of an imminent crisis will persuade China's leaders that they should risk intervention in a dispute that they see as Washington's responsibility to resolve.

The best way for the U.S. to win Chinese cooperation is to work toward regime change. While the Administration may not be able to make the fall of the Kims its explicit goal due to South Korean sensitivities, it can continue to tighten financial sanctions and take other measures that will ratchet up pressure on the regime. The allies can also strengthen their deterrent capabilities and defenses; South Korean President Moon Jae-in agreed this week to resume Thaad missile-defense deployment.

When Mr. Tillerson disavows regime change, he undermines these efforts and signals to Beijing and Pyongyang that the U.S. might be willing to pay another round of nuclear blackmail. Saying that North Korea is not an enemy even as it threatens American cities with its new long-range missiles is obviously false and makes the U.S. look weak. The Trump Administration needs a consistent message that tough action is coming and nothing is ruled out.

The Coming ObamaCare Bailout

The Senate GOP's health failure is a political debacle that will compound for years, and the first predictable fallout is already here: Republicans in Congress are under pressure to bail out the ObamaCare exchanges, even as Donald Trump threatens to let them collapse. The GOP needs to get at least some reform in return if it's going to save Democrats and insurers from their own failed policies.

* * *

At immediate issue are government payments that insurers receive to offset the costs of mandated benefits and other rules for Affordable Care Act customers. Unlike ObamaCare's tax credits that go directly to consumers, these "cost-sharing" subsidies for insurers aren't a permanent appropriation. That means Congress can decide not to appropriate funds, and it hasn't done so since 2014.

President Obama spent the money anyway, which inspired a lawsuit by the House of Representatives against the White House for usurping its power of the purse. Federal Judge Rosemary Collyer last year issued a potentially landmark ruling that Mr. Obama had exceeded his constitutional power. Paying "reimbursements without an appropriation thus violates the Constitution," Judge Collyer wrote.

The Obama Administration appealed to the D.C. Circuit Court of Appeals. But the Trump Administration and House Republicans asked that the case be stayed amid Congress's health-care negotiations. Health and Human Services Secretary Tom Price has continued the subsidies in the meantime, and another payment is due this month.

Mr. Trump tweeted over the weekend that he'll stop these payments if Congress gives up on health reform, and he's right for the wrong reason. HHS shouldn't spend the money because Judge Collyer is right that it's illegal to do so. Republicans sued to stop Mr. Obama from violating the law and it's no better if the spender is a Republican President.

While Judge Collyer might be overturned by the liberal D.C. Circuit, the Supreme Court is likely to uphold her careful reading of the law and Article I of the Constitution. The Affordable Care Act authorized the insurer subsidies but subject to an annual appropriation. Congress has enacted many entitlement programs with automatic spending provisions, but it didn't here because it wanted leverage over insurers on an annual basis. If a President can spend the money anyway, then he is co-opting Congress's most important power.

Democrats and even many Republicans want Mr. Trump to continue the subsidies in any case

so they don't have to take responsibility for the failing exchanges. Insurers also want the cash, and is there a worse lobby in Washington?

Insurers worked to defeat the GOP's health reform and now they want the same Senators to bail them out. Sometimes we fantasize about endorsing single-payer simply to put the insurers out of business.

Yet the decline of the exchanges is real, and premiums

will rise faster with even fewer insurance choices if the cost-sharing subsidies end. Senate Minority Leader Chuck Schumer is demanding that Republicans help him bail out the insurers, and the GOP's Lamar Alexander is ready and willing. Democrats are only too happy to see the GOP prop up ObamaCare, but the debate will divide Republicans, none of whom voted for the law that produced the current mess.

Mr. Schumer is mumbling sweet nothings about "bipartisanship," but his definition of that word is GOP surrender: Bail out insurers, impose price controls on Big Pharma, and that's about it. The Republicans who killed the GOP reform—Susan Collins, John McCain and Lisa Murkowski—will want their own political bailout on similar terms.

But if Mr. Trump and the GOP are going to accept the political pain of rescuing insurers, they ought to get at least some reform in return. Republicans want to pass tax reform, and one demand could be a reduction of the corporate tax rate to 20%. Keep in mind that Chief Justice John Roberts upheld the constitutionality of ObamaCare as a "tax."

If that's too much for Democrats, then the GOP ought to at least demand the elimination of the employer and individual mandates, both of which are deeply unpopular, and the 2.3% medical-device tax that is merely passed along to consumers and that even Elizabeth Warren has decried.

* * *

Mr. Schumer may figure he can bludgeon the GOP into surrender because his press-corps buddies will blame the GOP for rising premiums. Mr. Trump's stupid tweets haven't helped by suggesting that he wants the exchanges to fail. But if Democrats reject any policy compromise, then Republicans will at least have a case to make to voters that Democrats are the reason the exchanges are collapsing.

Republicans put themselves in this political box by failing to reform ObamaCare on their terms. They shouldn't compound the rout by flipping their convictions on the power of the purse or surrendering wholesale to Democrats and insurers. They need to demand that "bipartisan" means both sides get something.

OPINION

REVIEW & OUTLOOK

The Carney Conjecture

Bank of England Governor Mark Carney warned Thursday that U.K. interest rates will rise faster than markets seem to expect, and good luck to the ladies and gents in the City who had to trade on that guidance. Who can say whether it's true this time?

Markets have to guess when all talk will become a little action.

level Mr. Carney once suggested would lead to policy normalization. Back then Mr. Carney tried to signal which objective events might trigger a rate hike. Now he can't say, other than that inflation of around 3% isn't enough.

Central bankers these days have little choice but to try to signal their plans for the future, so as to avoid bad surprises from these institutions that have become mammoth market participants. But Mr. Carney is in danger of swinging too far in the other direction, offering so much advance notice, and for so long, that markets begin to doubt whether all the talk will ever lead to even a little action.

The warning to his peers: Having primed markets to expect a tentative start to normalization, there will be considerable costs in lost credibility if they fail to follow through.

Tillerson's Korea Confusion

Rex Tillerson said Tuesday that the U.S. isn't North Korea's enemy and it doesn't seek regime change as a way to neutralize the rogue regime's nuclear weapons threat. But Kim Jong Un may have his doubts. Later the same day White House Press Secretary Sarah Huckabee Sanders answered a reporter's question about the possibility of a pre-emptive military strike on North Korea by saying, "The President's not going to broadcast any decisions, but all options are on the table."

The Secretary of State offers happy talk about Chinese cooperation.

uation," he said. "But we do believe China has a special and unique relationship because of this significant economic activity to influence the

North Korean regime in ways

that no one else can."

That is true, but China is not going to be charmed into cutting off trade with North Korea. Years of futile U.S. pleading show that Beijing

wants the Kim regime as a buffer state and perhaps as a thorn in the U.S. side. Nothing short of an imminent crisis will persuade China's leaders that they should risk intervention in a dispute that they see as Washington's responsibility to resolve.

The best way for the U.S. to win Chinese cooperation is to work toward regime change. While the Administration may not be able to make the fall of the Kims its explicit goal due to South Korean sensitivities, it can continue to tighten financial sanctions and take other measures that will ratchet up pressure on the regime. The allies can also strengthen their deterrent capabilities and defenses; South Korean President Moon Jae-in agreed this week to resume Thaad missile-defense deployment.

When Mr. Tillerson disavows regime change, he undermines these efforts and signals to Beijing and Pyongyang that the U.S. might be willing to pay another round of nuclear blackmail. Saying that North Korea is not an enemy even as it threatens American cities with its new long-range missiles is obviously false and makes the U.S. look weak. The Trump Administration needs a consistent message that tough action is coming and nothing is ruled out.

The Coming ObamaCare Bailout

The Senate GOP's health failure is a political debacle that will compound for years, and the first predictable fallout is already here: Republicans in Congress are under pressure to bail out the ObamaCare exchanges, even as Donald Trump threatens to let them collapse. The GOP needs to get at least some reform in return if it's going to save Democrats and insurers from their own failed policies.

* * *

At immediate issue are government payments that insurers receive to offset the costs of mandated benefits and other rules for Affordable Care Act customers. Unlike ObamaCare's tax credits that go directly to consumers, these "cost-sharing" subsidies for insurers aren't a permanent appropriation. That means Congress can decide not to appropriate funds, and it hasn't done so since 2014.

President Obama spent the money anyway, which inspired a lawsuit by the House of Representatives against the White House for usurping its power of the purse. Federal Judge Rosemary Collyer last year issued a potentially landmark ruling that Mr. Obama had exceeded his constitutional power. Paying "reimbursements without an appropriation thus violates the Constitution," Judge Collyer wrote.

The Obama Administration appealed to the D.C. Circuit Court of Appeals. But the Trump Administration and House Republicans asked that the case be stayed amid Congress's health-care negotiations. Health and Human Services Secretary Tom Price has continued the subsidies in the meantime, and another payment is due this month.

Mr. Trump tweeted over the weekend that he'll stop these payments if Congress gives up on health reform, and he's right for the wrong reason. HHS shouldn't spend the money because Judge Collyer is right that it's illegal to do so. Republicans sued to stop Mr. Obama from violating the law and it's no better if the spender is a Republican President.

While Judge Collyer might be overturned by the liberal D.C. Circuit, the Supreme Court is likely to uphold her careful reading of the law and Article I of the Constitution. The Affordable Care Act authorized the insurer subsidies but subject to an annual appropriation. Congress has enacted many entitlement programs with automatic spending provisions, but it didn't here because it wanted leverage over insurers on an annual basis. If a President can spend the money anyway, then he is co-opting Congress's most important power.

Democrats and even many Republicans want Mr. Trump to continue the subsidies in any case

so they don't have to take responsibility for the failing exchanges. Insurers also want the cash, and is there a worse lobby in Washington?

Insurers worked to defeat the GOP's health reform and now they want the same Senators to bail them out. Sometimes we fantasize about endorsing single-payer simply to put the insurers out of business.

Yet the decline of the exchanges is real, and premiums

will rise faster with even fewer insurance choices if the cost-sharing subsidies end. Senate Minority Leader Chuck Schumer is demanding that Republicans help him bail out the insurers, and the GOP's Lamar Alexander is ready and willing. Democrats are only too happy to see the GOP prop up ObamaCare, but the debate will divide Republicans, none of whom voted for the law that produced the current mess.

Mr. Schumer is mumbling sweet nothings about "bipartisanship," but his definition of that word is GOP surrender: Bail out insurers, impose price controls on Big Pharma, and that's about it. The Republicans who killed the GOP reform—Susan Collins, John McCain and Lisa Murkowski—will want their own political bailout on similar terms.

But if Mr. Trump and the GOP are going to accept the political pain of rescuing insurers, they ought to get at least some reform in return. Republicans want to pass tax reform, and one demand could be a reduction of the corporate tax rate to 20%. Keep in mind that Chief Justice John Roberts upheld the constitutionality of ObamaCare as a "tax."

* * *

Mr. Schumer may figure he can bludgeon the GOP into surrender because his press-corps buddies will blame the GOP for rising premiums. Mr. Trump's stupid tweets haven't helped by suggesting that he wants the exchanges to fail. But if Democrats reject any policy compromise, then Republicans will at least have a case to make to voters that Democrats are the reason the exchanges are collapsing.

Republicans put themselves in this political box by failing to reform ObamaCare on their terms. They shouldn't compound the rout by flipping their convictions on the power of the purse or surrendering wholesale to Democrats and insurers. They need to demand that "bipartisan" means both sides get something.

Europe Has a Whale Of a Tax Problem



POLITICAL ECONOMICS

By Joseph C. Sternberg

A theme of this column has become Europe's attenuated understanding of, and debate about, taxation. In which spirit, this week we pay a visit to a whale in a bathtub.

The Germans specialize in devising pithy nicknames for tax problems. The "middle-class belly" describes the way in which Berlin's income-tax code applies steep marginal rates at lower incomes before leveling off—it looks like a protruding stomach on a graph. And now comes the "whale in the bathtub." It's the most serious problem of all, and an illustrative one for the rest of Europe.

Europeans believe their tax codes are highly progressive, giving lower earners a break while levying significant portions of the income of higher earners and corporations to fund generous social benefits. But that progressivity holds true only for direct taxes on personal and corporate income.

Indirect taxes, such as the value-added tax (VAT) on consumption and social-security taxes (disguised as "contributions"), are a different matter. The VAT disproportionately affects lower earners who spend a higher proportion

The real money is in the VAT and social taxes. The visual effect is very much like, well, a large marine mammal luxuriating in a bubble bath.

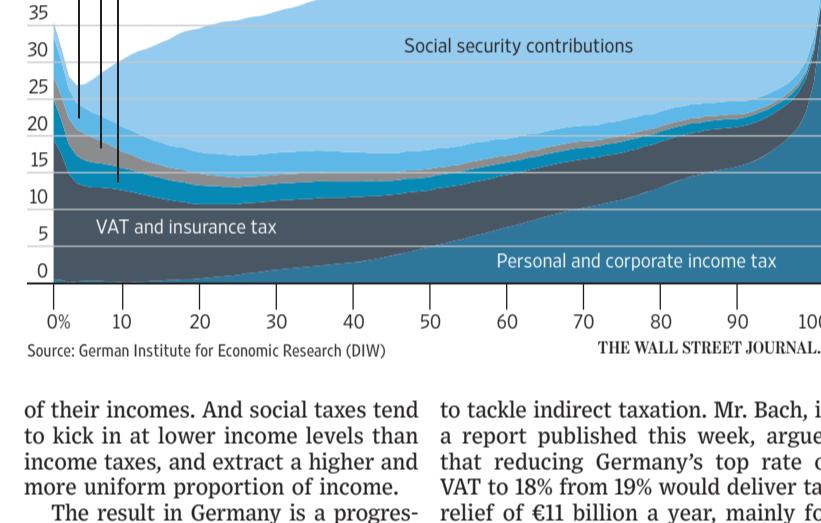
Although this columnist has yet to find similar graphs to describe other European countries, there's ample reason to believe Germany is not unique. The way German total revenues are split among income taxes, social taxes and the consumption tax is in line with the rest of Western Europe, as are its tax rates, according to OECD data. If other countries are more progressive than Germany, it's only because Germany applies its second-highest marginal income-tax rate of 42% at a lower level of income than most.

This amounts to further evidence that Europe is debating tax policy in the wrong way. Tax cuts have emerged as an issue ahead of Germany's national election next month, with both major parties promising various timid tinkers to the personal income-tax rate and exemptions. That's an important debate, since the income tax is often the vector for the sort of marginal change in incentives that affects household well-being and the tendency to work or invest more.

But it's not going to be enough if the goal is to use tax reform to create a step change in either household consumption or saving. For that, you need

The German Whale in a Bathtub

Percentage of gross household income paid in tax, per income percentile



of their incomes. And social taxes tend to kick in at lower income levels than income taxes, and extract a higher and more uniform proportion of income.

The result in Germany is a progressive system that isn't. If you looked only at the income tax, the headline rate varies by some 45 percentage points across incomes, from zero on incomes below €8,820 (\$10,443) to a high of 45% on incomes above around €255,000.

But if you look at the proportion of gross household income paid in all forms of tax, the rate varies by only 25 percentage points. The lowest-earning 5% of households pay roughly 27% of their income in various taxes—mainly VAT—while a household in the 85th income percentile pays total taxes of around 52%, mostly in social-security taxes that amount to nearly double the income-tax bill.

Tax expert Stefan Bach at the German Institute for Economic Research (DIW) has graphed this in a laborious process using survey data to estimate how the tax code affects households. The result is nearby. The striking feature is how irrelevant the personal income tax is, both in terms of the proportion of households that

OPINION

The Military Options for North Korea

By John Bolton

North Korea test-launched on Friday its first ballistic missile potentially capable of hitting America's East Coast. It thereby proved the failure of 25 years of U.S. nonproliferation policy. A single-minded rogue state can pocket diplomatic concessions and withstand sustained economic sanctions to build deliverable nuclear weapons. It is past time for Washington to bury this ineffective "carrots and sticks" approach.

Some sort of strike is likely unavoidable unless China agrees to regime change in Pyongyang.

America's policy makers, especially those who still support the 2015 Iran nuclear deal, should take careful note. If Tehran's long collusion with Pyongyang on ballistic missiles is even partly mirrored in the nuclear field, the Iranian threat is nearly as imminent as North Korea's.

Whatever the extent of their collaboration thus far, Iran could undoubtedly use its now-unfrozen assets and cash from oil-investment deals to buy nuclear hardware from North Korea, one of the world's poorest nations.

One lesson from Pyongyang's steady nuclear ascent is to avoid making the same mistake with other proliferators, who are carefully studying its successes. Statecraft

should mean grasping the implications of incipient threats and resolving them before they become manifest.

With North Korea and Iran, the U.S. has effectively done the opposite. Proliferators happily exploit America's weakness and its short attention span. They exploit negotiations to gain the most precious asset: time to resolve the complex scientific and technological hurdles to making deliverable nuclear weapons.

Now that North Korea possesses them, the U.S. has few realistic options. More talks and sanctions will fail as they have for 25 years. I have argued previously that the only durable diplomatic solution is to persuade China that reunifying the two Koreas is in its national interest as well as America's, thus ending the nuclear threat by ending the bizarre North Korean regime. Although the negotiations would be arduous and should have commenced years ago, American determination could still yield results.

Absent a successful diplomatic play, what's left is unpalatable military options. But many say, even while admitting America's vulnerability to North Korean missiles, that using force to neutralize the threat would be too dangerous. The only option, this argument goes, is to accept a nuclear North Korea and attempt to contain and deter it.

The people saying this are largely the same ones who argued that carrots and sticks would prevent Pyongyang from getting nuclear weapons. They are prepared to leave Americans as nuclear hostages of the Kim family dictatorship.

This is unacceptable. Gen. Joseph



A North Korean government photo purportedly of last week's ICBM launch.

KOREAN CENTRAL NEWS AGENCY/ASSOCIATED PRESS

Dunford, the chairman of the Joint Chiefs of Staff, has it right. "What's unimaginable to me," he said last month at the Aspen Security Forum, "is allowing a capability that would allow a nuclear weapon to land in Denver." So what are the military options, knowing that the U.S. must plan for the worst?

First, Washington could preemptively strike at Pyongyang's known nuclear facilities, ballistic-missile factories and launch sites, and submarine bases. There are innumerable variations, starting at the low end with sabotage, cyber-attacks and general disruption. The high end could involve using air-and sea-based power to eliminate the entire program as American analysts understand it.

Second, the U.S. could wait until a missile is poised for launch to ward America, and then destroy it. This would provide more time but at the cost of increased risk. Intelligence is never perfect. A North Korean missile could be in flight before the military can respond.

Third, the U.S. could use airstrikes or special forces to decapitate North Korea's national command authority, sowing chaos, and then sweep in on the ground from South Korea to seize Pyongyang, nuclear assets, key military sites and other territory.

All these scenarios pose dangers for South Korea, especially civilians in Seoul, which is within the range of North Korean artillery near the Demilitarized Zone. Any military attack must therefore neutralize as much of the North's retaliatory capability as possible together with the larger strike.

The U.S. should obviously seek South Korea's agreement (and Japan's) before using force, but no foreign government, even a close ally, can veto an action to protect Americans from Kim Jong Un's nuclear weapons.

China clearly has enormous interests at stake, not least its fear that masses of North Korean refugees will flow across the Yalu and Tumen rivers into its territory. Neither the U.S. nor China wants conflict between their respective forces, so immediate consultations with Beijing would be imperative once military action began. Both considerations underline why urgent diplomacy with China now to press the benefits of peaceful reunification is vital.

The Pentagon's military planners already should be poring through the operational aspects of a potential military strike. But politicians and policy makers also ought to begin debating the military options—for North Korea and beyond, since similar issues will arise regarding Iran and other nuclear proliferators.

For decades the U.S. has opposed attempts by any state without nuclear weapons to develop them. Washington has consistently failed to achieve that objective, and the world has become increasingly nuclearized. Stopping North Korea and Iran may be the last chance to act before nuclear weapons become a global commonplace.

Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

Republicans May Cut Taxes, but Don't Call It 'Reform'

By Alan S. Blinder

The Republican Party's seven-year effort to repeal and replace ObamaCare is finally over—at least for now. That's terrible news for President Trump and congressional Republicans, but it's good news for the tens of millions of Americans who won't lose their health insurance.

There are two opposing hypotheses about whether the Republicans' embarrassing defeat will help or hinder their future attempts to pass major legislation.

The first theory holds that the health-care debacle deepened the fissures between the party's moderates and movement conservatives—and enraged the president, who is more interested in tweeting insults and watching golf tournaments than in legislating. If so, that bodes ill for subsequent successes.

The other hypothesis is that Republicans' humiliating defeat on health care has left them hungry, even desperate, for a victory. Both hypotheses are probably true.

Where can Republicans look for a win? Their next big opportunity should be the fiscal 2018 budget, but their chances of success are already looking grim. In May the administration published the budget proposal

that couldn't count straight. That remarkable document exaggerated the economic growth that would result from its proposed tax cuts, but managed to forget about the federal revenue losses that the cuts would cause. Sad.

On July 18, the House Budget Committee weighed in with a budget resolution that assumes both a growth miracle (though a smaller one than the administration's) and—get this—enactment of the health-care plan that the House passed in May. Yes, you read that right. The American Health Care Act may be dead, but House Republican leaders admire it so much—probably because it slashes taxes for the rich and Medicaid for the poor—that they included the bill's budgetary savings in their resolution.

They also included substantial cuts in critical safety-net programs like Medicare and food stamps, cuts that are unlikely to pass in the Senate—maybe not even in the House. (President Trump, you may recall, promised not to cut Medicare at all.)

Moderate House Republicans are calling these budget cuts mean-spirited and excessive, while staunch conservatives are labeling them weak-kneed and insufficient.

So are we headed for more fratricide on the Potomac? Perhaps. But

my guess is that Republicans will get their act together sufficiently to pass a budget resolution through both houses of Congress. The reason is simple: It's the necessary first step on the road to placing tax cuts under the "reconciliation" umbrella, and thus needing only 50 votes to achieve passage in the Senate.

The health-care failure leaves Republicans hungry for a victory. A path exists, but it's rocky.

Notice that I said "tax cuts," not "tax reform." The House budget resolution proposes a revenue-neutral tax reform, which means that any rate cuts would be balanced by enough base broadening to maintain total receipts—at least under the generous economic growth assumptions they use for dynamic scoring. My prediction, however, is that they won't be able to agree on enough provisions for new revenue because of the same intraparty fissures that drove the GOP into health-care oblivion.

The truth is that while everyone agrees that the U.S. tax system is a

disgraceful mess, that's about where the agreement ends. Republicans have radically differing opinions about which changes should be advanced under the banner of tax reform. And that's before they even bring Democrats to the table.

Mr. Trump will be of little help here; he's not a details guy. In fact, here is everything his sketchy April proposal said about tax reform: for individual taxes, "eliminate targeted tax breaks that mainly benefit the wealthiest taxpayers"; for corporate taxes, "eliminate tax breaks for special interests." Got that? Now, if you ask him about real-estate shelters ...

Reforming the tax code is hard. Uniting the Republican Party around simply cutting taxes will be vastly easier. It's what Republicans do. Mr. Trump keeps bragging about passing "the biggest tax cut in American history." (He brags less that it would also be the most regressive tax cut in history.) Almost every Republican member of Congress would likely sign on to straight tax cuts for the rich and corporations. They would probably pick up a few Democrats. So a tax cut should be easy to pass, right?

Well, a path to passage does exist, but it's a rocky one. First, that annoying promise of revenue neutrality

must be overcome. And even once the House leadership agrees on specific revenue-raising provisions, the plan will still merely be the opening bid. The rank-and-file may have different ideas, not to mention the Senate.

Second, many Republicans claim devotion to shrinking the budget deficit, not enlarging it. But somehow that devotion fades whenever a Republican president proposes tax cuts.

Third, there's the Byrd Rule in the Senate, which prohibits passing through reconciliation any measure that increases the deficit beyond the 10-year budget window. But creative senators have worked around that rule before.

So I don't believe any of these procedural hurdles will stop the tax-cut freight train once it gets rolling. If dynamic scoring doesn't produce enough phantom revenue to fill the budget gap, the committee chairmen can always tell the CBO's umpires to go home and let Congress keep score itself.

They call that "directed scoring"—and it's legal. Watch for it at a Congress near you.

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

The C-Words This White House Needs

cided that the "Celebrity Apprentice" phase of his presidency was finally over. And that with the appointment of retired four-star Marine Gen. John Kelly as White House chief of staff, President Trump signaled the time had arrived for focused seriousness.

Enough with the August reveries. We are living through a time of cultural evanescence, and there's no reason why that shouldn't include the easy-come, easy-go White House careers of Mr. Scaramucci and the others.

The danger of a pop-culture presidency is that real events, including political land mines, don't get noticed. This week, the Trump presidency had a near-death experience.

It wasn't the health-care failure. That left the Republican Party, not Mr. Trump, with one foot in the grave. The noteworthy event for Mr. Trump was the vote in the House and Senate to impose sanctions on Russia, Iran and North Korea.

The sanctions themselves are notable, but the big story was the extraordinary vote totals. The bill passed 419-3 in the House and 98-2 in the Senate.

No other issue in the political firmament would produce such lopsided votes, and the reason for it wasn't Russia. This was a no-confidence vote in a sitting American president. One Republican senator told us privately, "We just don't trust him on Russia." A second senator independently confirmed the vote was a hedge against Mr. Trump's chameleon-like behavior on Vladimir Putin.

Incidentally, a short memo about that sanctions vote for the progressive celebrities still weeping about the "death of our democracy": The American system of checks and balances works. With the Obama White House, which tried to reorder the country by executive decree, constraints came from the judicial branch. The Russia sanctions vote shows that the checks on Mr. Trump, if necessary, will be legislative.

What is happening here is that the Trump presidential adventure has arrived at another of its routine tipping points. Indeed, Mr. Trump's most remarkable attribute may be that he has a gyroscopic ability not to tip over completely. After caroming around for a week with White

House departures, the president appointed Mr. Kelly, whose job description while leading the Marines in Iraq's Anbar Province included getting things done with powerful tribal chiefs. He should get along fine with Mr. Trump.

Far be it from me to load the future of the republic onto John Kelly, but a lot of people in government just now are in duty-to-country mode.

Terms unheard from Anthony Scaramucci: credibility, coherence and consistency.

There will be no plea or expectation here for Mr. Kelly to get control of the White House's fratricidal leaks. The modern press standard for anonymity is that there is no standard. No name, no problem. The no-name bombshell stories fill the clickbait needs of an internet-dependent media and the political pathologies of their sources. It's Beltway binge-watching, and Mr. Kelly should ignore it—unless he can find a leaker to put up against a wall.

Instead, Mr. Kelly's new job is to deploy across the Trump White House the three c-words that Mr. Scaramucci didn't use in his New Yorker interview: credibility, coherence and consistency. Without them, no American presidency can succeed or survive as a functioning political force.

Credibility arrives with Mr. Kelly's

résumé. Coherence—OK, maybe I'm overreaching with that one. Consistency, however, is crucial.

To avoid a humiliating override of his veto, Mr. Trump signed the sanctions bill Thursday, declaring many provisions are "clearly unconstitutional." Maybe so. But policy inconsistency produced the anti-Trump sanctions votes. It happened because of the most troubling thing Mr. Trump said during the campaign—his recurring, never-explained compliments for Mr. Putin.

We suppose it's possible that, like Rosebud in "Citizen Kane," Robert Mueller's investigations will find some vestigial explanation for Mr. Trump's Putin fascination. Of late, though, the Trump administration's Russia policy has become unequivocal.

This week, Vice President Mike Pence is delivering strong statements of strategic support in Estonia, Georgia and Montenegro, accusing Russia of "undermining democracies"—even as Moscow prepares a massive military exercise involving 100,000 troops on NATO's periphery.

Signing the sanctions bill, Mr. Trump said, "As President, I can make far better deals with foreign countries than Congress." We'll see. Beyond Russia for Mr. Trump lies the need to create policies for North Korea and Syria. If he lets his new chief of staff install credibility, coherence and consistency as standard operating procedure for this White House, he'll never have to sign another sanctions bill.

Write henninger@wsj.com.



WONDERLAND

By Daniel Henninger

Editor in Chief

Matthew J. Murray

Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller

Senior Deputy

Thorold Barker

Europe; Paul Beckett

Washington;

Andrew Dowell

Asia;

Christine Glancey

Operations;

Jennifer J. Hicks

Digital;

Neal Lipschutz

Standards;

Alex Martin

News;

Shazna Nessa

Visuals; Ann Podd

Initiatives;

Matthew Rose

Enterprise;

Stephen Wisniewski

Professional News

Paul A. Gigot

Editor of the Editorial Page;

Daniel Henninger

Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford

Marketing and Circulation;

Joseph B. Vincent

Operations;

Larry H. Hoffman

Production

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Gerard Baker

Editor in Chief

Matthew J. Murray

Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller

Senior Deputy

Thorold Barker

Europe; Paul Beckett

LIFE & ARTS

ART REVIEW

Controversy and Complexity

Dana Schutz's work at the Whitney Biennial drew protests; a new show reveals her influences and stylistic singularity

BY PETER PLAGENS

Boston

THIS CRISP midcareer survey exhibition at the Institute of Contemporary Art notwithstanding, the passionately all-in New York painter Dana Schutz (b. 1976) is, for the foreseeable future, most likely to be remembered for one of her rare mediocre pictures—the badly composed, tepidly colored “Open Casket” (2016), which depicts in smushy semi-abstraction the coffined body of Emmett Till, the battered black victim of a brutally racist murder. The work was included in the recent Whitney Biennial, where it drew ferocious protests over a perceived privileged white artist appropriating black suffering for art-world notoriety.

The controversy surrounding “Open Casket” has followed Ms. Schutz to Boston, where a smaller number of protesters, in the name of “institutional accountability” for her alleged Biennial misdeed, have demanded the ICA pull the exhibition. All of this, it’s claimed, has nothing to do with censorship or career retaliation.

Lest one think that the ICA is trying to cushion Ms. Schutz’s fall from essentialist grace (the idea that only members of a given group are entitled to make art about that group or events in its history), this show of 17 oil paintings (mostly large, some enormous) and four charcoal drawings was in the works before the Whitney curators visited her Brooklyn studio to choose pictures for the Biennial. And Ms. Schutz doesn’t need a soft landing from the “Open Casket” kerfuffle: Her demand has been rising for some time now, as have the prices commanded by her works: In 2003 mega-gallerist Larry Gagosian paid \$500,000 for a painting by Ms. Schutz—saying on the one hand that he probably overpaid, but on the other that spending a half-million was probably the only way he



DANA SCHUTZ/PETZEL GALLERY, NEW YORK

Dana Schutz's 'Swimming, Smoking, Crying' (2009)

could obtain one.

Ms. Schutz, who’s been painting seriously since she was 15 years old, has a style that openly borrows from everybody from Théodore Géricault to Max Beckmann; contains riffs from Cubism, Expressionism and Surrealism; and seems situated, in a parade of influences, about halfway between the viscous painterliness of Lucian Freud and the psychedelic political Pop of Peter Saul. There’s also more than a telepathic touch of an artist Ms. Schutz doesn’t cite, the Depression

era agitprop painter, William Gropper. What’s remarkable is that Ms. Schutz has made of this stylistic succotash something emphatically her own: big, bright panoramas of shards and smears that coalesce into bathers having fun at the beach (“Big Wave,” 2016), a woman playing piano in a downpour (“Piano in the Rain,” 2012), or chaos in a crowded elevator (“Elevator,” 2017, which was also in the Whitney Biennial).

Chromatic clarity is Ms. Schutz’s strongest suit. Her various oranges

(apparently her favorite hue) make us almost smell the fruit right on the tree; blues feel splashed directly from a swimming pool; yellows are molten. Given the complexity and variety of her compositions and the spectra they require, Ms. Schutz must be changing to fresh turpentine about every 10 minutes. Her whole recent oeuvre contains brushwork that’s adroit to the point of showing off, striving not merely to be visually impressive, but to help put painting itself back on a par with all the

winking, blinking, quasi-hoarder installations that crowd the contemporary scene. When she’s at her best—as in the atypically small (45-by-48-inch) “Swimming, Smoking, Crying” (2009), which depicts a woman impossibly doing exactly that—Ms. Schutz is a marvel.

Nevertheless, her work reveals some conspicuous limitations. She shifts gears too much within a given painting and changes her application of paint to fit different portrayed objects; the pictures are jangly enough without this additional clash. Ms. Schutz and her admirers say she’s not a social commenter, but rather just a painter, which would be fine if they didn’t at the same time claim (the artist is quoted in wall labels) that some of the paintings are metaphors for our currently fractious political times. In short, Ms. Schutz wants to have it both ways—art more or less for art’s sake, as well as some vague social relevance.

Having a foot in both those camps probably accounts for part of Ms. Schutz’s art-world popularity. Her paintings are expansive and colorful, distorted and deformed, yet never actually ugly. They look as if they intend to let us in on something deeply felt about their wildly variegated subject matter, but they’re not quite convincing. To invoke a colloquialism, the sizzle of Ms. Schutz’s paintings really sizzles, but her art would be more consequential if she were to give us more steak—a palpably emotional point of view.

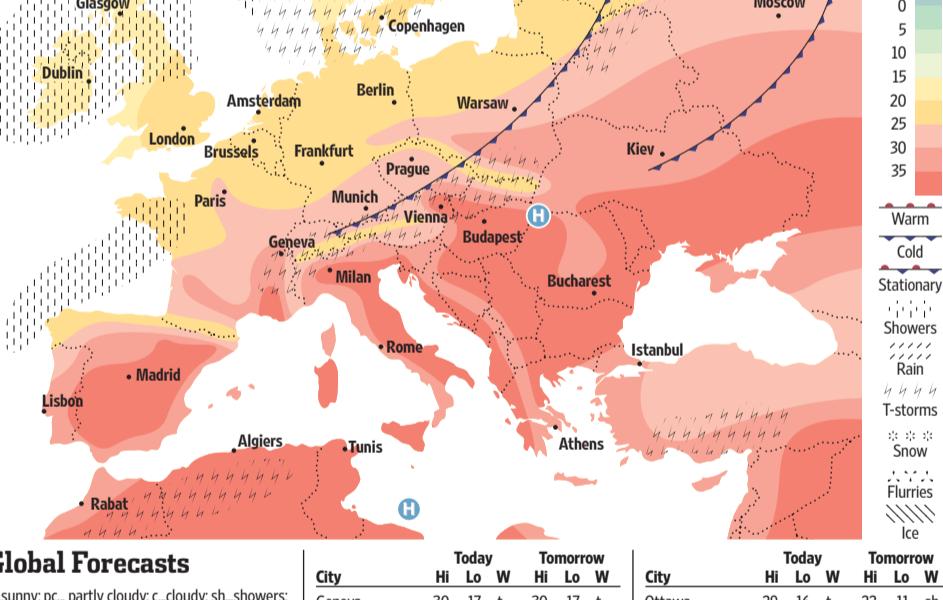
Perhaps, in the end, the error of “Empty Casket” was not that she broke into a cultural confine where she wasn’t welcome, but that artistically she remained too safely on the outside.

Dana Schutz

The Institute of Contemporary Art, through Nov. 26

Mr. Plagens is an artist and writer in New York.

Weather



Global Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	21	14	pc	20	12	pc
Anchorage	20	13	pc	21	13	pc
Athens	35	27	s	36	26	pc
Atlanta	30	21	pc	31	22	t
Baghdad	47	30	s	47	30	s
Baltimore	31	20	pc	29	16	pc
Bangkok	33	28	t	33	26	t
Beijing	36	25	s	33	24	pc
Berlin	23	14	pc	24	14	pc
Bogota	20	10	pc	19	9	c
Boise	37	19	s	36	18	pc
Boston	27	19	pc	26	19	t
Brussels	23	13	pc	21	11	pc
Buenos Aires	17	9	pc	18	10	s
Cairo	36	26	s	36	26	s
Calgary	18	10	pc	20	9	pc
Caracas	32	27	pc	32	27	pc
Charlotte	31	21	pc	32	20	t
Chicago	20	15	c	26	17	pc
Dallas	34	25	c	34	26	t
Denver	32	17	t	30	13	t
Detroit	25	14	t	26	17	c
Dubai	44	33	s	43	35	s
Dublin	18	10	pc	17	9	s
Edinburgh	18	9	sh	17	9	c
Frankfurt	25	15	pc	25	13	t

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



MISMATCH | By Matt Gaffney

- One of these eight teams shouldn't be playing today. **Which one is it, and what team should replace it?**
- Across**
- 1 Three-time Oscar nominee Ephron
 - 5 Uncle of Barbara and Jenna
 - 8 State of dormancy
 - 14 Incredible, to millennials
 - 15 Clay from Kentucky, later
 - 16 Come into view
 - 17 NBA matchup
 - 21 IM pioneer
 - 23 Attacked brutally, in a way
 - 27 NFL matchup
 - 32 Receipt issuer
 - 33 Campaign promises, sometimes
 - 34 Cattle rustler's tool
 - 36 Natural gum
 - 39 Smasher of random car windows, e.g.
 - 40 Insurance giant
 - 41 Metric prefix
 - 44 It usually closes at night
 - 45 NHL matchup
 - 49 1992 campaign song
 - 50 Upper limits
 - 54 Component in drain cleaners
 - 55 One of a Subaru pair
 - 59 MLB matchup
 - 63 Caviar source
 - 64 Unkosher fish
 - 65 County of Ohio, Pennsylvania and New York, but no other states
 - 66 Sweet number
 - 67 One of New Zealand's capitals
 - 68 Seemingly forever

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, August 6. A solver selected at random will win a WSJ mug. Last week's winner: Chris Burns, Wyoming, MI. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

- 1 Super Soaker
Zombie Strike
Revenge Infector
maker
- 2 Gem found
mostly in
Australia
- 3 Perky Kelly
- 4 Word in
temporary job
titles
- 5 Honey holder
- 6 Johannesburg-born golfer
- 7 Clam, e.g.
- 8 Silent magician
- 9 Graz granny
- 10 Mohammad
Pahlavi (last shah of Iran)
- 11 Some kitchen
work
- 12 Savage
- 13 Take it easy
- 14 Mouth-related
- 15 Does terribly as
a comedian
- 24 Brazilian hero
- 25 " understand
it..."
- 26 TV explorer
- 27 Set of principles
- 28 Friend of Eva
Peron, maybe
- 29 Success
- 30 Green man of
2000
- 31 Lingers
- 32 Wake and UVA
are in it
- 35 It may be bitter
- 37 Not Trump's
favorite channel
- 38 Give props to
- 39 Expansive
- 41 Fashionable
insignias
- 42 "The Breakfast
Club" performer
- 43 Chain based in
Rhode Island
- 46 One of two
main roles in a
movie
- 47 Related
- 48 High point
- 50 Baseball's
"Georgia Peach"
- 51 Section
- 52 Capsule
- 53 Much Motown
music
- 56 Extravagant
emperor
- 57 Big smile
- 58 Puts into service
- 60 Airport named
for a mayor of
NYC
- 61 Ruby on film
- 62 Former

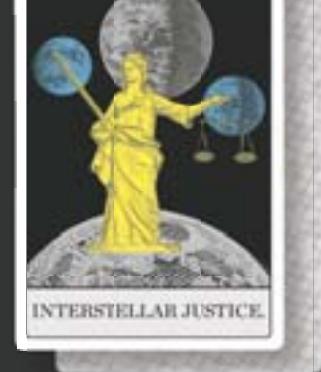
Previous Puzzle's Solution

A	H	A	S	N	A	P	S	A	D	D
P	O	L	E	S	E	U	R	A	T	E
S	A	L	E	M	I	C	U	R	I	O
E	X	A	T	A	K	R	N	A	T	T
C	H	A	M	R	S	T	I	S	T	E
V	I	C	A	T	O	N	O	N	I	S
I	T	E	M	S	U	D	A	N	T	O
M	S	U	D	N	T	E	S	A	T	O
A	S	S	S	S	S	S	S	S	S	S
L	A	S	H	S	H	H	H	H	H	H
A	R	S	T	R	T	T	T	T	T	T
M	A	R	C	O	O	O	O	O	O	O
P	E	R	E	E	E	E	E	E	E	E
O	R	O	O	O	O	O	O	O	O	O
S	E	E	E	E	E	E	E	E	E	E
E	S	S	S	S	S	S	S	S	S	S

THE FUTURE OF EVERYTHING

What Laws Will Rule the Final Frontier?

Read now at WSJ.COM/SPACELAW



THE WALL STREET JOURNAL.

Read ambitiously

© 2017 Dow Jones & Company, Inc. All rights reserved. 6D5517

Sponsored by:

ENTERPRISE FLORIDA

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Friday - Sunday, August 4 - 6, 2017 | B1

Euro vs. Dollar 1.1877 ▲ 0.17%

FTSE 100 7474.77 ▲ 0.85%

Gold 1267.80 ▼ 0.31%

WTI crude 49.03 ▼ 1.13%

German Bund yield 0.453%

10-Year Treasury yield 2.230%

Teva's Financial Woes Escalate

Israeli drugmaker cuts outlook, dividend as U.S. business falters; stock price dives 24%

Investor concerns about Teva Pharmaceutical Industries Ltd., which is grappling with a leadership vacuum and industry headwinds, mounted

By Denise Roland
in London and
Rory Jones in Tel Aviv

on Thursday when the world's biggest seller of generic drugs offered a bleak financial update that sent shares reeling.

The drugmaker, which is Israel's largest company by market capitalization, posted disappointing second-quarter results, cut its full-year outlook and slashed its dividend, blaming the rapid deteriora-



The generic-drugs seller is saddled with about \$35 billion in debt.

Adding to the company's problems, Teva's biggest shareholder said it was dumping its shares. Allergan PLC, which acquired a 9.9% stake in the company when it sold its generics business to Teva for \$40.5 billion in 2016, announced on its own conference call Thursday that it "will not be a long-term shareholder in Teva," adding that it plans to sell its stock over the next few months.

Shares of Teva were down 24% at \$23.75 on the New York Stock Exchange Thursday.

A yearslong deal-making streak has transformed Teva, founded before the state of Israel to ship drugs by camel across Ottoman-controlled Palestine, from an obscure player in generic drugs to the industry's most important. One in every seven prescriptions in the U.S. is for a Teva drug.

But last year's acquisition

of Allergan's generics unit—Teva's biggest deal to date—saddled the company with a huge debt pile that it is struggling to pay down amid an industrywide slowdown.

Many investors have said they believe Teva paid too high a price for that business, given the subsequent deceleration in generic-drug sales. On Thursday, Teva said it had taken a \$6.1 billion write-down on its U.S. generics unit to reflect dimming prospects.

Teva said it now expects per-share adjusted earnings of \$4.30 to \$4.50 for 2017, versus earlier guidance of \$4.90 to \$5.30. It cut its full-year revenue expectations to \$22.8 billion-\$23.2 billion, from \$23.8 billion-\$24.5 billion. The company also warned that it ex-

Please see TEVA page B2

♦ Heard: Any cure for Teva would likely be far off..... B8

Facebook Steps Up Fight on Fake News

By DEEPA SEETHARAMAN

Facebook Inc. is fighting misinformation with more information.

As of Thursday, when Facebook's U.S. users come across popular links—including made-up news articles—in their feeds, they may also see a cluster of other articles on the same topic. The "related articles" feature, which is rolling out widely in the U.S. after months of testing, is part of the Facebook newsfeed team's effort to limit the damage of false news without taking down those posts.

In recent months, Facebook has launched features such as "related articles" that push users to think twice before sharing a story, but don't prevent them from sharing and thus spreading false news. Facebook has also joined with outside fact checkers like Snopes.com, which Facebook recently started paying to label completely false stories as "disputed" from a Facebook-built database of possibly false news articles.

The moves show Facebook's strategy to reduce the presence of misinformation on its platform, without going so far as censoring it, a role it says it doesn't want. While Facebook has content policies that ban

The aim is to reduce misinformation without going so far as to censor it.

hate speech and other forms of expression, the social-media company is queasy about creating similar policies around accuracy.

Last year, Facebook came under fire for failing to prevent the spread of fabricated news articles during the 2016 U.S. presidential race, despite being a dominant platform for news consumption.

After initially resisting criticism, Chief Executive Mark Zuckerberg eventually acknowledged Facebook's responsibility to curb misinformation, but said he was wary of Facebook becoming what he calls the "arbiter of truth."

Facebook's approach to fighting misinformation mirrors that of Alphabet Inc.'s Google, which is also working with fact checkers and recently retooled its search engine to prevent sites peddling fake news, hoaxes and conspiracy theories from appearing in its top results.

In a lengthy corporate manifesto posted in February, Mr. Zuckerberg said Facebook "would focus less on banning misinformation, and more on surfacing additional perspectives and information, including that fact checkers dispute an item's accuracy."

In coming months, Facebook says it plans to rely more heavily on fact checkers. If two or more label a story as "disputed," the article will automatically show up lower in users' news feeds.

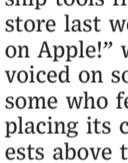
In many cases, Facebook puts a "disputed" tag on those posts to warn users that fact checkers found an article's claims completely false. The company also is experimenting with other approaches, such as using "related articles" to show stories written by its fact checkers that debunk a false story in lieu of a disputed tag.

The "related articles" feature shows up on some stories that have been flagged as false by fact checkers working with Facebook, but also on some legitimate stories that are going viral. Facebook hopes the feature will make it easier for people to break out of their filter bubbles and see other views.

CHINA CIRCUIT

By Li Yuan

Beijing's Censors Add Risks For Apple

 Apple Inc. took a public-opinion beating after it removed antiscensorship tools from its China app store last weekend. "Shame on Apple!" was a sentiment voiced on social media by some who felt Apple was placing its commercial interests above their need to access information.

Apple's response, as has been the case previously, is that it did so to meet China's regulatory requirements.

Get used to hearing that a lot in the future.

Apple has a China quandary. Greater China, which includes Hong Kong and Taiwan, is Apple's biggest foreign market, generating about 20% of the company's sales. China is also the mainstay of Apple's global manufacturing and supply chain.

Increasingly, as it sells iPhones to Chinese consumers, it is selling them Apple services too. Apple's China App Store brought in more revenue than the U.S. store did last year. More Chinese are willing to pay for online services such as music, so there is hope for Apple Music. The company is promoting Apple Pay.

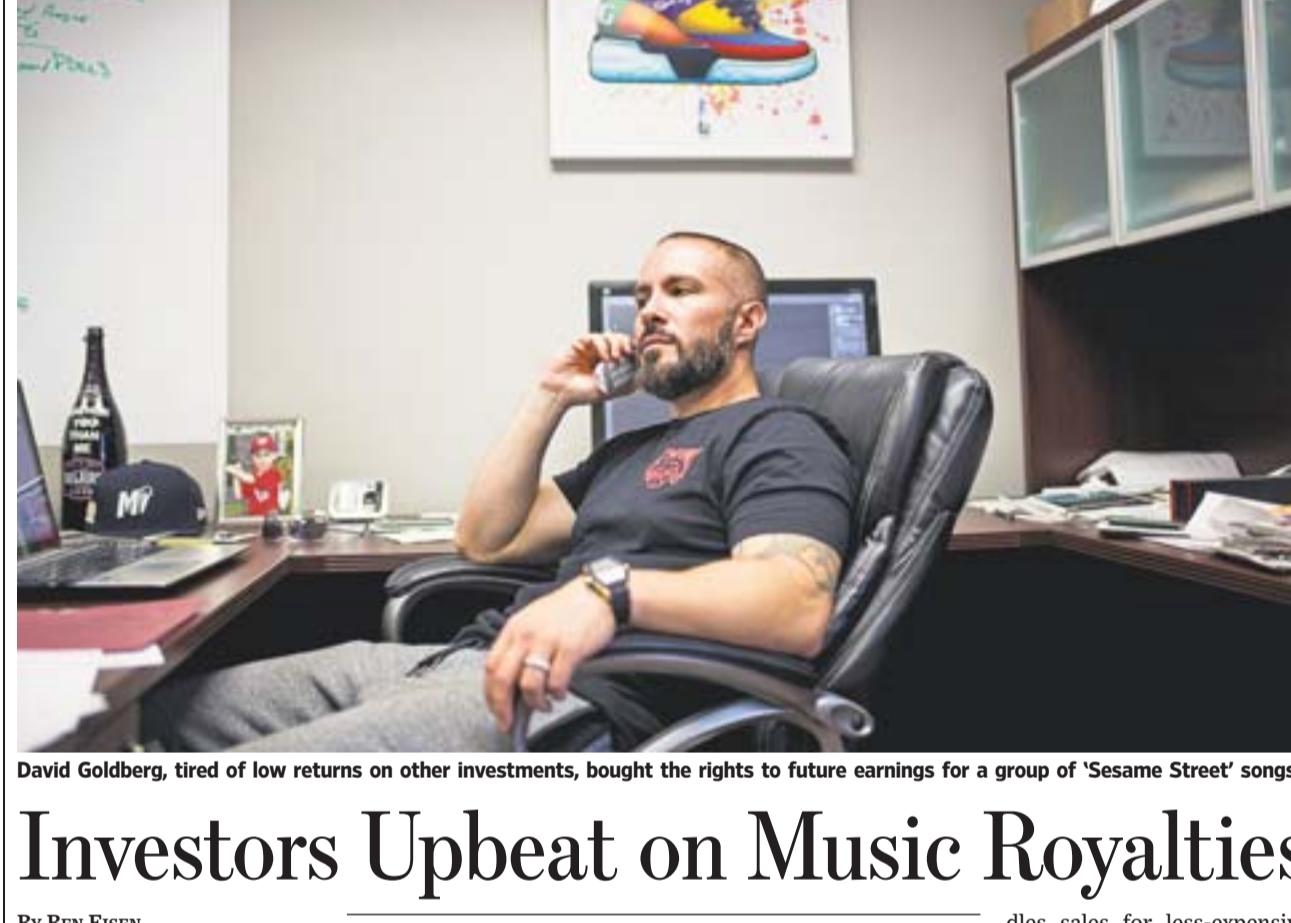
That is where the risks kick in. Apple became the standout China success story among large U.S. technology companies partly because the Chinese government views it as a hardware company. Now it is obviously more than that.

"Apple's success globally had come from its close integration between hardware and software. Increasingly, that software means content," says Duncan Clark, a tech consultant and longtime China watcher. "This has posed a challenge for the Chinese government."

That is also why, a former senior executive at a U.S. tech company told me, "Apple's troubles have just started."

Apple says it has been vocal about its disagreements with governments. Chief Executive Tim Cook addressed the censorship matter Tuesday, telling analysts on an earnings call: "We believe in engaging with governments even when we disagree." Mr. Cook says Apple follows the law wherever it does business and that participating in markets brings benefits to customers and "is in the best interests of the folks there." He hoped for fewer restrictions in the future.

Please see YUAN page B4



David Goldberg, tired of low returns on other investments, bought the rights to future earnings for a group of 'Sesame Street' songs.

RAMSEY DE GIVE FOR THE WALL STREET JOURNAL

Investors Upbeat on Music Royalties

By BEN EISEN

Tired of low returns on traditional investments, David Goldberg recently turned to an unlikely place: Elmo and his friends on "Sesame Street."

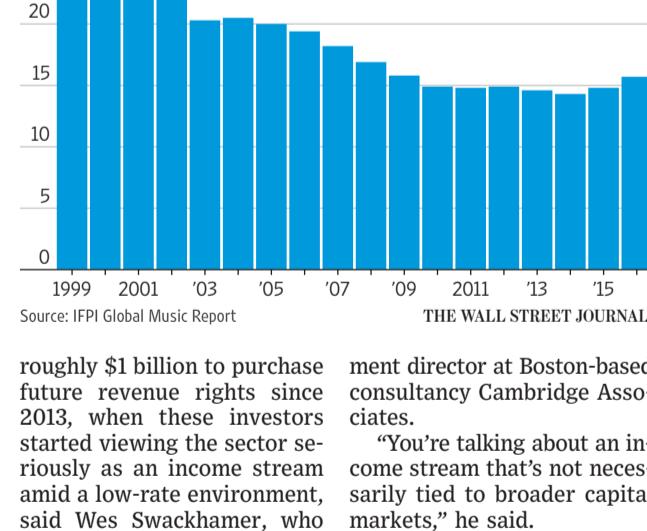
Mr. Goldberg paid more than half a million dollars to buy the future revenue for a group of songs, including "Sesame Street" favorite "Elmo's Song," through auction website Royalty Exchange.

"Why park a bunch of money in cash that barely earns anything?" said Mr. Goldberg, 36 years old, who owns the shoe brand of former basketball player Patrick Ewing.

A small but growing number of investors are buying the rights to musicians' future earnings, lured by returns that can run between 8% and 12% annually, or more, when junk bonds are yielding less than 6%.

Private-equity-like funds focused on music royalties have raised or started raising

Global recorded-music industry revenue has started to rebound in recent years, largely due to the popularity of streaming services.



roughly \$1 billion to purchase future revenue rights since 2013, when these investors started viewing the sector seriously as an income stream amid a low-rate environment, said Wes Swackhamer, who works with investors on royalties as a private-equity invest-

ment director at Boston-based consultancy Cambridge Associates.

"You're talking about an income stream that's not necessarily tied to broader capital markets," he said.

Royalty Exchange, which was formed in 2011, often han-

dles sales for less-expensive royalties. In the second quarter, the Denver-based site held auctions worth \$2.5 million, more than double the total from the last three months of 2016.

Music royalties are generated in multiple ways; songs can earn money when performed, played in a restaurant or in a film, or streamed through a service like Spotify. Songwriters are often the sellers of royalty streams, either for a period of time or permanently. Artists, labels and publishers also sell various types of royalties.

Rights can sell for anywhere from a few thousand dollars for a lesser-known tune or one whose popularity has peaked, to millions for a well-known catalog with a history of consistent earnings.

But they come with risks. Royalty rights often last for 70 years after the death of the artist. Investors typically value

Please see RIGHTS page B2

Artificial Intelligence Drives Privacy Fight

BEIJING—China's leading smartphone maker and one of its largest internet companies are in a showdown over user data, the big prize in the emerging era of artificial intelligence.

To build its AI capability—so its phones can, say, make restaurant suggestions based on a user's text messages—

Huawei Technologies Co. is collecting user-activity information on its advanced Honor Magic smartphone. Among the information captured: text messages sent using the WeChat social-media app.

WeChat owner Tencent Holdings Ltd. contends that

Huawei is effectively taking Tencent's data and violating

the privacy of WeChat users, according to people familiar with the situation.

It has asked the Chinese government to intervene, these people say.

Huawei denied violating user privacy, saying in a written statement to The Wall Street Journal that it captures the information only from users who give their approval through the phone's settings.

"All user data belongs to the user...it doesn't belong to WeChat or Honor Magic," the company said. "User data is processed on the Honor Magic device after user authorization."

Tencent declined to discuss the Huawei dispute specifi-

cally, but said in a written statement to the Journal that it "is committed to protect user privacy and data."

"From an industry perspective, we are working closely with stakeholders including telco operators, handset manufacturers, app developers as well as the regulators to build a healthy ecosystem that benefits users and the industry as a whole," the company said.

Both Tencent and Huawei are based in Shenzhen. The WeChat app has nearly one billion users, and Huawei is China's No. 1 smartphone maker by shipments.

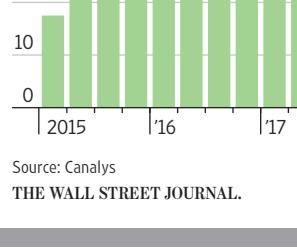
User data is growing more valuable, coveted by device

Please see DATA page B4

Shipping Out

Huawei is boosting its AI offerings as a way to juice smartphone sales.

Huawei's smartphone shipments



Source: Canalys

THE WALL STREET JOURNAL

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	D
Abu Dhabi Commercial Bank.....A4	Deutsche Post.....B4
Alibaba Group.....B3	F
Allergan.....B1,B8	Facebook.....B1
Alphabet.....B1,B4	FedEx.....B2
Amazon.com.....B8	Ferrari.....B8
American International Group.....A2	G
Apple.....B1	Glencore.....B5
Arconic.....A2	Guggenheim Partners.....B5
Avon Products.....A1	H
AXA.....B5	Hermès International.....B8
B	Honda Motor.....A1
Barington Capital Group.....A1	Huawei Technologies.....B1
Bristol-Myers Squibb.....B2	I
Buffalo Wild Wings....A2	Inditex.....B4
C	Invesco.....B5
Campbell Soup.....B3	J
Caterpillar.....B7	JD.com.....B3
Cerberus Capital Management.....A2	J.P. Morgan Chase.....A1
Commonwealth Bank of Australia.....B5	K
Credit Agricole.....B5	Kering.....B3
CSX.....A2	Kiva Systems.....B4
L	Locus Robotics.....B4
	London Stock Exchange Group.....B5
	LVMH Moët Hennessy Louis Vuitton.....B3,B8
	M
	Mars.....B3
	Morgan Stanley.....B8
	P - Q
	Prudential Financial.....B7
	Quiet Logistics.....B8
	S
	Samsung Electronics.....B3
	Shire.....B3
	Siemens.....B3
	Square.....B8
	Standard Chartered.....A2
	T
	Tencent Holdings.....B1
	Tesla.....B2,B3
	Teva Pharmaceutical Industries.....B1,B8
	U
	Uber Technologies.....A1
	UniCredit.....B5
	United Parcel Service.....B2

INDEX TO PEOPLE

A	N
Ahuja, Deepak.....B2	Grout, Julien.....A1
B	I - J
Barer, Sol.....B2	Iksil, Bruno.....A1
Brinkman, Ryan.....B2	Johnson, Brian.....B2
C	L
Clark, Duncan.....B1	Landa, Benny.....B2
Cook, Tim.....B1	M
D - G	Marchionne, Sergio.....B8
Dimon, James.....A1	Martin-Artajo, Javier.....A1
Goldberg, David.....B1	McCoy, Sheri.....A1
	Musk, Elon.....B2
	Nowak, Brian.....B8
	R
	Rolet, Xavier.....B5
	S - V
	Swackhamer, Wes.....B1
	Vigodman, Erez.....B1
	W - Z
	Whiston, David.....B2
	Zuckerberg, Mark.....B1

TEVA

Continued from the prior page
pected full-year cash flow of \$4.4 billion to \$4.6 billion, versus an earlier forecast of \$5.7 to \$6.1 billion.

Earnings per share came in at \$1.02 for the quarter, while revenue rose 13% to \$5.69 billion. Both figures fell short of analyst expectations of \$1.06 a share and \$5.72 billion, respectively. The company also slashed its dividend in the second quarter to 8.5 cents, from 34 cents for the first three months of the year.

Interim President and CEO Yitzhak Peterburg said he understood "the frustration and disappointment of our shareholders" and promised to "aggressively confront our challenges" by cutting costs, selling off parts of the business and paying down debt.

But Teva is in a tough spot. Mike McClellan, interim chief financial officer, told analysts on Thursday that the company risked breaching its debt covenants this year should its potential divestments generate lower proceeds than hoped.

In June, Teva nominated four new directors in an effort to address investor concerns that its board lacked international pharmaceutical experience. But without a permanent CEO, investors are skeptical of the company's ability to get a turnaround under way.

"It's a rudderless ship until Teva gets a real CEO," said

Benny Landa, an activist investor in the firm. "The most important thing is getting leadership on the board and a CEO with global experience."

Mr. Landa and some other shareholders have advocated for the company to be split into different divisions, one focused on generic drugs and the other on specialty medicine. Some investors argue the two businesses should be run by different management or separated entirely.

Teva Chairman Sol Barer said in June that the company was interviewing candidates for the top job, and the choice would likely be someone with global drug-industry experience, from outside Israel but willing to live in the country.

AstraZeneca PLC Chief Executive Pascal Soriot was linked to the job last month, but neither company has commented on what both described as "market rumors."

Teva has been trying for several years to make progress on an overhaul. In 2012, it hired Jeremy Levin from Bristol-Myers Squibb Co. to take the helm, but he was forced out the next year during a dispute with the board over the company's direction.

His successor, Mr. Vigodman, an Israeli who was familiar with the company from his time serving on its board but lacked a drug-industry background, left the company in February amid investor criticism over the Allergan generics deal and a deep fall in Teva's share price.

During Wednesday's call, Ryan Brinkman, an analyst for J.P. Morgan, asked if Tesla ex-

Tesla Braces for Cash Crunch

By TIM HIGGINS

Tesla Inc.'s version of production "hell" apparently means the Silicon Valley electric-car maker will run low on cash later this year as it embarks on an ambitious plan to build its first automobile for mainstream consumers.

Chief Executive Elon Musk reiterated on Wednesday—after announcing a better-than-expected second-quarter loss—that the 14-year-old auto maker faces challenges in learning to manufacture the new Model 3 sedan at much higher volumes than previous vehicles.

"When I said manufacturing hell...I meant it," Mr. Musk told analysts on a conference call. "But we know this—signed up for it, not blaming hell because we bought the ticket."

Tesla is no stranger to capital crunches as it rolled out ambitious timelines for the production of its vehicles and spent heavily on research and development, equipment and factories in California and Nevada. The company has typically raised equity or issued debt offerings to replenish its stockpile, and Mr. Musk on Wednesday suggested he is thinking about tapping the debt market.

The company finished the latest quarter with \$3 billion in cash and plans to spend \$2 billion in the second half to make way for the Model 3. While Tesla said its cash and increased revenue during the second half should cover all of its spending projects, analysts raised doubts about that cash cushion. Tesla in the past has suggested the company should always have a minimum of \$1 billion on hand at the end of each quarter.

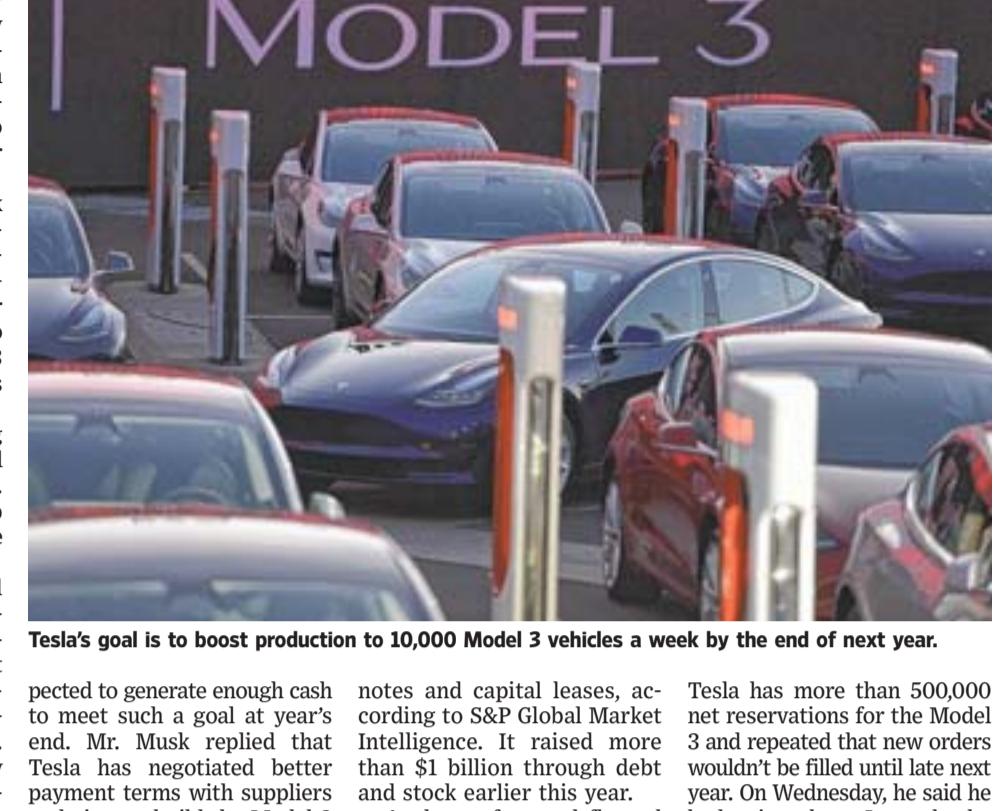
During Wednesday's call, Ryan Brinkman, an analyst for J.P. Morgan, asked if Tesla ex-

pected to generate enough cash to meet such a goal at year's end. Mr. Musk replied that Tesla has negotiated better payment terms with suppliers and aims to build the Model 3 faster than previous models so the company can sell the vehicles before having to pay the bills for parts. But he noted that having "a cash cushion" for unexpected events is wise.

"We are thinking about debt, but we're not thinking about an equity raise," Mr. Musk told analysts.

Deepak Ahuja, Tesla's financial chief, said the company hasn't yet tapped \$800 million of its credit lines and that it could draw \$700 million in tax equity funds and debt from its newly acquired solar business.

Tesla finished the first quarter with outstanding debt of \$9.67 billion, including long-term



Tesla's goal is to boost production to 10,000 Model 3 vehicles a week by the end of next year.

notes and capital leases, according to S&P Global Market Intelligence. It raised more than \$1 billion through debt and stock earlier this year.

Analysts afterward flagged the prospect of a cash shortage as Tesla boosts capital spending in the second half. It "begs the question of whether another capital raise is on the horizon," Brian Johnson, an analyst for Barclays, wrote in a note to investors.

"Another debt offering this year wouldn't be a shock and neither would a capital raise next year," said David Whiston, an analyst for Morningstar Research.

Tesla is aiming to boost its production to 10,000 Model 3 vehicles a week by the end of next year after averaging less than 2,000 other model vehicles a week last year.

Mr. Musk said last week that

Tesla has more than 500,000 net reservations for the Model 3 and repeated that new orders wouldn't be filled until late next year. On Wednesday, he said he had misspoken. Instead, the company recorded a gross figure of 518,000 reservations and a net of 455,000 orders, suggesting 63,000 cancellations.

Mr. Musk suggested that demand isn't the issue.

"I think this is like inconsequential because with a small amount of effort, we could easily drive the Model 3 reservation over to something much higher, but there's no point," Mr. Musk told analysts on Wednesday. It is "like a restaurant and you're serving hamburgers and there's like an hour and a half wait for the hamburger. Do you really want to encourage more people to come order hamburgers?"

FedEx Will Limit Holiday Charges

By PAUL ZIOBRO

FedEx Corp. said it won't charge additional fees for most orders during the holiday season, in contrast with United Parcel Service Inc., undercutting its main rival as they battle for e-commerce customers.

The decision by FedEx, announced Thursday, is a gamble that it can cover the extra costs during a period when daily volume can double to more than 26 million packages. It will charge extra fees for deliveries requiring additional handling, which include larger and irregularly shaped packages, as well as oversize packages, which now make up 10% of its ground-shipping volume.

UPS has set considerably different pricing for the holiday season. In June it said it would charge extra for most packages delivered to homes

around Black Friday and Christmas. While the per-package fee ranges from 27 cents to 97 cents, analysts estimate that UPS could generate tens of millions in revenue from the fees.

Patrick Fitzgerald, a FedEx senior communications and marketing executive, said the decision wasn't a competitive response to UPS. "This is really about ensuring that we price effectively," he said.

UPS declined to comment on FedEx's move but defended its strategy.

"UPS's peak-season pricing positions the company to be appropriately compensated for the high value we provide at a time when the company must double daily delivery volume for six-to-seven consecutive weeks to meet customer demands," it said.

Both FedEx and UPS are spending heavily to adapt their



A research firm predicts a 17% jump in online holiday sales.

networks to handle the uptick in e-commerce orders they are seeing. Research firm eMarketer Inc. predicts that online sales will increase 17% this holiday season to \$107 billion, far outpacing the expected

3.1% growth in overall retail sales during the same period.

UPS's surcharges include additional fees on oversize packages delivered from Nov. 19 through Dec. 23, in an attempt to shift large parcels to the company's freight network and free up space during the holiday season.

FedEx is focusing on the largest packages, with extra fees in effect from Nov. 20 through Dec. 24. They include a \$25 surcharge on oversize packages, which currently are hit with a \$72.50 charge to ship, and a hefty \$300 surcharge on so-called unauthorized packages, which exceed the maximum size that FedEx allows but that it sometimes delivers at its discretion. Those typically carry a \$115 charge. It is also imposing an additional \$3 fee on any package that requires additional handling.

ist, whom he declined to name.

Mr. Tyler found the asset class didn't come with the interest-rate risk of bonds. Over the roughly two years he owned them, he says he earned 15% annually. "We'd love to do more," he said.

Sitting in his Englewood, N.J., office on a Friday afternoon in June, Mr. Goldberg logged on to Royalty Exchange. Bidding for the group of "Sesame Street" songs, which also included other TV and film assets, had started at \$430,000 a week earlier, but few had put in bids. With a few hours left in the auction, Mr. Goldberg made a bid of about half a million dollars. He had chosen the collection after looking through financial information posted on Royalty Exchange for songs offering stable earnings and generous yields.

Another potential buyer jumped in, and the two went back and forth, incrementally pushing up the price. Mr. Goldberg ultimately prevailed with a bid of \$580,000—over five times the \$108,500 the collection earned in 2016. If the songs generate similar revenue over the next year, they would yield almost 19%.

So far, Mr. Goldberg's royalties have earned around \$16,000, which he says is about what he expected. He was pleased enough with the purchase that he dropped an additional \$140,000 last month on the site, this time to purchase the royalties from a popular how-to book.

RIGHTS

Continued from the prior page
the rights on a multiple of the previous year's earnings, but a song that generates revenue now isn't necessarily likely to do so at the same pace in the future, as trends and listeners' tastes change.

Last month, Royalty Exchange auctioned the performance revenues to the Black Eyed Peas' "Just Can't Get Enough" for \$17,200. The song generated almost \$17,000 through performances in the second quarter of 2011, but after a steady decline, it made just \$259 in the final quarter of 2016.

Royalties tend to not change hands often, making them difficult to sell if needed. As prices rise and some rights have become overvalued, industry watchers say investors could end up with an expensive asset that they can't unload.

Investing in royalties is "still very much a niche thing, but it's becoming less niche now," said Josh Gruss, chief executive officer at Round Hill Music Royalty Partners, a private-equity firm focused on acquiring music copyrights.

Round Hill, which has a portfolio that includes songs by the Beatles, raised more than \$200 million in 2014. It plans to launch another fund of a similar size or modestly larger, according to a person familiar with the matter.

Los Angeles financier David

sic-royalty investing two decades ago, when he packaged

David Bowie's back catalog into an asset-backed bond and sold it to Prudential Financial. Mr. Bowie raised \$55 million in the deal, and the bonds paid interest of 7.9% annually for 10 years. The securitization was successful enough that Mr. Pullman repeated the idea with other artists, including James Brown and Marvin Gaye.

Floyd Tyler, president and chief investment officer at investment firm Preserver Partners in Memphis, Tenn., bought royalties from an R&B songwriter for his mutual fund in 2013. He said he negotiated a deal to purchase the rights for a period of only a few years, with an agreement to later sell them back to the art-



David Goldberg paid more than \$500,000 to buy the future revenue for a group of songs that includes 'Elmo's Song.'

VICTORIA WILSON/ASSOCIATED PRESS

BUSINESS NEWS



Campbell Soup has criticized the industry's efforts to delay implementation of new rules in the U.S.

Food Brands Disagree on Labels

FDA gives firms more time to add nutritional information, but some press ahead anyway

BY ANNIE GASPARRO
AND HEATHER HADDON

Food companies are clashing over how to tell people about what is in their products.

Since the Food and Drug Administration said in June it would grant industry requests for more time to add new nutritional information to their product labels—designed to encourage people to eat healthier—some companies have decided to press ahead anyway.

Campbell Soup Co. is starting to add the required label information and has been criticizing the industry's efforts to delay the new rules. The disagreement deepened in July when Campbell said it would

leave the industry's main trade group, the Grocery Manufacturing Association, which is in favor of a rule delay.

"This was a philosophical decision," Campbell's Chief Executive Denise Morrison said in an interview. "Transparency is the single most important ingredient."

Companies such as Campbell say they need to keep up with the desire among a growing pool of consumers for more detailed labels on the products they buy.

The new nutrition labels will display calories and serving size more prominently, and include added sugars for the first time.

On the other side of the debate, Mondelez International Inc., Kellogg Co. and General Mills Inc. said they support the trade group's efforts to delay the July 2018 deadline to introduce new labels. Other companies such as Mars Inc. and Nestlé SA remain members even though they dis-

agree with the group on issues such as new label standards about sugar content.

A Nestlé spokeswoman said the company also diverged from the trade organization regarding salt reduction.

"With an organization as broad as ours, there will be times when some companies take a different position," a GMA spokesman said.

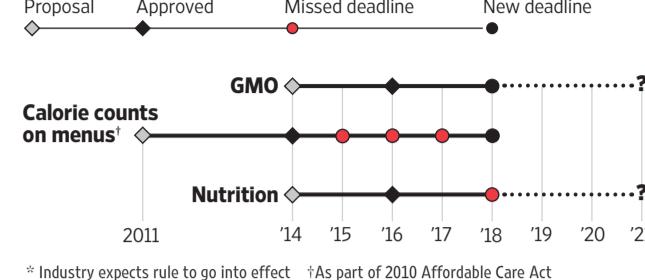
The rift is widening as the Trump administration reconsiders several labeling standards advanced by his predecessor. A push from the trade group and companies prompted the FDA to delay implementation for the labeling rule. Officials haven't given a new date for compliance.

An FDA spokeswoman couldn't provide details on when a new deadline may be issued.

Mondelez, which placed the new labels on Triscuit crackers and other snacks, said it doesn't object to the delay. Kellogg, which supported post-

Hard to Swallow

Deliberations over new food-labeling rules could continue for several more years.



[†] Industry expects rule to go into effect

[‡] Trade groups seek this deadline for new label

Sources: FDA (Nutrition and menu labeling); USDA (GMO data);

Grocery Manufacturers Assoc. (2021 nutrition date) THE WALL STREET JOURNAL.

Kering To End Lawsuit Against Alibaba

Luxury conglomerate **Kering** Co. has agreed to dismiss a lawsuit against Chinese e-commerce giant **Alibaba Group Holding** Ltd. as part of a deal between the companies to fight counterfeit goods sold on Alibaba's websites.

By Matthew Dalton
in Paris and Liza Lin
in Shanghai

The lawsuit, filed by Kering in U.S. District Court in New York in 2015, accuses Alibaba of conspiring with Chinese merchants to sell knockoffs of Kering's brands, which include Gucci, Saint Laurent and Bottega Veneta.

Thursday's announcement is part of a continuing rapprochement between the luxury industry and China's e-commerce companies. The industry is cautiously agreeing to sell some brands through these online platforms, pushing aside past concerns about China's unruly counterfeiting industry using these websites to peddle high-end fakes.

Saint Laurent this week said it would sell over the internet in China for the first time through a partnership involving **JD.com**, China's second-largest online retailer.

LVMH Moët Hennessy Louis Vuitton SE, the world's largest luxury conglomerate, earlier this year agreed to open an online shop for its watch brand TAG Heuer on one of Alibaba's websites. LVMH chose JD.com to host its online store for cosmetics retailer Sephora.

Kering and Alibaba plan to set up a "task force" to work with law enforcement to pursue counterfeiters of Kering's brands. The companies said they would use Alibaba technology to identify merchants selling counterfeit goods.

"The new partnership represents a milestone in both parties' investment and efforts to protect brands' intellectual property rights," the companies said in a written statement Thursday.

The luxury industry has been eager to sell online in China to capture growth in one of the world's biggest markets for high-end goods. But concerns and clashes over counterfeits have slowed cooperation between the industry and China's internet retailers.

Alibaba, which runs two of China's most popular online retail sites, Taobao and Tmall, has been making a push to form alliances with Western brands and work with law enforcement to clean up fakes on its platforms.

Since its Taobao site, which connects individuals and small and midsize merchants with buyers, was reinstated on a U.S. government list of "notorious" marketplaces for fakes

The companies plan to form an alliance to fight fake goods sold on Alibaba websites.

Talk of Horses Became Scandal

BY EUN-YOUNG JEONG

SEOUL—In a glass-walled room, South Korea's then-President Park Geun-hye made a request to Lee Jae-yong, Samsung's de facto leader: "Buy good horses."

It was a conversation that would lead to a national scandal, her impeachment and the arrest of them both.

This first private meeting lasted less than five minutes, Mr. Lee confirmed from the witness stand Thursday, after his lawyer presented the first detailed accounts of the three such meetings between Ms. Park and the 49-year-old vice chairman of **Samsung Electronics** Co., the world's largest smartphone maker.

The occasion was the September 2014 opening ceremony of a startup-support center funded by Samsung in Daegu, about 290 kilometers south of Seoul, and Ms. Park was seeking backing for another venture: She asked Mr. Lee to have Samsung manage the Korea Equestrian Federation, the country's main governing body for the sport.

At their second meeting 10 months later, Mr. Lee testified, Ms. Park scolded him for Samsung's poor job with the federation and told him to replace company officials involved in it.

What has been dubbed domestically the "trial of the century" centers around some \$37 million that Samsung agreed to pay to entities linked to Ms. Park and her confidante, Choi Soon-sil. About half of that was to go to a small sports consulting company in Germany responsible for training Ms. Choi's equestrienne daughter, who became its sole client.

In exchange for the funds, prosecutors allege, Mr. Lee sought favors from the government to consolidate his control of South Korea's largest conglomerate. Both Ms. Choi and Ms. Park have denied wrongdoing.

The two are the highest-profile figures in the corruption scandal. Mr. Lee has been in custody since his February arrest. Ms. Park was removed from office in March by the country's Constitutional Court, after her impeachment over accusations that she colluded with Ms. Choi to extort money from Samsung and other South Korean conglomerates.

In his testimony, Mr. Lee said he was thrown off by Ms. Park's outrage at their second



Anthony Levandowski left Google last year after spending nine years at the technology giant.

Ex-Google Engineer Worked On a Project for Larry Page

BY JACK NICAS

Google co-founder Larry Page's flying-car startup enlisted star Google engineer Anthony Levandowski to work on the project, according to people familiar with the matter, months before Mr. Levandowski left the tech giant last year, allegedly with trade secrets, for rival **Uber Technologies** Inc.

Mr. Levandowski's involvement with the project, called Kitty Hawk Corp., is another sign of his unusual tenure at Google. Over nine years at Google, Mr. Levandowski started outside firms related to his work on self-driving cars and other projects at Google, and eventually sold one to his employer for about \$20 million, The Wall Street Journal reported in May.

His departure from Google sparked a high-stakes legal fight between Uber and Google parent **Alphabet** Inc. Alphabet is suing Uber for allegedly conspiring with Mr. Levandowski to steal its driverless-car trade secrets. Alphabet also has filed two arbitration claims against Mr. Levandowski.

Kitty Hawk, launched by Alphabet Chief Executive Mr. Page, is a private, outside firm building a one-person electric aircraft that resembles a large consumer drone. While employed at Google, Mr. Levandowski worked on Mr. Page's project, though he wasn't a formal Kitty Hawk employee, according to the people.

At one point, Mr. Levandowski helped test the aircraft at a ranch owned by Mr. Page while Mr. Page was present, one person said. Mr. Page confirmed Mr. Levandowski's in-

volvement in Kitty Hawk in a nearly five-hour deposition with Uber attorneys last month, one person said.

Alphabet, Uber and Kitty Hawk didn't respond to requests for comment. Through his attorneys, Mr. Levandowski didn't respond to a request for comment.

Mr. Levandowski's work on the project, called Kitty Hawk Corp., is another sign of his unusual tenure at Google. Over nine years at Google, Mr. Levandowski started outside firms related to his work on self-driving cars and other projects at Google, and eventually sold one to his employer for about \$20 million, The Wall Street Journal reported in May.

His departure from Google sparked a high-stakes legal fight between Uber and Google parent **Alphabet** Inc. Alphabet is suing Uber for allegedly conspiring with Mr. Levandowski to steal its driverless-car trade secrets. Alphabet also has filed two arbitration claims against Mr. Levandowski.

Kitty Hawk, launched by Alphabet Chief Executive Mr. Page, is a private, outside firm building a one-person electric aircraft that resembles a large consumer drone. While employed at Google, Mr. Levandowski worked on Mr. Page's project, though he wasn't a formal Kitty Hawk employee, according to the people.

At one point, Mr. Levandowski helped test the aircraft at a ranch owned by Mr. Page while Mr. Page was present, one person said. Mr. Page confirmed Mr. Levandowski's in-

it.

In January 2016, Mr. Levandowski registered a driverless-truck firm, Ottomotto LLC, and quit Google days later. Alphabet accuses him of taking 14,000 confidential files with him, part of an alleged plan with Uber to steal its trade secrets.

Last August, Uber bought Ottomotto for \$680 million in stock and hired Mr. Levandowski to head its self-driving project. Uber has said it had no involvement in any alleged theft and that it has developed its self-driving cars using its own technology. Alphabet sued Uber in February, and a jury trial is set for October. Mr. Levandowski, who is no longer at Uber, has declined to comment throughout the case, invoking his Fifth Amendment rights.

In the deposition, Uber attorneys asked about a Google policy that allows employees to spend 20% of their time working on internal projects of their choosing. "Do you think that (Mr. Levandowski) worked on projects, such as yours?" an Uber attorney asked Mr. Page, apparently referring to Kitty Hawk.

"Well, that's not the point of the 20 percent. The 20 percent—it says to benefit Google. So, I mean, that's just a different thing," Mr. Page responded, according to the transcript.

Kitty Hawk was discussed several times during Mr. Page's deposition, including Mr. Levandowski's involvement in it, according to one of the people familiar with the matter. Mr. Page said Mr. Levandowski worked on a project that conducted testing at a ranch Mr. Page owned.

in December, Alibaba established an advisory board of brands including Louis Vuitton and Samsung to help it improve intellectual-property protection.

The deal with Kering is expected to help Alibaba attract more luxury brands to sell on its platform. As incomes rise in China, more Chinese consumers are demanding high-end products, and going online to buy them.

JD.com, Alibaba's biggest rival, bought a stake in luxury-brand retailer Farfetch.com Ltd., which hosts 200 luxury brands on its platform, for \$397 million in June. Alibaba, whose marketplace apps attract more than 500 million monthly active users, said Tuesday it would create a luxury pavilion on its business-to-consumer Tmall consumer for select brands including Burberry and Hugo Boss.



Lee Jae-yong is vice chairman of Samsung Electronics.

TECHNOLOGY

WSJ.com/Tech

A Robot Can Be Warehouse Worker's Pal

By JENNIFER SMITH

In the battle of humans versus machine on the warehouse floor, some companies have found common ground.

Instead of developing technology to completely replace manpower, these firms are designing robots meant to work alongside people. These robots, for example, can guide workers to items to be picked or can transport goods across a warehouse to be packed and shipped.

Deutsche Post AG's DHL is testing "swarming" robots at a facility in Memphis, Tenn. These machines help workers pick out medical devices that need to be shipped quickly.

Quiet Logistics Inc., which fulfills online orders for retailers like Bonobos and **Inditex** SA's Zara, uses the same type of mobile robots in one of its warehouses.

Known as "collaborative" robots, they are small and relatively cheap—costing tens of thousands of dollars—compared with miles of conveyor belts and automation systems that run into the tens of millions. The new robots are designed with the majority of warehouses world-wide in mind, where orders continue to be fulfilled manually by

people pushing carts up and down aisles.

Robotics firms pitch them as a way to help people work faster and boost productivity during busy times, such as the holidays, when extra labor is harder to find. Surging online sales and a tight labor market have made it more difficult and expensive to fill warehouse jobs.

"It's not meant to replace human labor, but you can get greater throughput with the same size workforce," said John Santagata, an analyst with IDC Manufacturing Insights, part of research firm IDC.

For example, the robots can slash the number of steps workers take to fulfill an order. But they don't grab objects off shelves, a task that is simple for humans but tricky to automate, though developers are getting close.

RK Logistics Group, a firm that runs warehouses for high-tech and industrial customers, leased three robots to ferry semiconductor parts when it needed to double its output at a 300,000-square-foot facility in Livermore, Calif.

"I physically could not fit any more people in the building," said Cindy Traver, the company's senior director of



Locus Robotics makes a type of collaborative robot that is designed to work with humans.

operations.

Employees pick parts off shelves and place them on blue racks on top of the robots, which then glide over to workers at stations where orders are packed and shipped.

The robots, made by San Jose-based **Fetch Robotics** Inc., now handle 30% to 50% of the items the facility ships each day, in about half the

time it takes a human worker, and without a large, upfront investment, Ms. Traver said. She plans to add five large robots to move heavier parts.

Such robots aren't yet widespread compared with more established technologies, like the shelf-moving robots developed in the mid-2000s by **Kiva Systems** Inc., which Amazon.com Inc. bought in 2012.

Many collaborative robots resemble motorized platforms

that can take years for technologies to move from the pilot phase to widespread use. Most operators want to see a few success stories before investing in new technology, said Tom Bonkenburg, a partner at St. Onge Co., a supply-chain engineering and consulting firm.

Such robots aren't yet widespread compared with more established technologies, like the shelf-moving robots developed in the mid-2000s by **Kiva Systems** Inc., which Amazon.com Inc. bought in 2012.

fitted with shelves and touch screens. They use sensors to navigate past people and forklifts.

Their lower price point could speed adoption, analysts say. Some run between \$30,000 and \$40,000 per unit, plus software and licensing fees.

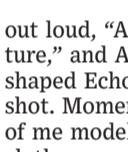
This year, 6 River Systems Inc., a Massachusetts company co-founded by former Kiva executives, rolled out "Chuck," a robot that leads workers through aisles, lighting up when it reaches the next item to pick.

The swarming robots that DHL is testing work in groups. At its Memphis facility, workers assemble multiple orders at once. The swarming robots help manage this complex job by parking themselves next to each item's location. Workers place the requested item on the robot and go on to the next machine.

"The worker doesn't have to look for the product; the robot tells them exactly where it is," said Bruce Welty, chairman and co-founder of **Locus Robotics** Corp., which makes the robots. Once the order is complete, the robot carries it over to a packing table, then returns to the aisles with another assignment.

PERSONAL TECHNOLOGY By Geoffrey A. Fowler

Amazon's Echo Look Wants to Judge Your Style



Lately I've been putting on my pants in front of a camera.

Dressed, I say out loud, "Alexa, take a picture," and Amazon's tube-shaped Echo Look snaps a shot. Moments later, a photo of me modeling the day's clothes appears on my phone. If I change outfits and ask Alexa to snap again, the \$200 camera goes further: It judges which ensemble looks better.

Yes, judges—as in, what were you thinking wearing those white skinny jeans? Amazon has used technology as a tastemaker since it began recommending books in the late '90s. But how could a machine possibly weigh something as complex and subjective as personal style?

To find out, I called the human fashion police: Hal Rubenstein, a founding editor of InStyle magazine, Teri Agins, longtime Wall Street Journal fashion columnist, and stylists Paul Julch and Solange Khavkine. My colleague Joanna Stern and I played dress-up with nearly two dozen outfits, comparing the Echo Look's robo-judgments with those of the experts.

Here's the thing: The machine was surprisingly on point in most head-to-head comparisons. But even if computers can master current trends, they still can't replace that friend who takes you to the store and says yes, go for the floral-print bomber jacket.

Amazon isn't disclosing how this Style Check feature makes decisions, saying only that humans help the AI algorithms "get smarter over time." The Echo Look, which also does everything Amazon's other talking speakers

Test Your Fashion Sense

First choose the outfits you prefer. Compare your selections with the verdicts below, rendered by a panel of fashion experts* and the Echo Look. Check out the complete quiz online: wsj.com/tech



Variety: Outfit 1 Humans and Echo Look agree: **A** is a "case of using black and white as a deft display of figure flattery," says one human. **B** is "really like the print-combining look" of **A**, said one expert. Another prefers **B**. "The tie pops nicely against the suit and shirt," Echo Look chose **B**.

*Hal Rubenstein, a founding editor of InStyle magazine, Teri Agins, longtime Wall Street Journal fashion columnist and stylists Paul Julch and Solange Khavkine



THE WALL STREET JOURNAL.

can do, is sold only via invitation for now.

It takes a big leap to install an internet-connected camera and microphone where you usually disrobe. Unlike Amazon's similarly named Echo Show, the Echo Look isn't always on. It takes a shot when you verbally command it, and there's a button that shuts its sensors off. Amazon stores the photos for your reference—and so it can keep learning.

Who would even desire such a thing? If you love fashion, the Echo Look could be a handy tool to capture, collect and rank outfits. For the rest of us, at best it offers low-anxiety second opinions.

The idea of a style robot "is hilarious, ludicrous and potentially lifesaving to some," says Mr. Rubenstein.

We spend trillions of dollars on clothes, so perhaps it was inevitable that AI would attempt to tackle that age-old question: Do these pants make me look fat?

Elements of Style

Being more tuned to geek trends than runway trends, I sought professional help for our tests. Ms. Khavkine, a New York stylist, curated designer garments for Joanna, starting with two date-night ensembles: a shimmering blue jacket with a high collar and a sleek python-print jacket. All four experts preferred the simpler second option. (The blue number "is trying to be contemporary but looks cheap," Ms. Agins said.)

Then Joanna did the sa-shay and shante in front of Alexa's judgmental eye. After

about a minute, Style Check spit out a result: 70% likelihood the sleek jacket looked better. Consensus!

Then she tried on a pair of black-and-white dresses in very different cuts. Again, our whole panel agreed, picking the dress with a lower hemline because of the way it fit. And, again, so did Alexa, giving it a 68% thumbs-up.

In my menswear experiments, aided by Mr. Julch, a San Francisco stylist, we had more mixed results. I modeled the same sweater and pants in two different sizes. The larger size instantly irritated our human judges.

Strangely, the Echo Look barely favored the better fit.

That was my first indication Alexa might sometimes be guessing.

Amazon says the Echo

Look tries to give a "holistic assessment" that takes into account fit, color, styling, season and current trends, as well as "unique characteristics of each customer." It doesn't factor in past purchases, a spokeswoman says.

"Anyone can use Style Check—whether you've purchased clothing on Amazon or not."

The humans who help train the AI are fashion-focused Amazon employees, the company says.

Unlike a fashionable friend, Alexa doesn't challenge what's in your closet—at least, not for now. There are companies using machine learning to recommend clothes to buy, and doubtless that's Amazon's endgame too. But it will take a lot of data-crunching to match a great store display.

filters. In all those cases, Apple said it was following Chinese laws and regulations.

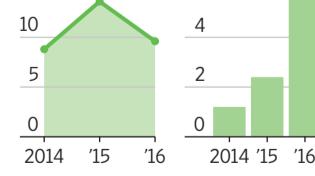
"The government will continue to clamp down on anything that can possibly include politically sensitive material," says Tay Xiaohan, an analyst at IDC. "I believe that Apple will continue to comply with the government's regulation for fear that the country would one day ban Apple's products."

Apple has been on a charm offensive. It has announced two new research-and-development centers in China, bringing its total commitment to R&D facilities there to \$500 million.

It recently appointed its first China head—a China-born, longtime Apple executive—and, according to a person familiar with the matter, she has been trying to recruit a government-relations executive.

Up and Down

Apple's iPhone market share in China was down in 2016 while its App Store sales soared.



Sources: IDC (market share); App Annie (sales)

THE WALL STREET JOURNAL.

Apple has untapped leverage. It is the most valuable company in the world. The size of its market capitalization is multiples of the annual economic output of many countries. Apple directly and indirectly accounts for lots of jobs in China—something the authoritarian Chinese leadership with its fear of social unrest cares about deeply.

Other American tech companies are also submitting to Beijing's restrictive rules. The Chinese partner of Amazon.com Inc.'s cloud-computing business told customers this week to stop using VPNs to bypass China's internet gates, in order, Amazon says, to comply with regulations.

Many Chinese Apple fans don't expect it to put up a big fight, much less exit the China market as Google's search engine did in 2010.

Google's operation in China was unprofitable then, in contrast to Apple's success in China.

ASO100.com, the mobile-app tracking site, says there are still over 1,600 apps in Apple's China App Store with "VPN" in their description; Mr. Cook estimated that there were still hundreds available. They are the lifelines for many.

A novelist friend of mine told me that first thing every morning she checks whether she can still use VPNs on her iPhone. She frets about the day she won't be able to. "Apple has really chickened out on this," she says. "But honestly, I don't know what Apple could do. The Chinese government is an expert in creating such dilemmas."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

cess of AI-driven devices, but that data is now closely held and guarded by giant internet companies.

"Data being monopolized by big internet companies would eventually affect the development of mobile-internet industry in China," said Wang Yan-hui, secretary-general of Mobile China Alliance.

The Honor Magic, which was launched in December and retails for 3,699 yuan (\$550), uses AI technology to adapt the phone's performance. For example, the apps on the homescreen move automatically depending on frequency of use, and a text message about Thai food might lead the phone to recommend nearby Thai restaurants.

Alphabet Inc.'s Google provides a similar function through its Google Assistant. If a user who has activated the app sends a text about meeting at a restaurant, Google Assistant can "read" it and automatically display relevant information such as restaurant reviews and locations.

—Yang Jie
and Alyssa Abkowitz
in Beijing and
Dan Strumpf in Hong Kong

YUAN

Continued from page B1

Censorship is becoming increasingly stringent under President Xi Jinping. Boisterous online debate, much less dissent, is being quashed. Internet sites, even startups, have to hire phalanxes of staff to censor content that the government deems inappropriate.

Apple shut down iBooks and iTunes Movies services in China last year. It removed the New York Times apps from the China App Store. Then last weekend Apple took down, according to mobile-app tracking site ASO100.com, over 400 apps with the description of "virtual private network" (VPN), or software that enables users to circumvent the country's vast system of internet

FINANCE & MARKETS

U.K. Listing Shift to Help Woo Aramco

LSE chief backs proposal for new category on state-controlled companies

BY SAMUEL AGINI AND BEN DUMMETT

London Stock Exchange Group PLC's top executive endorsed the right of the U.K. securities regulator to consider changing its rules for sovereign-owned companies, a move that could make it easier to woo the listing of oil giant **Saudi Arabian Oil Co.**

Xavier Rolet's support comes as the U.K.'s Financial Conduct Authority proposes the adop-

tion of a new listing category that addresses the desire of state-controlled companies to access the public markets without necessarily adopting rules meant to protect public minority investors.

The rules, if adopted, could give the LSE an edge over its main rival, the New York Stock Exchange, in winning the coveted listing of Saudi Arabian Oil, known as Saudi Aramco. Some large institutional investors and business groups oppose the proposed changes, worried that they would undermine the integrity of Britain's main stock market.

"It should be a surprise to no one if listing rules are from time to time refreshed by the

regulator to keep consideration and to take into account the reality that we live in," Mr. Rolet told reporters, without referring specifically to Saudi Aramco.

The state-owned energy producer is expected to list its shares next year as part of an initial public offering that would value the company at as much as \$2 trillion. The listing promises an influx of fees and international investors looking for a piece of the energy producer. Attracting a company of Aramco's size would benefit the LSE by underscoring its status as a global financial hub when Brexit threatens that reputation.

An Aramco spokesman wasn't available to comment.

The debate over the possible listing changes for sovereign-owned companies largely centers on two proposals. One is a waiver to the requirement that prevents an LSE-listed company from conducting related-party transactions with the controlling shareholder, its directors or associates without first gaining approval from independent shareholders.

The second proposal is to waive controlling shareholder rules meant to protect the rights of minority shareholders in companies where one group owns 30% or more of the voting rights.

Saudi Aramco is looking to float no more than 5% of its shares in the IPO.

Mr. Rolet said Thursday that regulators have already allowed companies to sell less than 25% in an IPO as part of a London exchange listing, including commodities trader and mining company **Glencore PLC** in 2011.

"I think this proves the point that 25% is not a governance test. It's simply a liquidity test," he said. "It's already built into the rules today, that you can list with less than 25%, provided of course you provide sufficient liquidity."

The FCA has justified considering the proposals in part because of the different motivations of sovereign owners.

Typically, public companies are answerable to their shareholders. State-owned firms are also



LSE's Xavier Rolet

accountable to the sometimes conflicting needs of their governments.

Agency Finds Lapses at Australian Bank

BY ROBB M. STEWART

MELBOURNE, Australia—Australia's financial-intelligence agency accused the nation's biggest bank of failings it said may have opened the way for money laundering and financial crime.

In a civil suit filed Thursday in the federal court in Sydney, the Australian Transaction Reports and Analysis Centre alleged that **Commonwealth Bank of Australia** Ltd. contravened the Anti-Money Laundering and Counter-Terrorism Financing Act more than 53,700 times—each carrying a maximum penalty of 18 million Australian dollars (US\$14.3 million).

Nearly all the alleged violations were failures to make timely reports to Austrac of cash transactions of A\$10,000 or more, as the law requires.

The bank, Australia's largest by loan volume and market value, acknowledged the lawsuit and said it would comment on the specific claims in due course.

In its court filing, the agency, known as Austrac, said the bank rolled out "intelligent deposit machines," a type of ATM that accepts deposits of cash and checks, in 2012 but didn't assess the money-laundering and terrorism-financing risk until mid-2015.

In addition to the late reports on the large cash transactions, it said Commonwealth Bank failed to report on time, or even at all, millions of dollars in suspicious transactions and didn't monitor customers to manage the risks even after it became aware of suspected money laundering.



Commonwealth Bank is accused of failing to make timely reports of cash transactions, some linked to possible money laundering.

Commonwealth Bank said it has been in discussions with Austrac and has cooperated fully with its requests. The bank said it has worked to continuously improve compliance and kept the agency up to date on its efforts.

The bank also said it reports more than four million transactions to Austrac annually in an effort to identify suspicious activity and has invested more than A\$230 million in compliance and reporting systems to combat money laundering.

More than A\$5.81 billion was deposited using the Commonwealth Bank machines in the first half of last year, Austrac said. They accept cash deposits of up to A\$20,000, with no limit on the number of times a customer can use them daily.

The machines allowed for anonymous cash deposits into Commonwealth Bank accounts, the agency said, because the bank doesn't know the details of cardholders from other banks.

The court action should

send companies that report to the agency a message about their obligations to fight money laundering and terrorism financing, said Austrac's acting chief executive, Peter Clark.

The agency said suspected money laundering was conducted through Commonwealth Bank accounts via cash deposits into the machines that were followed immediately by international and domestic transfers.

In many cases, Austrac said, the deposits were broken

into amounts small enough to avoid triggering the bank's reporting obligation.

The agency alleges that the bank identified patterns of suspicious activity but failed to report instances in a timely manner, or sometimes at all.

In all, Austrac alleged the bank was late with 53,506 reports on transactions of A\$10,000 or more from November 2012 to September 2015 and failed to report on time or at all suspicious transactions totaling more than A\$77 million.

Invesco Negotiates To Buy Funds

BY JUSTIN BAER

Guggenheim Partners is in talks to sell its retail-funds business to **Invesco** Ltd., according to people familiar with the matter.

Invesco will likely pay about \$2 billion for the business, the people said. The two firms have discussed several options, including one involving selling just Guggenheim's platform of exchange-traded funds, according to one of the people.

Co-founded by a member of the Guggenheim family, the firm runs a collection of financial businesses, including an adviser to insurance companies, an investment bank and a money manager. Guggenheim's retail mutual funds and ETFs have about \$65 billion in assets under management.

Invesco has been an aggressive acquirer in recent years, adding ETF and robo-advisory businesses to complement its core investment-management businesses. Based in Atlanta, Invesco manages \$858.3 billion.

The firm has been an outlier in the funds business, posting inflows even as billions have flown out of most actively managed funds and the companies that run them.

It has a large U.K. business and has reported rising assets in Asia. Overall, Invesco has about a third of its assets outside the U.S. Less than half of its holdings are in stocks.

There is no guarantee that the two sides will reach a deal. It is also possible that another bidder for the retail-funds business could emerge.

FINANCE WATCH

AXA

Asset Management Bolsters Result

AXA SA reported a 2% increase in first-half net profit as its asset-management business performed strongly.

The French firm, Europe's second-largest insurer by market value, said net profit increased to €3.27 billion (\$3.87 billion) in the first six months of the year from €3.21 billion a year earlier. That was above the €3.18 billion that analysts had expected, according to the data provider FactSet.

Revenue rose to €54.28 billion from €54.04 billion a year earlier.

The so-called annual premium equivalent in the life and savings business was up 1% at the end of June. APE measures business growth for life insurance by combining the value of payments on new regular premium policies, and 10% of the value of payments made on one-time, single-premium products.

—Noemie Bissere

UNICREDIT

Profits, Fees Rose In the Second Period

UniCredit SpA said second-quarter net profit rose, supported by higher fees and commissions as well as lower provisions for bad loans.

The bank, Italy's largest by assets, said net profit rose 3.2% to €945 million (\$1.12 billion), from €916 million a year earlier.

The bank said its latest results were hurt by €310 million in negative currency effects from the sale of its Polish unit and a €135 million write-down of the bank's stake in Atlante, a government-orchestrated fund created to save ailing lenders.

Revenue declined 8% to €4.86 billion, mainly because of lower trading income, which fell 46% from a year earlier to €462 million.

For the quarter, the bank set aside €564 million to cover potential losses on loans, down from €884 million in the year-earlier period.

—Giovanni Legorano

REGULATION

Senate Approves Chief for the CFTC

The U.S. Senate confirmed J. Christopher Giancarlo as chairman of the Commodity Futures Trading Commission and approved two commissioners—one Republican and one Democrat.

Mr. Giancarlo's approval upgrades his status from acting chairman and puts in place at the market regulator a second Republican official backed by President Donald Trump's administration, boosting the president's influence at the CFTC. The Senate approved all of the commissioners by unanimous consent.

Mr. Giancarlo has been serving as acting chairman since the resignation of former Chairman Timothy Massad at the end of the Obama administration. The CFTC now has four members, two Republicans and two Democrats, though Democratic Commissioner Sharon Bowen announced in June that she intended to step down as soon as possible to make way for a full set of new commissioners.

Work on major rules at the CFTC has stalled since the end of the Obama administration, with Mr. Giancarlo and Ms. Bowen focusing on less-controversial issues, such as issuing subpoenas for enforcement actions.

As the CFTC increases its activities with its new commissioners, it is expected to revamp postcrisis swaps rules, whose implementation Mr. Giancarlo has frequently criticized. All the new commissioners vowed to finish a position-limits rule to prevent speculation in commodities.

—Gabriel T. Rubin

BY RYAN TRACY

WASHINGTON—The Federal Reserve proposed scaling back the requirements it places on banks' boards of directors, its latest move to recalibrate regulations as it takes stock of rules adopted since the financial crisis.

The Fed said Thursday that after talking with bankers and reviewing its policies for supervising bank directors, it determined that it has been overloading boards with too many specific requirements, making it difficult for them to focus on big-picture strategy and risk management.

"The sense of [today's action] is not at all to lighten the workload of directors or make their life easier," said Fed governor Jerome Powell, the central bank's regulatory point person, in an interview. "Our expectations are very high.... It is an attempt to get them out of the weeds and put them focusing on the big issues."

Mr. Powell said the Fed had been reviewing expectations for bank directors since at least 2014. Thursday's announcement would change policies adopted before and after the 2008 financial crisis. The

Fed said it would look for more changes to its rules in the future.

The Fed's move is likely to be welcomed by bankers, who have said for years that requirements placed on boards have become excessive.

"The process is just too much. Most directors are just drowning in process," said Timothy Ryan, chairman of Banco Santander SA's U.S. holding company, at a June

conference on financial regulation in Washington. "Too much of it is...not really correlated to improving the operation of the bank."

The move comes as some lawmakers question the Fed's oversight of Wells Fargo & Co.'s board in the wake of disclosures that the bank opened phony accounts in customers' names and improperly charged people for auto-insurance

products.

Mr. Powell declined to comment on Wells Fargo.

Fed officials, he said, had counted hundreds of instances in which its regulations and guidance included the phrase "the board shall."

"If you get off into the weeds, the big things pass you by," he said, adding that boards should be focused on questions like, "Do we have a risk-management framework that truly captures, measures and deals with the risks of this large financial institution?"

Answering that question, he said, "is not easier than going down a list of 30 potential risks."

After the 2008 financial crisis, the Fed and other regulators judged that boards had done a poor job of supervising management at big banks and began holding more frequent meetings with members of banks' boards.

They also began to single out boards more frequently when critiquing banks' risk management.

The Fed spelled out more than 20 areas where expectations for boards could be pared back, such as risk management of agriculture or energy loans.

Advertisement **INTERNATIONAL INVESTMENT FUNDS**

[Search by company, category or country at europe.wsj.com/funds]

MORNINGSTAR®

FUND NAME NAV GF AT LB DATE CR NAV -%RETURN- YTD 12-MO 2-YR
Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866
Fax No: 65-6835-8865, Website: www.cam.com.sg, Email: cam@cam.com.sg
CAM-GTF Limited OT MUS 07/31 USD 31187.81 3.2 5.4 3.0

For information about listing your funds,
please contact: Freda Fung tel: +852 2831
2504; email: freda.fung@wsj.com



AXA earned more than expected in the first half of the year.

Laurie Diefenbach/ZUMA PRESS

MARKETS DIGEST

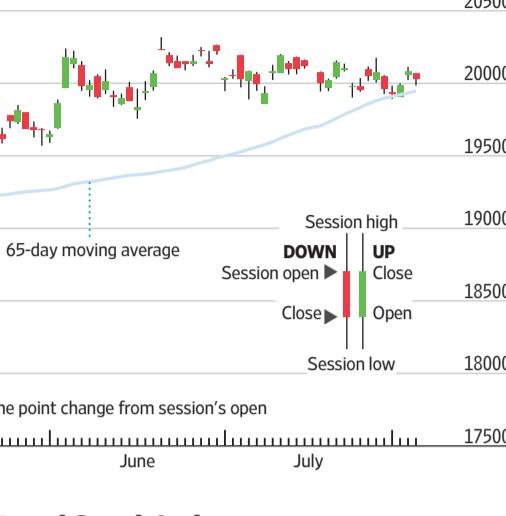
Nikkei 225 Index

20029.26 ▼ 50.78, or 0.25%

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

Year-to-date
52-wk high/low
All-time high

▲ 4.79%
20230.41 16251.54
38915.87 12/29/89



Bars measure the point change from session's open

May June July

17500 18000 18500 19000 19500 20000 20500

STOXX 600 Index

378.93 ▲ 0.30, or 0.08%

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

Year-to-date
52-wk high/low
All-time high

▲ 4.84%
396.45 328.80
414.06 4/15/15



May June July

365 370 375 380 385 390 395

S&P 500 Index

Data as of 4 p.m. New York time

Last 23.94 25.03

P/E estimate * 18.94 18.42

Dividend yield 1.97 2.11

All-time high: 2477.83, 07/26/17

2472.16 ▼ 5.41, or 0.22%

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

Trailing P/E ratio

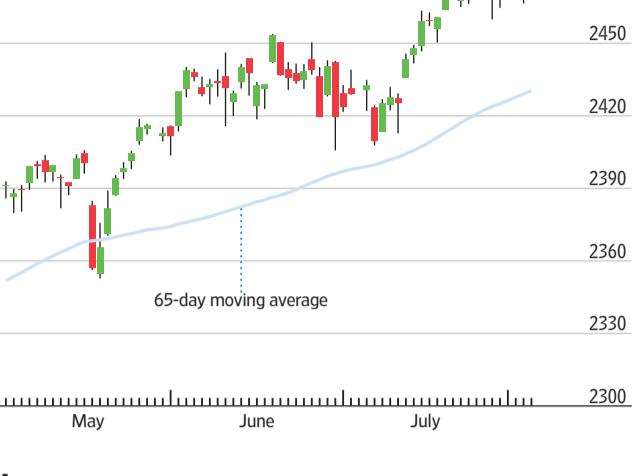
23.94 25.03

P/E estimate * 18.94 18.42

Dividend yield 1.97 2.11

All-time high: 2477.83, 07/26/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



May June July

2300 2330 2360 2390 2420 2450 2480

International Stock Indexes

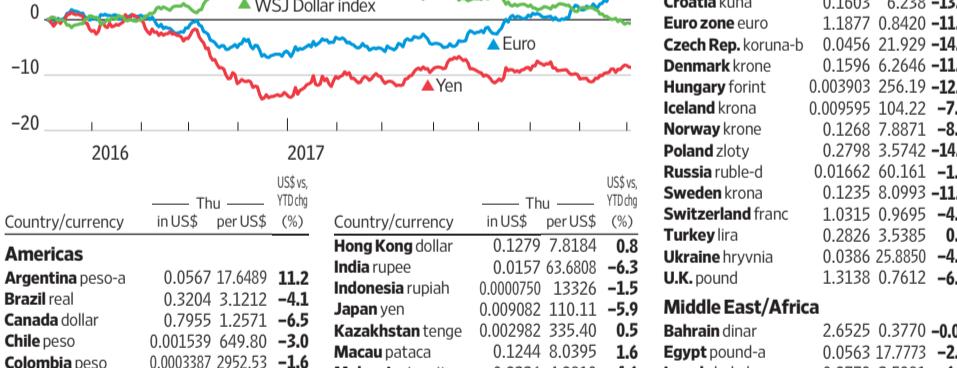
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2869.32	4.49	▲ 0.16	2386.93	2817.63	2871.63	13.5	
	MSCI EAFE	1955.05	2.54	▲ 0.13	1612.29	1953.88	1953.88	13.9	
	MSCI EM USD	1063.96	-6.01	■ -0.56	838.96	1071.07	1071.07	34.0	
Americas	DJ Americas	594.81	-1.32	■ -0.22	503.44	597.92	597.92	10.1	
Brazil	Sao Paulo Bovespa	66798.04	-337.95	■ -0.50	56459.11	69487.58	69487.58	10.9	
Canada	S&P/TSX Comp	15190.93	-74.70	■ -0.49	14319.11	15943.09	15943.09	-0.6	
Mexico	IPC All-Share	51275.23	75.10	▲ 0.15	43998.98	51772.37	51772.37	12.3	
Chile	Santiago IPSA	3864.52	-8.12	■ -0.21	3120.87	3876.80	3876.80	19.9	
U.S.	DJIA	22026.10	9.86	▲ 0.04	17883.56	22044.85	22044.85	11.5	
	Nasdaq Composite	6340.34	-22.30	■ -0.35	5034.41	6460.84	6460.84	17.8	
	S&P 500	2472.16	-5.41	■ -0.22	2083.79	2484.04	2484.04	10.4	
	CBOE Volatility	10.43	0.15	▲ 1.46	8.84	23.01	23.01	-25.7	
EMEA	Stoxx Europe 600	378.93	0.30	▲ 0.08	328.80	396.45	396.45	4.8	
	Stoxx Europe 50	3092.01	3.08	▲ 0.10	2720.66	3279.71	3279.71	2.7	
Austria	ATX	3250.77	21.78	▲ 0.67	2166.85	3262.55	3262.55	24.1	
Belgium	Bel-20	3949.00	10.84	▲ 0.28	3384.68	4055.96	4055.96	9.5	
France	CAC 40	5130.49	23.24	▲ 0.46	4310.88	5442.10	5442.10	5.5	
Germany	DAX	12154.72	-26.76	■ -0.22	10174.92	12951.54	12951.54	5.9	
Greece	ATG	825.80	-0.22	■ -0.03	548.72	859.78	859.78	28.3	
Hungary	BUX	36416.07	374.94	▲ 1.04	27023.77	36500.78	36500.78	13.8	
Israel	Tel Aviv	1417.24	-21.99	■ -1.53	1372.23	1490.23	1490.23	-3.6	
Italy	FTSE MIB	21793.72	220.11	▲ 1.02	15923.11	21828.77	21828.77	13.3	
Netherlands	AEX	525.57	0.27	▲ 0.05	436.28	537.84	537.84	8.8	
Poland	WIG	62231.08	-178.44	■ -0.29	46321.24	63026.98	63026.98	20.2	
Russia	RTS Index	1029.41	7.99	▲ 0.78	913.44	1196.99	1196.99	-10.7	
Spain	IBEX 35	10549.10	35.20	▲ 0.33	8318.60	11184.40	11184.40	12.8	
Sweden	SX All Share	564.20	-0.73	■ -0.13	486.65	598.42	598.42	5.5	
Switzerland	Swiss Market	9136.61	13.93	▲ 0.15	7585.56	9159.23	9159.23	11.2	
South Africa	Johannesburg All Share	55685.01	484.52	▲ 0.88	48935.90	55687.82	55687.82	9.9	
Turkey	BIST 100	107153.78	628.34	▲ 0.59	71792.96	108605.51	108605.51	37.1	
U.K.	FTSE 100	7474.77	63.34	▲ 0.85	6615.83	7598.99	7598.99	4.6	

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



Country/currency in US\$ per US\$ (%)

Country/currency in US\$ per US\$ (%)</

Why the Dow Keeps Rising

Analysts weigh in on market that hits record after record; other assets look wan

CANE OTANI
CHRIS DIETERICH

The Dow Jones Industrial Average crossed 22,000 for the first time Wednesday. Here are some investors' theories for why the stock market keeps on the up.

Stocks reflect the resource health of corporate America.

The biggest U.S. corporations are on a stronger footing. With most S&P 500 companies having reported third-quarter results, firms are on track to post another quarter of strong profit growth—building on gains since the end of last year. Companies snapped a quarter streak of earnings misses, according to Fact-

The rebound has been solid, reflected in oil companies—which have recovered along with oil prices—in tech stocks like Apple Inc. and in domestic bellwethers like Caterpillar Inc. Those who believe the stock market's trajectory is ultimately determined by the rate of earnings growth see continued strength among firms should help fuel further gains in the stock market.

The global outlook is better.

Economists are projecting a pickup in global growth, while U.S. expansion remains strong and steady—a combination that investors say has helped boost multinational companies, which have been among the best-performing stocks this year. Boeing Co., McDonald's Corp. and up the bulk of the gains pushed the Dow industrially past 22,000 for the first time. Profits at such firms may get an additional boost if the strength in the U.S. dollar lasts, because it makes



A New York Stock Exchange trader's cap touts the latest Dow Jones Industrial Average milestone.

their exports cheaper to foreign buyers. The WSJ Dollar Index, which measures the currency against a basket of 16 others, has fallen 7.5% this year through Wednesday.

The U.S. economy is in a "Goldilocks" situation.

Investors are enjoying a rare but favorable environment: an economy that is expanding but not fast enough that the Federal Reserve is in a rush to raise interest rates. The unemployment rate fell to a 16-year low in May, yet inflation has remained stubbornly below the Fed's 2% target—suggesting to many investors that the central bank is unlikely to raise rates hawkishly. "In a period where accommodation remains very aggressive, all of this is coming together to keep the markets afloat at these higher levels," said Tracie McMillion, head of

global asset-allocation strategy for Wells Fargo Investment Institute.

Passive funds are propelling up prices.

One hallmark of this year's stock-market rally is the relentless flow of money into index-tracking mutual and exchange-traded funds. Some \$128.6 billion has moved into U.S. index-tracking funds that own U.S. stocks in 2017 through June, while a net \$99 billion was withdrawn from actively managed U.S. stock funds, according to Morningstar Inc. Buying of passive funds is partially offset by the money flowing out of active ones, but some investors warn that the rising popularity of index funds that own hundreds, sometimes thousands of stocks, translates into indiscriminate buying divorced from corporate fundamentals.

One concern is that persistent index buying elevates valuations across the board and that, should turmoil erupt, investor index buying would turn to selling, leaving the broader market vulnerable.

There is no alternative.

In a low-rate environment, one reason investors say the stock market keeps rising is simply that there is no alternative for returns. After an initial selloff following Election Day, U.S. Treasurys are back roughly where they began the year, with the yield on the 10-year note at 2.264% Wednesday, compared with 2.446% at the end of 2016. With bonds offering paltry yields, many investors begrudgingly say stocks remain their asset class of choice—even if they are getting increasingly nervous about the long stock rally.

FTSE 100 Gains As Pound Weakens

By JUSTIN YANG
AND CORRIE DRIEBUSCH

London's FTSE 100 index closed higher as the pound fell in response to reduced expectations that the Bank of England will raise interest rates in the coming months.

Declines in THURSDAY'S MARKETS

Declines in Thursday's British pound helped push the export-heavy index up 0.9% to 7,474.77, led by exporters such as British American Tobacco and AstraZeneca.

The Stoxx Europe 600 index rose less than 0.1% to 378.93.

Sterling came under pressure after the Bank of England kept interest rates unchanged, despite signaling that the long era of easy money is gradually drawing to a close.

The currency fell 0.7% to \$1.3130. The pound started

falling in European afternoon trading when investors saw that only two BOE officials had dissented from the decision to keep rates steady, preferring an increase instead, said Thu Lan Nguyen, analyst at Commerzbank AG. "Some anticipated there would be three dissenting," she said.

Adding to pressure on the pound, the central bank also lowered its 2017 U.K. economic growth forecast to 1.7% from 1.9% in May. The 2018 forecast was reduced to 1.6% from 1.7%.

Gross-domestic-product "growth remains sluggish in the near term, as the squeeze on the households' real incomes continues to weigh on consumption," BOE Gov. Mark Carney said in a press conference after the rate announcement, even as he said he anticipated raising interest rates faster than investors currently expect.

In the U.S., the Dow Jones Industrial Average rose 9.86 points, or less than 0.1%, to 22,026.10, a fresh record. The S&P 500 fell 0.2% and the Nasdaq Composite lost 0.4%.

Earnings results from doz-

ens of big U.S. corpora pulled major stock index different directions.

Some of the biggest finance companies dragged broader financial sector lower after reporting quarterly earnings. Meanwhile solid gains from consumer-goods companies including Clorox pushed the consumer-staples sector higher.

The result: Major U.S. indexes struggled to find direction the day after the pound rose above 22,000 for the first time. The milestone marks its 32nd record of the year. Stocks benefited from a bright global economy, a weak dollar and a solid earnings season.

"The market isn't cheap, but it's not expensive either given the low interest rate environment," said Nadia Lee, US equity strategist at Morgan Private Bank.

Prudential Financial shares fell 4.4% in late trade as its operating income missed analysts' expectations. Merck shares lost 2.7%.

Kellogg's stock jumped 2.4% as second-quarter earnings beat expectations. Clorox shares added 2.4% after the maker of liquid bleach and trash bags reported a climb in net profit for the latest quarter.

In other corporate news, Tesla jumped 5.8% in late trade after the electric-car company reiterated its plan to sell more vehicles during the second half of the year.

In Asia, South Korea stocks led the way lower, with the Kospi down 1.7% after recently topping highs set in 2011. A big pressure point for Samsung Electronics, which fell 2.5%—erasing its gains for the week—as the Samsung conglomerate's de facto leader testified for the first time in his corruption trial.

—Riva

contributed to this article

WSJ TALK / EXPERIENCE / OFFER / GETAWAY



Book a Bespoke Marrakech Experience

Explore one of the world's most captivating cities with an exclusive, tailored VIP itinerary when you book three nights at Royal Mansour. From staying in a traditional riad to a private vintage sidecar tour, pool access and fine dining, experience the beauty of Morocco.

WSJ+

INVITES + OFFERS + INSPIRATION

EXCLUSIVE TO WSJ MEMBERS

BOOK NOW AT WSJPLUS.COM/ROYALMANSOUR

MARKETS

Bond Upgrades Help Commodities Firms

Improved ratings lift debt prices and allow some companies to borrow more cheaply

By TATYANA SHUMSKY

Commodity-related firms and their investors are reaping the rewards of a record stretch for corporate-bond upgrades.

Natural-gas exporter **Cheniere Energy Partners** LP and oil refiner **Andeavor** Corp. are among the companies whose ratings have climbed, pushing a combined \$91.7 billion onto Bank of America Merrill Lynch's investment-grade corporate-bond index from its high-yield index over the 12 months ended June 30. Energy and basic-materials businesses accounted for 85% of the bonds moving between the indexes.

The upgrades have boosted bond prices, opened some companies to lower-cost borrowing and helped bolster balance sheets. It is a reversal of recent years in which slumping commodities shut many of the largest producers out of the high-quality bond market.

Finance chiefs across the industry responded to that slump by slashing costs, selling assets and buckling down on operational improvements to revive profit margins and reduce debt.

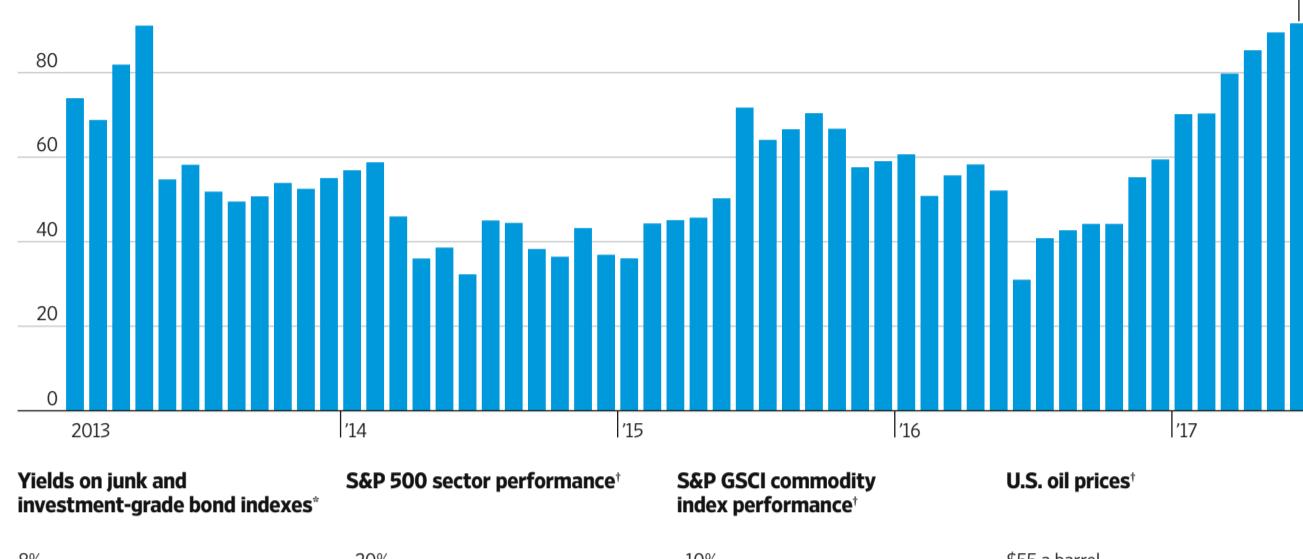
At the same time, a rebound in resource prices and a stronger global economy improved company balance sheets and helped propel the broader wave of upgrades.

Cheniere Energy's first upgrade, from S&P Global Ratings last September, attracted attention from Todd Schomberg, senior portfolio manager at **Invesco** Ltd., which manages around \$858 billion. Mr. Schomberg invests in companies likely to transition to investment grade be-

Gaining Ground

Credit upgrades for commodities firms have helped set a record, while the extra yield paid by junk bonds has declined. Materials shares have rebounded along with commodities, though stalling oil prices continue to pressure energy companies.

Bonds upgraded to join BofA Merrill Lynch U.S. Corporate Index, trailing 12-month total



Yields on junk and investment-grade bond indexes*



*Through July 28

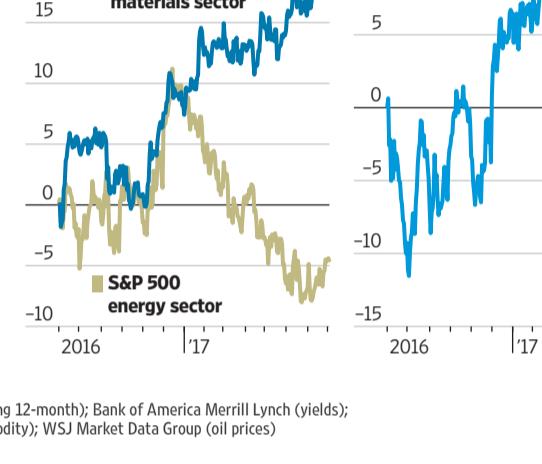
Sources: Bank of America Merrill Lynch (trailing 12-month); Bank of America Merrill Lynch (yields); FactSet (sector performance, S&P GSCI commodity); WSJ Market Data Group (oil prices)

S&P 500 sector performance†



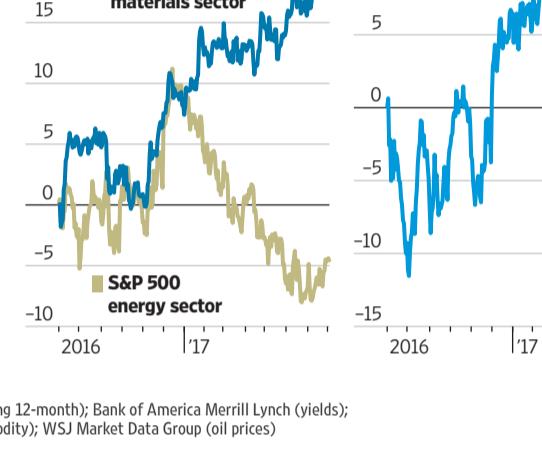
†Through Aug. 2

S&P GSCI commodity index performance†



†Through Aug. 2

U.S. oil prices†



†Through Aug. 2

Along with the potential for lower rates on bonds or credit lines, investment-grade status allows companies like Cheniere to issue bonds due in decades rather than years. They also have an easier time accessing funding because investment-grade bond markets are relatively liquid, and their low credit risk means they aren't required to post a deposit or pay upfront for certain business transactions.

"It just takes a lot of pressure off our business," Mr. Wortley said.

Cheniere tapped the investment-grade debt market for the first time in February. The company issued its longest and lowest-cost bonds—\$800 million of senior secured notes paying a 5.0% coupon due in 2037 and \$1.35 billion in senior secured notes paying a 4.2% coupon and due in 2028.

A company's average score among the three major credit-rating firms must reach investment grade for its debt to shift to Bank of America's high-grade index. That means that the bonds are typically being upgraded by at least two ratings firms.

For oil refiner Andeavor, previously known as Tesoro, the upgrades meant its \$3 billion revolving credit facility is now entirely unsecured, meaning it isn't guaranteed by assets or other collateral, finance chief Steven Sterin said in an email.

Andeavor has roughly \$7.6 billion in debt it plans to refinance over time, saving the company \$75 million to \$115 million in annual interest costs, he said. In addition to lower borrowing costs and less restrictive lending terms, Andeavor can now issue bonds due in 30 years, a big change from eight to 10 years previously.

"This meaningfully reduces refinance risk for the company," Mr. Sterin said.

cause of prudent financial management or improving economic conditions, known as "rising stars" in the bond world.

He purchased outstanding bonds from Cheniere earlier this year, betting that the company's debt would rally to

reflect its improved credit rating. Cheniere bonds due in 2022 traded recently for 113.53 cents on the dollar, up from 109.50 at the start of 2017, just before the second upgrade in January, according to FactSet.

An upgrade "shows disci-

pline and it shows a commitment to a conservative balance sheet," Mr. Schomberg said.

Receiving an investment-

grade rating was "like flipping a light switch" for natural-gas exporter Cheniere Energy Partners, said Michael Worts-

ley, finance chief of parent company **Cheniere Energy** Inc. Most natural-gas suppliers immediately stopped requiring upfront payments, freeing up hundreds of millions in capital for the largest buyer of natural gas in the U.S., Mr. Wortsley said.

ley, finance chief of parent company **Cheniere Energy** Inc. Most natural-gas suppliers immediately stopped requiring upfront payments, freeing up hundreds of millions in capital for the largest buyer of natural gas in the U.S., Mr. Wortsley said.

ley, finance chief of parent company **Cheniere Energy** Inc. Most natural-gas suppliers immediately stopped requiring upfront payments, freeing up hundreds of millions in capital for the largest buyer of natural gas in the U.S., Mr. Wortsley said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Square's Shares Are Too Costly

Square is expanding fast and getting attention amid general payments-industry hype. But its shares may still have gotten ahead of themselves.

The company reported Wednesday a 41% rise in second-quarter adjusted revenue, as more merchants signed up for its card-reading devices and other services. Merchants taking more than \$500,000 of gross payments annually accounted for 19% of its volume in the second quarter, up from 14% a year ago. It is doing this with no dilution to its revenue per transaction.

The company is also succeeding in selling more add-on services to merchants, such as microsize loans and marketing tools. It made \$318 million of business loans in the second quarter, up 68% from a year earlier.

Square also raised its guidance for full-year revenue and adjusted earnings before interest, taxes, depreciation and amortization, or Ebitda. Yet, shares were off about 5% late Thursday.

Heading into the announcement, the stock was up 94% this year. Speculation that Square could be an acquisition target played a role. The shares were up 16% since news broke in July that Vantiv was acquiring Worldpay Group, a U.K. payments processor.

Asked about industry consolidation on a conference call, Chief Executive Jack Dorsey hinted that the company likes being independent of any large incumbent.

Absent a takeover bid, Square looks expensive, with an enterprise value of 45 times forward Ebitda. Square has a bright future, its shares, maybe not so much.

—Aaron Back

Reasons to Hope for a Ferrari SUV

Ferrari is speeding toward a fork in the road. It shouldn't hesitate to take the more ambitious path.

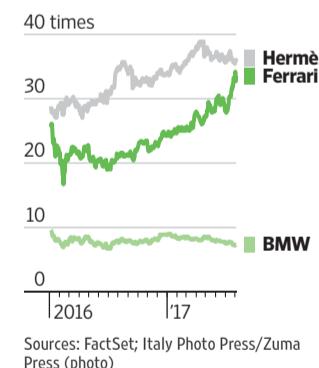
The Italy-based, New York-listed company could maintain its current, highly profitable course as a manufacturer of growing sports cars. But it looks likely to develop a new form of Ferrari that appeals to a new customer base.

Second-quarter results Wednesday were preceded by a flurry of press reports leaking plans of a Ferrari "utility vehicle." Sergio Marchionne, the company's chairman, hates the expression, but on a call with analysts did sketch a somewhat contradictory picture of a vehicle that would be both "utilitarian" and "a definition of Italian class."

Using an upmarket brand to win a mass-market audience is a tried and tested automotive strategy. Porsche was a racing brand like Ferrari before launching its Cay-

Racing Stripes

Forward price/earnings ratios



Sources: FactSet; Italy Photo Press/Zuma Press (photo)

THE WALL STREET JOURNAL.



Sergio Marchionne,
Ferrari's chairman

new vehicle dilutes the Ferrari brand and alienates a customer base it has cultivated exceptionally well.

Mr. Marchionne talks of Ferrari as a European luxury brand like handbag-maker **Hermès International**; like Hermès, and unlike its automotive peers, the car maker has a waiting list for key products that support both steady growth and high margins. Expanding supply will jeopardize this enviable arrangement.

However, another lesson of the French luxury industry, notably global leader **LVMH Moët Hennessy Louis Vuitton**, is that expansion need not compromise exclusivity. It just needs to be handled skilfully. Fortunately, Ferrari has a proven driver. The shares are luxuriously priced, at 33 times earnings, but investors are probably right to bet that Mr. Marchionne can pull off the trick.

—Stephen Wilmot

OVERHEARD

You've heard of FANG, but have you met BRIAN?

Morgan Stanley has a framework for assessing which industries are susceptible to encroachment by **Amazon.com**.

It is calling this five-factor rubric BRIAN, an acronym for "bespoke products," "regulatory hurdles," "industry/business model," "attention post-sale" and "nuances."

This measures the "pace and potential of Amazon disruption," wrote analyst **Brian Nowak** in a note.

Travel, luxury goods and formal apparel have a high degree of customization; pharmaceuticals and insurance are protected by regulatory hurdles; and real estate and auto purchases tend to be too complex to make sense for online sales.

With a "buy" rating and a \$1.15 price target on Amazon's shares, Mr. Nowak also doesn't seem too concerned about its growth prospects.

There Doesn't Appear to Be Any Cure in Sight for Teva

Nothing is going right at **Teva Pharmaceutical Industries**.

Shares of the biggest generic drugmaker by sales were down 24% in afternoon trading after disappointing second-quarter results announced on Thursday. Teva reported revenue of \$5.7 billion and adjusted earnings per share of \$1.02. Both figures missed analyst estimates, which already had been revised lower in recent months.

The negative news was just getting started. Teva sharply reduced full-year projections for sales, profitability and cash flow as the company struggles with a weakening U.S. environment for generic drugs and about \$35 billion of debt. Teva now

expects full-year operating cash flow of \$4.4 billion to \$4.6 billion. That is down from a forecast of \$5.7 billion to \$6.1 billion at its last quarterly report. The company also said it would cut its dividend by 75%, making its second-quarter payout just 8.5 cents a share.

Teva isn't only suffering from the industrywide problem of falling prices for its generic drugs. Sales of Teva's best-selling product, the branded multiple sclerosis drug Copaxone, fell 10% from a year earlier, including a 12% dip in the U.S. Teva said it is realizing a lower net price on the drug, despite raising Copaxone's list price by about 8% in January, likely because it is being forced to give bigger rebates.

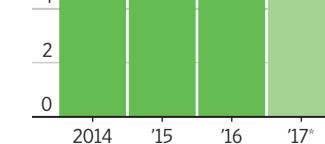
Worse, rivals are seeking approval to sell a generic version this year. Teva's full-year financial projections assume no generic competition.

Teva also warned on its management conference call that if business conditions worsen further, it might need to renegotiate its debt covenants. Because the dividend wasn't eliminated, stockholders should brace for another cut.

Teva has been without a permanent chief executive since February. The company, Israel's corporate crown jewel, has been rumored to be looking at executives from major drugmakers, which would be a switch for Teva, which has typically had Israeli CEOs, and could

The Bottom Falls Out

Teva's operating cash flow



*Midpoint of company guidance
Sources: the company, FactSet
THE WALL STREET JOURNAL.

help it navigate the storm.

To make matters worse, Teva's biggest shareholder said it was dumping its shares. **Allergan**, which acquired a 9.9% stake in the company when it sold its generics business to Teva for \$40 billion in 2016, said on

its own conference call Thursday that it "will not be a long-term shareholder in Teva," adding that it plans to sell its stock over the next few months.

That slew of bad news could attract value investors who might be tempted by the stock's modest valuation. And a new high-profile CEO would likely give the stock a boost. Teva's shares fetch about six times this year's lowered earnings estimate, making it a cheap option in a pricey environment for stocks overall.

The rest of Teva's investor base should consider following Allergan's lead. Thursday's plunge doesn't mean that the bad news is all reflected in the share price.

—Charley Grant

Pharrell
Williams on his
first fashion
memories
W3



OFF DUTY



Do Costco
and Sam's Club
sell worthy
wines?
W6

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Friday - Sunday, August 4 - 6, 2017 | **W1**

Electric Shock

With luxury auto makers—from Porsche to Aston Martin—poised to release electric sports cars that upend earnest eco-clichés, going green will soon entail going startlingly fast

LIGHTNING FAST
Electric cars are typically quick to accelerate but not fast. This limited-edition Rimac Concept_One, however, has a 220-mph top speed.

POWER PLAY
The four high-speed, oil-cooled magnet motors at each corner of the car can output up to 1,224 hp. A Chevrolet Corvette's V8 generates 650 hp.



BY DAN NEIL

IF GEAR HEADS had any doubts about how ferocious electric sports cars can be, Richard Hammond destroyed them in June, along with a million-dollar prototype and some Swiss shrubbery.

The former "Top Gear" host was shooting an episode of the Amazon series "The Grand Tour" in Switzerland when he overcooked a corner and went over the edge in an all-electric, 1,224-hp Rimac Concept_One. The car, one of eight in the world, sailed 100 feet before impacting and violently tumbling to pieces. Mr. Hammond, who escaped serious injury in the accident, was extricated before the car burned to

a lithium-ion cinder.

OK, so flammability might still be an issue. In an interview after the accident, Mr. Hammond said he has struggled to describe the physical intensity of futuristic whips like the Rimac, a car with four advanced motors, all-wheel drive and liquid-cooled lightning: a battery capable of instantaneously discharging a full megawatt of power. "We need a new vocabulary," Mr. Hammond said.

Car enthusiasts were left similarly speechless in May, when an all-electric supercar called the NIO EP9 knocked 6 seconds (6:45) off Lamborghini's production-car record at Germany's 12.9-mile Nürburgring test track, a universally recognized standard of performance. While a McLaren P1 LM (gas-electric hybrid) was able to nip the NIO's record two

weeks later, it's clear that, between EV and gas, it's on like Donkey Kong for the Nürburgring record.

But wait, you say, aren't EVs (electric cars) weird-looking, pokey and riddled with range anxiety? You are thinking of the Nissan Leaf. The first mass-produced EV of the modern era, released in 2010, did for EVs' sexiness what VW has done for diesel. The electron burners you will meet here are a whole different species.

If your ankles are tingling, it's because you are on the shore looking at a tidal wave of electric vehicles. In July, Tesla CEO Elon Musk handed over the key fobs to the first few Tesla Model 3s, the American company's EV for the people (people with at least \$35,000 and the patience to wait months to get their

Please turn to page W2

[INSIDE]

THE ON-TREND OFFICE

What Miuccia

Prada thinks you

should wear to

work **W4**



A RECIPE FOR IMPATIENT EPICURES

This Turkish riff on risotto

is ready in a jiff **W6**



KENTUCKY FRIED CHIC

A native of the state returns, with her

mind set on decades-spanning décor **W5**



SAY THE MAGIC WORD

The magician Teller shares his secret to

recalling strings of letters and numbers **W8**

OFF DUTY

NUTS FOR VOLTS

Continued from page W1

car). Tesla has about a half-million reservations for the Model 3 in hand and plans to ramp up production to 10,000 cars a week by the end of 2018. Deliveries anywhere near those figures would make it the best-selling car in America.

In September, the second-generation Nissan Leaf will debut (spy shots show a massive upgrade in aesthetics). With sales of more than 250,000 world-wide, the Leaf is already the most numerous EV in the world.

Out in the deep ocean of the global car business, even larger seismic anomalies have been detected. Perhaps the biggest was China. Combating the twin emergencies of urban air pollution and dependency on imported oil, the Chinese government last September unveiled sweeping, California-style mandates requiring that all car makers generate "EV credits"—including sales of EVs, plug-in hybrids and fuel-cell vehicles—equal to 8% of sales in 2017, 10% in 2018 and 12% in 2020. (Implementation may be pushed back to give car makers time to adjust.)

This lurch toward electrification

If you are wondering how eco-weenie mobiles got to be so mega, the simple answer is bigger, badder batteries.

in the world's largest car market implies transformational economies of scale. Example: As part of its campaign for redemption, VW Group has announced plans for 30 new EV models by 2025, with global sales targeting 3 million units, mostly in China. To meet those targets, VW research and development chief Ulrich Eichorn estimates the company needs to source 200 gigawatt-hours worth of energy-storage devices. Mr. Eichorn told Automotive News Europe that if the global auto makers devoted just 25% of production to plug-capable vehicles in 2025, it would need 1.5 terawatts-hours—the output of 40 Tesla-like "gigafactories."

"What is often forgotten is the current drive to EVs was initiated by Nissan, Mitsubishi [the i-MiEV] and Tesla," said Aston Martin CEO Andy Palmer, who championed the Leaf program when he was a vice president of Nissan. "Without all three and VW's Dieselgate, we would not be seeing this revolution."

But having been more or less obliged to build such cars, auto makers still face the challenge of making them desirable and status-bearing. It's comforting somehow that this part of the auto industry, at least, has not changed: You have to sell the sizzle with the steak.

Porsche's all-electric halo car, currently named Mission E, is scheduled for full production by 2019. Long dismissive of the very idea, Porsche executives have done an about-face on electric propulsion.

In June, CEO Oliver Blume said that by 2023 half of the legendary performance brand's production would be electric.

With its 800-volt charging technology, the Mission E is targeting more than 300 miles of range and a 15-minute quick-charge good for 250 miles. Also: 600 hp, all-wheel drive, and 0-60 mph in 3.5 seconds, if that does anything for you.

In 2019 Aston Martin will begin delivery of the RapidE, a version of the Rapide super-sedan with EV tech developed with F1 masters Williams Advanced Engineering.

If you are wondering how eco-weenie mobiles got so mega, the simple answer is bigger, badder batteries and the systems that manage, support and cool them. The average specific-energy and power density of lithium-ion batteries has been rising steadily for the past decade. As they do, they allow more energy to be put in the bottle (to go farther) and widen the bottle's mouth so more energy comes out at once (to go faster).

Indeed, it was inevitable, given the nature of the mechanisms, that battery-packing sports cars would eclipse their piston-powered forebears in performance, at least over short distances. By virtue of a comparatively lower center of gravity, EVs tend to corner flatter and harder without body roll. EVs also put torque to the ground more efficiently. Unlike conventional traction-control systems, an e-motor's twist can be modulated hundreds of times a second, exploiting all available adhesion between tire and surface without spinning.

Most famously, electric cars enjoy a huge advantage in initial acceleration. This has been colorfully demonstrated about a million times on YouTube since 2012, when the Tesla Model S started handing out beatings to Camaros and Corvettes at drag strips.

For driving enthusiasts there is also a little game-changer ahead called independent torque vectoring. By virtue of their compactness, EV motors can be arrayed at all four wheels, allowing each to work independently and cooperatively, speeding up or slowing down to help the car in extreme maneuvering. As the driver heads for a corner, the inside front wheel slows, or even drags, the outside tire pushes harder, the rear wheels do the same, and the directional power actually bends the car's path through the turn.

Independent AWD torque vectoring opens a new dimension in performance driving. "I would contest that with or without legislation, we would be investing in EVs," said Mr. Palmer of Aston Martin. The design opportunity "has got both our engineers and designers excited."

But is faster always better? "The power of an EV powertrain is not in question," said Mr. Palmer. "The biggest step change is how it feels for the driver (and passengers) versus an internal combustion engine. Although we as a brand are loved for the sound of our engines, we don't see any issue with the sound of silence."

What is often forgotten is the current drive to EVs was initiated by Nissan, Mitsubishi [the i-MiEV] and Tesla," said Aston Martin CEO Andy Palmer, who championed the Leaf program when he was a vice president of Nissan. "Without all three and VW's Dieselgate, we would not be seeing this revolution."

But having been more or less obliged to build such cars, auto makers still face the challenge of making them desirable and status-bearing. It's comforting somehow that this part of the auto industry, at least, has not changed: You have to sell the sizzle with the steak.

Porsche's all-electric halo car, currently named Mission E, is scheduled for full production by 2019. Long dismissive of the very idea, Porsche executives have done an about-face on electric propulsion.

THE CHARGE
BRIGADE //
PROTOTYPE
DESIGNS FOR FIVE
ALL-ELECTRIC
SPEEDSTERS



Porsche Mission E

The Mission E concept car, shown above as a rendering, is in many ways a redefining automobile for the Stuttgart-based luxury-performance brand. Previewing a car in the mold of the Tesla Model S, it has two clear advantages: a captivating design by Michael Mauer and the company's bred-to-the-bone knowledge of what makes a sporting car great. The design calls for two electric motors, fore and aft, totaling more than 600 hp. The car will be capable of inductive charging (no plug) and of using Porsche's 800-volt supercharging (15 minutes equals 250-mile range).



Faraday Future FF 91

Faraday Future—the Los Angeles EV startup initially funded by Chinese media giant LeEco—flew high and came down hard this year, backing away from very public plans to build a \$1 billion facility in Nevada. In the meantime, we have this insane concept car to admire (rendering shown), with 1,050 electric horsepower bristling at the wheels, a huge open cabin, and all the autonomy/connectivity your future self could want.



NIO EP9

What can credibly be called the fastest electric car in the world, the NIO EP9 (rendering shown) is powered by four in-board electric motor/generator units (totaling 1,360 hp) paired with four gearboxes, capable of exerting an Earth-turning 4,671 pound-feet of torque. The battery packs (777V) are interchangeable, allowing them to be swapped out for fresh ones in 8 minutes. Zero-to-124 mph goes by in 7.1 seconds.

Lucid Air

Founded in 2007, Lucid Motors (formerly Atieva) has ambitious plans to build the heavenly seeming Lucid Air, if they don't get bought out first by Ford, which is reportedly considering the acquisition. The Air is vast on the inside with slim, floor-mounted batteries and compact drive components. A planned "Launch Edition" will have 1,000-hp output and 315-mile range. —D.N.



THE CROSSOVER CROSSES OVER

America's favorite style of vehicle is about to get a battery-powered jolt

WHILE FEDERAL clean-air policy makers are rowing the other way, California has doubled down on its zero-emission-vehicle (ZEV) mandate, aiming to have 1.5 million such vehicles on the road by 2025 and obliging car makers to offer them. California is a must-have market for premium and luxury brands like BMW, Jaguar, Audi and Porsche.

But if you really want to sell cars in America—or even California—you have to make a crossover SUV.

And so, following in the ample tire tracks of the Tesla Model X, comes the finely curried Jaguar I-PACE, a five-seat, all-wheel-drive crossover with a 90-kWh battery, 220 miles of promised range and 400 electric horses (0-60 mph in about 4 seconds). Taking orders now for 2018 delivery.

The I-PACE is no mere compliance car (an adaptation of a conventional product, built in small numbers only to satisfy the ZEV quota). Last month, the U.K. joined France and other EU states in announcing a ban on petrol-powered vehicles by 2040. The British government is positioning EV technology as a pillar of industrial strategy, post-Brexit.

A similar urgency is pushing the German giants post-Dieselgate. Jumping into the Model X's pool is the 2018 Audi e-tron Quattro, a mid-size SUV with a 95-kWh battery, nominal range of 310 miles, and 0-60 mph in 4.6 seconds. Porsche has indicated it too will offer an EV crossover, Macan-sized, on the VW Group's new dedicated architecture.

Our Mr. Musk won't be taking that lying down. Tesla has said it will have its own small-midsized crossover, called Model Y, before the end of the decade.

Going down market a bit, Hyundai—is already in the EV business with its Ioniq sedan—is expected to bring an all-electric Kona crossover to market in 2018. The subcompact ute will reportedly use a 50-kWh battery pack good for a 217-mile range with a starting price of \$39,000.

The one name we haven't called is the Chevy Bolt, GM's excellent five-passenger EV that isn't quite a crossover. With a range of 238 miles and price of \$37,495 before tax credits, the Bolt seems to have all the goods, but so far it's a soft-seller. What if the Bolt had been born a crossover, though? It could have been a star. —D.N.

OFF DUTY

20 ODD QUESTIONS

Pharrell Williams

The multi-tasking maker of hit songs on the most comfortable T-shirts and why Tilda Swinton has killer style

AN OBVIOUS QUESTION: What is Pharrell Williams listening to right now? The songwriter, producer and gatekeeper of all things cool demurs. "At the moment, I'm just mixing," he said, a coy non-response.

For an indication of what's been going on musically inside Mr. Williams's head, however, it's worth noting that, just this year, he's used his hitmaking production skills on songs for rapper Vic Mensa; sang a verse alongside Katy Perry and Big Sean on Calvin Harris's "Feels"; and wrote and performed eight songs for the soundtrack of "Despicable Me 3."

The time in the studio hasn't stopped Mr. Williams, 44, from indulging his love of fashion. Known for only-he-can-pull-it-off outfits like beshorted tuxedos, the eccentric aesthete moonlights as a designer, working with labels like Diesel. He is also the owner of streetwear brand Billionaire Boys Club, which he co-founded in 2005. And last summer, Mr. Williams created a sneaker subbrand called Hu, short for Health Ultimatum, as part of his three-years-and-counting partnership with Adidas.

His latest collection for Hu, out next week, riffs on Adidas's classic Stan Smith sneaker. In Mr. Williams's hands the simple shoe is anything but basic, acquiring a sock-style knit upper in dreamy hues like baby blue and muted mint. "We try to think about what colors will literally lighten up someone's life," said Mr. Williams. Designing highly covetable sneakers is something he's wanted to do since he was a child in Virginia Beach, Va. "We couldn't afford them so I just dreamed," said Mr. Williams who, with his wife Helen Lasichanh and their four children, splits his time between Miami, Los Angeles and Malibu, Calif. "You'd go, man, I wish I had those in purple or pink. That started my fascination."

My first fashion memory is:

not having [fashion]. But I had a wonderful childhood and I didn't know the difference. Though who didn't want an Adidas tracksuit—especially when breaking and popping was becoming popular in our area.

My favorite thing to wear is:

Cactus Plant Flea Market T-shirts. I don't know where (designer Cynthia Lu) sources the material from but they're just comfortable.

One of my favorite places in the world is:

Tokyo. Nearly the first thing I do when I land is get a teriyaki burger at the 2-5 Café, owned by my buddy Nigo (founder of Japanese label A

Bathing Ape). If Tokyo and Miami had a baby, that's where I'd be all the time.

I really admire the style of:

Tilda Swinton. She's just who she is, she's personal. She understands her look, she understands her character. I also think Wes Anderson is good. His style is not for me but it's great.

The most stylish movie is:

"Inglourious Basterds." That wardrobe was really good. I also think the Coen Brothers' attention to detail is really good and Kubrick never missed either.

Color matters to me because: it holds power. If you lived in a black house that had black walls

and you had black clothes on everyday, I'm sure that would affect your psyche. Same if you lived in a house with white walls, and had on white clothes everyday. Color is real.

I can't leave the house without:

the phone. Come on. And I'm one of those weird people who plugs his phone up as soon as it drops below 65%.

I still listen to: the first A Tribe Called Quest album, "People's Instinctive Travels and the Paths of Rhythm." I found it when I was 14 or 15 and it's magical.

My favorite art gallery is:

Perron. I try to go to when I'm in Paris, but they have locations all over—New York, Tokyo, Seoul, Hong Kong. It's amazing to see the talent of friends, like JR, KAWS and Takashi Murakami, represented in a space that has had such an influence on contemporary artists.

My most memorable meal is:

hard to pick. There have been so many. My father's cooking is amazing, my mom's cooking is amazing and so is my wife's. I can't cook.

The most important life les-

son I've learned is: the importance of humility. You want to shine but not so bright that you burn everything in the room. As long as you've got your light, people will see you and it's all good.

If I could work with anyone, it would be:

so many people. Musicians like Donny Hathaway, John Lennon and Michael Jackson. Who wouldn't have wanted to know Picasso or van Gogh? Or Nikola Tesla? Or to understand the mind of Werner von Braun. And wouldn't it have been cool to pass the joint to Einstein?

The oldest thing in my closet is:

nothing special. I usually let things go once a year. You have to purge. Instead, I collect memories and experiences.

My exercise of choice is:

running. I love to run in Miami near Brickell Avenue. There is a bridge connecting to some inlets so I usually make time to run that route when I'm in town. It's good for clearing the mind.

I cannot fly without:

a book. Right now I'm reading "The Root of Chinese Qigong: Secrets for Health, Longevity, & Enlight-

ment." I only read hard copy.

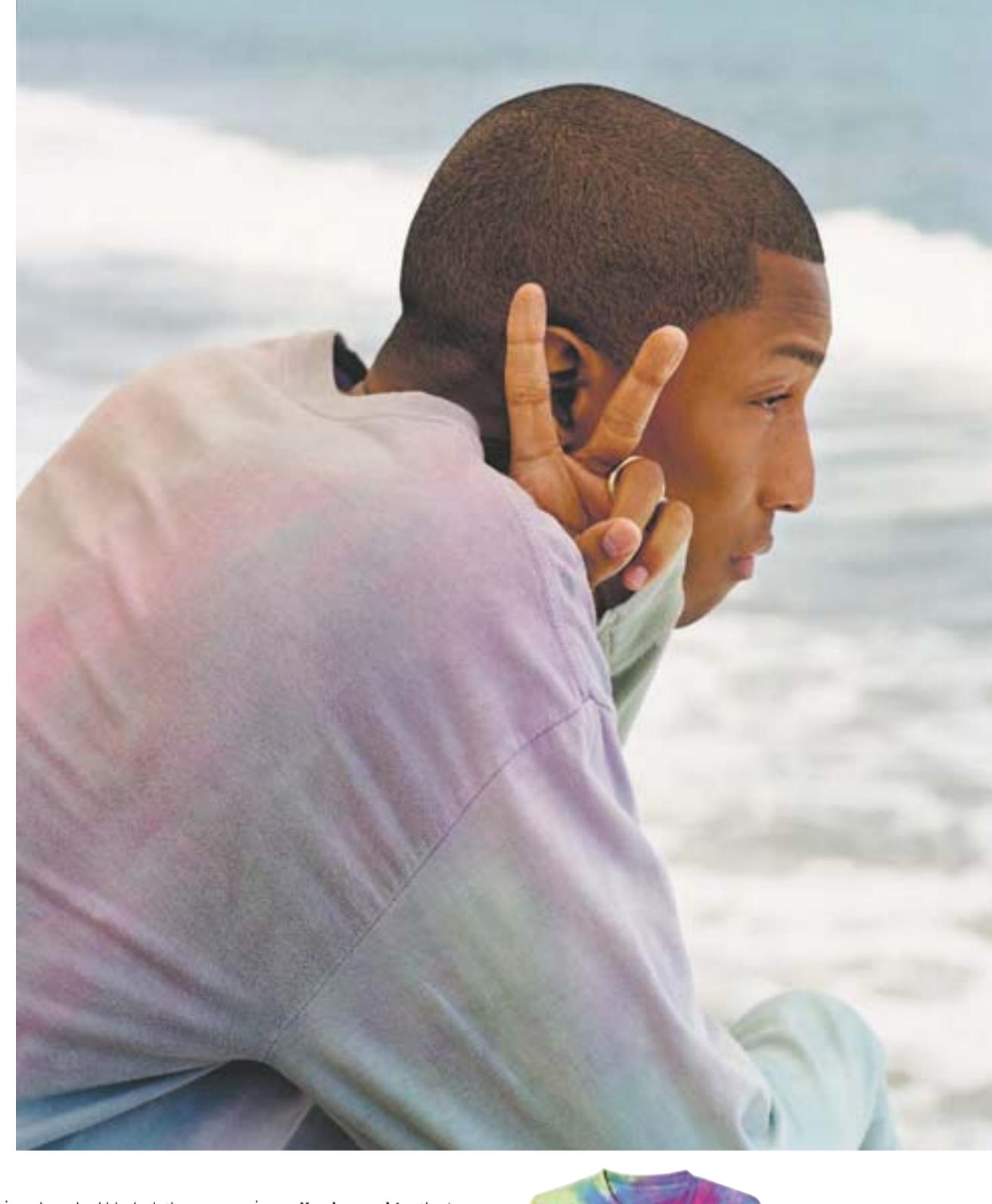
One thing I wish I had invented is:

a free power source. I have solar panels on my house in Los Angeles now. I finished remodeling this year, so solar power is new for me. It's really important for me to use the

natural resources we have to power our energy.

If my life had a slogan it would be: "God is the greatest." I know that I'm blessed. Acknowledging it is the least I can do.

—Edited from an interview by Jacob Gallagher



MR. PURPLE Clockwise from top: Pharrell Williams in Malibu, Calif.; current reading material; Adidas Tennis Hu Sneakers; Cactus Plant Flea Market T-shirt.



Left: a KAWS sculpture at Perrotin Galerie in Paris; below: the teriyaki burger at Tokyo's 2-5 Café.



From left: Custom Tote, \$45, llbean.com; Tote Bag, \$250, wantlesessentials.com; Tote Bag, \$1,975, hermes.com

THE LOAD STAR

Guys, consider a humble canvas tote as your new everyday bag

FOR BYRON

and Dexter Peart, the twins who founded the accessories line Want Les Essentiels, a canvas tote is as central to a man's wardrobe as a white oxford or jeans. Some might disagree, dismissing such a bag as a summer-only carry despite canvas's obvious advantages (it's sturdy, masculine and handsome without being flashy). Byron, however, argues that Want Les Essentiels' version, called the O'Hare after Chicago's airport, is appropriate for "all seasons and occasions." It's been a best-seller since it was launched 8 years ago.

His position isn't so radical, especially with menswear skewing ever more casual and "seasonal" rules falling by the wayside. In discreetly dressed-up dark or autumnal colors, a canvas tote could be ideal to toss everything in as temperatures cool. And the bag has been making more sophisticated inroads of late with labels like Dries Van Noten and Valentino offering up versions for fall.

Simon Spiteri, accessories buyer

at the online men's retailer Mr. Porter, has seen a steady uptick in sales of canvas totes. The bags, said Mr. Spiteri, run the gamut from the understated designs shown here—Hermès's luxe (and quite expensive) leather-handled one could sub in for a leather briefcase—to more eccentric styles, such as a Gucci version strewn with logos and appliquéd with a cat face. Only men with an wildly creative office dress code could get away with that one.

You needn't, however, spend four or even three figures. In fact, there's a real beauty to L.L. Bean's bags. For one less sporty than the brand's classic accent-striped "Boat-and-Tote," try a creamy custom version (far left)—easily created on L.L. Bean's website.

A great advantage of the canvas bag is its versatility. (Try shoving your weekend clothes in a briefcase.) Said Want Les Essentiels' Dexter Peart, "It's the simplest product but one with the most possibilities to it." —Max Berlinger

OFF DUTY

Weekday Update

With a new season of just-fashionable-enough clothes hitting stores, it's time to promote your work wardrobe

BY NANCY MACDONELL

WHEN shopping for work clothes, fashion-minded women often face a choice: Indulge in dramatic pieces that make for a memorable, if not exactly administrative, wardrobe or conform to office dress codes and feel exiled to style purgatory.

It's a conundrum that makes pre-fall—that awkwardly named fashion season—an ideal time to refresh your work wear. Pre-fall merchandise lands in stores in mid- to late-summer, when spring's trendy pieces and all those eyelet dresses and bikinis are straggling on the sale rack. The infusion of newness is equal parts bold and businesslike.

Pre-fall anticipates the official fall season ahead, but rather than catering to fashion editors looking for runway-worthy statements, it's designed more straightforwardly, with the customer in mind. As Mary Alice Stephenson, a fashion and beauty expert and founder of nonprofit Glam4Good, puts it, "Pre-fall covers all your basic needs with things that you'll wear for years to come."

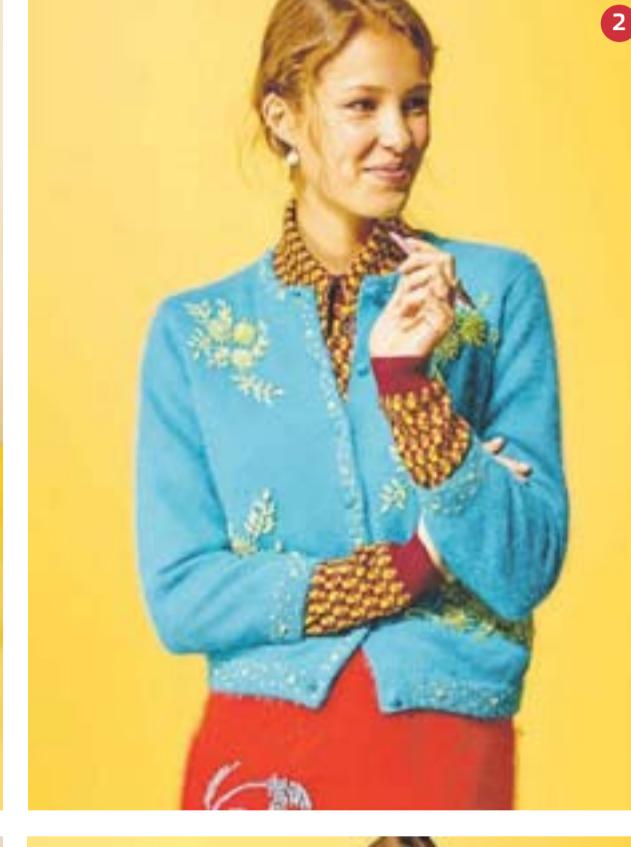
To make it even easier, we've compiled a very short shopping list of four accessible on-trend pieces that can give your weekday look a subtle pre-fall update.

1. The Menswear-Fabric Skirt

When it comes to tweed skirts, designers aren't reinventing the wheel, but rather tweaking a classic—adding a retro detail like a snap-front placket in bright orange or playing with more intricate cuts: Consider this asymmetric self-belted style from Louis Vuitton. It may take its cues from the stodgy side of tradition but this is not your dowdy schoolmarm skirt. Ms. Stephenson compared it to comfort food that's been spiced up just enough. She added, "Right now, everything has to have a personality to make an impact." Wear it with a white



1



2



3



4

FRESH PICK

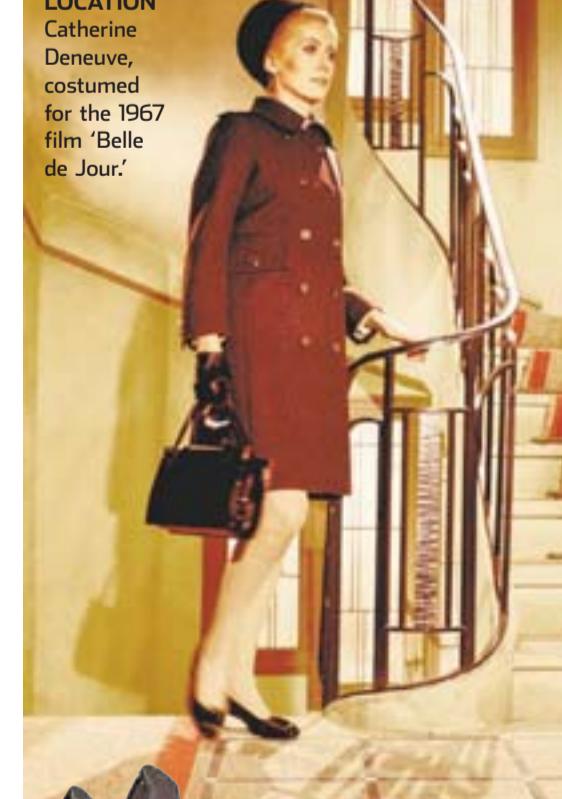
A SHOE THAT RINGS A 'BELLE'

Roger Vivier reissues the pump the brand made for 'Belle de Jour' 50 years ago

BRUNO FRISONI CAN'T recall the first time he saw Luis Buñuel's film "Belle de Jour," but the style of its leading lady Catherine Deneuve made an indelible impression on him. "This woman looks bourgeois, but inside she's not at all," said Mr. Frisoni, creative director of French footwear brand Roger Vivier. "[Her look] is all about this black raincoat in patent leather with black shoes."

The raincoat was by Yves Saint Laurent, but the shoes were Roger Vivier's "Belle Vivier" style—designed by the brand's namesake and founder. The prim pumps, made slightly rebellious with large square silver buckles, enjoyed soaring popularity after the film's 1967 release, worn by the likes of Marlene Dietrich and Jacqueline Kennedy Onassis. And that buckle became a touchstone for the brand, used on many styles subsequently.

To mark the movie's 50th anniversary, Mr. Frisoni has updated and reissued the Belle Vivier. The new shoe, called the Square Podium, carries over the original '60s buckle but sits atop a slightly higher square heel. It comes in two versions, a gold-buckled-and-heeled iteration intended for day (pictured) and a bling-encrusted velvet one for evening. When designing, Mr. Frisoni kept the virgin/vixen duality of Ms. Deneuve's protagonist front of mind: "I wanted to give [the shoe] a very proper look but with a twist that makes it, in the end, not so proper." —Christine Whitney



SHOD ON LOCATION
Catherine Deneuve, costumed for the 1967 film 'Belle de Jour.'

Square Podium Pumps, \$1,050, Roger Vivier, 212-861-5371



Ring, \$82,500, Chanel Fine Jewelry, 800-550-0005



LUST OBJECT

WAVES OF DESIRE

What would it be like to own Chanel's *trés cher* 'Sailor Tattoo' ring?

GIVEN ITS IMMODEST price, we are pretty much resigned to lust after this cocktail ring from afar. *Way afar*. But we can all dream. Part of Chanel's new high jewelry collection, the ring takes its design cues from the compass tattoos of sailors who manned the Flying Cloud, the yacht belonging to the Duke of Westminster, Coco Chanel's lover in the 1920s.

A 1.22-carat yellow sapphire sits amid 54 brilliant-cut diamonds. The ring is crafted to feel bubble-light—even though it spans almost half a finger. The aim was for the stones to appear to float, said Marianne Etchebarne, Chanel's global head of watches and fine jewelry, product marketing and communication. The nautical-rope effect around the edge,

she added, was also tricky to execute, as the metal must both twist on itself and curve to comfortably hug the finger.

Where we'd wear it The Côte d'Azur. Chanel was an enthusiastic patron of the French Riviera where she paired major jewels with little nothing get-ups. We'd follow suit by wearing this with a sun-dress and flat sandals to lunch at Le Club 55 in Saint-Tropez. As silver-haired industrialists come and go, we'd naturally fixate on how our ring catches the sun.

Could we wear it forever? At \$82,500, this is obviously not a casual purchase. And yet, amortized over 20 summers—a reasonable lifespan given its trendproof materials—that works out to about \$44 per wear, or less than the price of the aforementioned lunch. —N.M.

OFF DUTY

HOUSE TOUR

A Feat Of Derby-Do

Returning to her native Kentucky, a designer melds nostalgia and courage

BY CATHERINE ROMANO

YOU'VE GOT to have principles!" So declared Lucinda Loya of planning the interior of a Victorian house in Louisville, Ky., her beloved hometown. To stay focused in the realm of aesthetics, one must adhere to rules, said the Houston-based designer—who with her husband returns annually for the city's famous horse race—even if those rules are as personal and arbitrary as hers: "Everything brought into the house had to be from the period between 1875, when it was built, and 1976, when I left Louisville at 12," she said.

Passing muster: a few heirlooms dispersed among Ms. Loya's family that were gladly donated. She appreciates the pieces stylistically and values them emotionally, having grown up with a single mom and "very, very little means."

Nothing was allowed in the new house from "the lost period," from 1976 to 2014, when Ms. Loya bought the 6,000-square-foot derelict mansion. It had been divided into five apartments, but the original architecture and some fixtures were intact.

Furnishings designed since the purchase were also welcomed. "I wanted to enjoy what's new," she explained. Her décor influences included English equestrianism, Art Deco, hippy chic, midcentury modernism and the horsey influence of the town (the seven bedrooms fill with her guests during the Derby). Though the designer asserts that "everything had to be chaotic so it would all go together," there are inspiring decorating methods to glean from the madness.



▲ Old Made New and Vice Versa

When Houston-based designer Lucinda Loya bought a neglected Victorian mansion in her hometown of Louisville, Ky., she created a "bourbon room" to lure her husband. "I made him a bourbon collector so he'd have an interest there," she said. Rather than overtly mimic a 19th-century English smoking room, Ms. Loya implied

and modernized the theme by covering updated wingback chairs in traditional cigar leather, upholstering an 18th-century French settee in Ultrasuede and making simple French-pleated curtains from \$10-a-yard paisley quilting fabric that reminded her of a vintage gentleman's tie. And, of course, hanging above the bar, an oversize photo of a Cuban woman—shot by Leif Wivelsted—invites guests in for a drink.

► A Moment Of Calm

Ms. Loya carved out vanity space for guests using a family heirloom—a European-styled mahogany piece from the early 20th century with a low knee hole. "This bedroom shares a bathroom with another, so I needed a place for a woman to put on makeup," she said. The small chair she found to use with the piece was boring and plain, so she feminized it with "a little crop top and a poofy skirt." The vignette's symmetry lends a sense of relative peace: Two thickly glazed Chinese urns sit atop the double-doored heirloom, framed by a pair of curtains in an oversize gate pattern. "The curtains could be considered Art Deco or 1970s," said Ms. Loya, "so it fits my time frame. And the contrasting scale makes it modern."



► Practicality Masked

Finding most kitchens too utilitarian, Ms. Loya determined to make hers more like an English parlor. The light fixture came with the house, as did its larger sibling in the bourbon room. On a white-washed brick wall, she hung an iron horse head (less icky than taxidermy) and an old master-ish silk-screen on canvas. The two-tiered metal basket was fashioned from the remnants of a great grandmother's candy dish. "I needed something vertical to connect the planes of the counter and shelves," she said.



► Disorderly Conduct

Ms. Loya admits she frequently brings together disparate elements "then starts back pedaling." To unify a classic English Chesterfield sofa, a mid-century arm chair and two stacked Moroccan poufs in her daughters' TV room, she covered them all in patchwork or otherwise motley fabric. She also advised that "when order can't be maintained, just go with it." Her girls, 12 and 14, jump around to "Just Dance," a videogame, in this room, so any art on the walls will jiggle and end up askew. Ms. Loya surrendered and hung a collection of oils in a deliberately haphazard grid, some placed inches apart, some touching. "It gives energy. It's not neat and orderly," she said. A Grey Atom Pendant, a Sputnik-like fixture from Nuevo Lighting, hangs against a vibrant hue color-matched from Benjamin Moore's Seaport Blue. Of the wainscoting, Ms. Loya said, "I like to include something bright white in every room to give the eye a point of reference for the other colors," a sort of You Are Here if the color wheel were a map.



► Delusion Solution

Although Ms. Loya often finds primary colors cold and generally hews to secondary and tertiary hues, in this powder room she worked with the true red she found in the stained glass. And because mission fatigue was setting in, she also overlooked the floor tiles' 1980s provenance, which falls outside her self-imposed time-frame constraints. "I tricked myself into thinking it was English china," she said of the tiles' aesthetic. The rhythmic, interlocking pattern of the wallpaper mimics the Greek-key motif that borders the flooring, and provides a contemporizing contrast in scale.



OFF DUTY

ON WINE LETTIE TEAGUE



Are the Chain-Store Wines Worth Drinking?

"LET'S GO FOR a wine walk," said Darel, a member order specialist at Sam's Club in Secaucus, N.J., when I asked for his help in finding the Sam's Club private-label wines. His assistance would include no wine advice, Darel warned, "unless you want me to make stuff up." Darel was a Scotch-drinking man.

You'll find no dedicated wine salespeople in the 651 Sam's Clubs across the country, though 500 of them carry the Member's Mark private-label wines. In Secaucus, the 2016 Member's Mark Mosel Riesling loomed large over the other wine offerings in giant blue bottles a foot and a half tall, but they seemed proportionate to the store's towering rolls of toilet paper and crates of potato chips. These bottles were also a great talisman of sorts for my recent quest: to find the best private-label wines at three of the country's biggest chain stores.

My list included Sam's Club, Costco and Trader Joe's. The only store where I needed a membership was Costco. You don't need to belong to Sam's Club to buy wine there, and Trader Joe's isn't a club—though with 467 stores in 41 states, it's selling on a similar scale. I bought at least half a dozen private-label wines in each store at prices ranging from \$3 to \$20 a bottle; most cost under \$10. The wines were produced in a variety of places including New Zealand, California, Italy, France and Germany—and were various in quality, too.

The teams behind the Sam's Club and Costco wines were mostly forthcoming with details about pricing and production; Trader Joe's national director of public relations, Alison Mochizuki, declined to talk. "We don't discuss what goes into the decision-making process," she wrote in an email. Nor would she give me information about the one Trader Joe's wine I liked: the 2015 Trader Joe's Platinum Reserve Carneros Pinot Noir (\$14), light-bodied and attractive.

As it happened, the other seven wines I bought at Trader Joe's were some of the worst I've tasted in years. The two Charles Shaw—aka "Two Buck Chuck"—wines, a Cabernet and Sauvignon Blanc, were virtually undrinkable. Though not a private label, Charles Shaw is inex-



SARAH KLINGER/F. MARTIN RAMIN/THE WALL STREET JOURNAL (BOTTLES)

tricably linked with the store. I bought the bottles on the recommendation of Trader Joe's "crew member" Tom, who said they were the best of the Two Buck Chucks. He also pointed me toward the 2014 Trader Joe's Coastal Syrah, the 2014 Trader Joe's Coastal Merlot and the Trader Joe's Blanc de Blancs French

Razor-thin profit margins are the secret to Costco's low pricing.

sparkling wine, which was bitter and thin, cruel to the tongue.

The wines from Sam's Club and especially Costco were better; some, quite good. Sam's Club released its first Member's Mark wine in October 2015 and expanded its range significantly a year later. I spoke with the company's Bentonville, Ark.-based wine director, Olivier Kielwasser, about the wines, start-

ing with that gigantic Riesling.

"We wanted it to be a conversation piece," said Mr. Kielwasser. The group of friends I gathered to taste the wines were duly impressed. While the wine itself was pleasant if a bit sweet, the bottle size and color really stood out. "It screams 'festive!'" my husband declared.

The other Sam's Club wines were less exciting to look at and to drink. The Cabernet Sauvignon and the red blend were both rather soft and sweet, as was the Beviamo Moscato, while the New Zealand Sauvignon was aggressively herbal.

Mr. Kielwasser directs buying and selection and oversees a tasting panel composed of knowledgeable wine drinkers and "more casual wine drinkers." He has big expansion plans for the Member's Mark label, which currently includes eight wines. Several new wines are already available or soon to debut, including an Italian Prosecco, and a Napa Cabernet Sauvignon that will be sent to the top 125 stores later this year. Over the next few years

"we could have an Albarino, a Rioja," Mr. Kielwasser mused, and even put forward the possibility of adding Champagne and Bordeaux.

"In the next three years we could have 25 wines. That will enable us to cover every major wine region."

The Costco team has a dozen years on their Sam's Club peers, having produced the first Kirkland private-label wine in 2003. Seventeen Kirkland wines are currently "in rotation," said Costco assistant vice-president Annette Alvarez-Peters, in an email from company headquarters in suburban Seattle.

Ms. Alvarez-Peters works with a team of buyers and winemakers all over the world, as well as Louisiana-based importer DC Flynt. Mr. Flynt helped craft the three Kirkland Signature wines that my friends and I particularly liked: the 2016 Kirkland Signature Ti Point Marlborough New Zealand Sauvignon Blanc (\$7), the Kirkland Signature Brut Champagne (\$20) and the 2015 Kirkland Signature Rutherford Napa Valley Meritage (\$14), a Cabernet-domi-

nant blend. All the wines were not only well made but also excellent deals. The Kirkland Signature Russian River Chardonnay and Sonoma Chardonnay were less impressive, dilute and over-oaked.

"Where can you get real Champagne for \$20?" one friend asked while drinking the bright and pleasantly fruity (Pinot Noir-dominant) Kirkland Champagne. And at \$7, the zingy Kirkland New Zealand Sauvignon Blanc, all agreed, was "a steal."

Razor-thin profit margins are the secret to Costco's low pricing, said Mr. Flynt—"well under 15%," or half that of a traditional wine retailer. The fact that Costco can make large commitments when purchasing fruit also helps, said winemaker Marco DiGiulio. As wine director of Sonoma-based Vintage Wine Estates, a company that owns several wineries, Mr. DiGiulio has provided wines to Costco for nearly a decade.

Mr. DiGiulio and Glenn Hugo, winemaker at Girard Winery in Napa (a Vintage Wine Estates property), are credited as the talent behind the Rutherford Napa Meritage wine. It's one of Costco's smaller-production releases, at approximately 7,000 cases per year. Contrast that to some of Costco's larger offerings, like the New Zealand Sauvignon Blanc, at over 100,000 cases, and the Kirkland Champagne, at about 50,000 cases.

Mr. DiGiulio said the Costco wine team tasted at the winery "at least twice a year" and many times more at corporate headquarters. Mr. DiGiulio and Mr. Hugo credited Mr. Flynt as integral to the wines' creation. Mr. Flynt demurred. "It's very much a group effort," he said, adding that they all agreed the Kirkland style was approachable and easy drinking.

Mr. Hugo makes Cabernets under the Girard label that cost \$100 or more but said the production of the Costco wines wasn't so very different, save for the fact that he often used more new oak in the latter. "My job on the very high end is not to mess it up," he joked, adding that he found it "more challenging and maybe even more rewarding" to make a \$14 wine that anyone can afford. Or, as he put it, "We all need a wine for Wednesday night."

► Email Lettie at wine@wsj.com.

OENOFILE // BIG-VALUE BOTTLES FROM THE BIG-BOX STORES



Kirkland Signature Brut Champagne (non-vintage), (\$20)

Produced by the Janisson Champagne house in Verzenay, France, this Pinot Noir-dominant Champagne is soft and fruity but not lacking in elegance. A truly crowd-pleasing style.



2015 Trader Joe's Platinum Reserve Carneros Pinot Noir, (\$14)

A light-bodied, attractive wine with pretty red-fruit aromas produced in limited quantities—1,430 cases according to the label—in the cool Carneros region of California.



2016 Kirkland Signature Ti Point Sauvignon Blanc Marlborough New Zealand, (\$7)

Produced by Sacred Hill winery in Marlborough, N.Z. (whose own label wines sell for much more), this is classic Kiwi Sauvignon bright and zingy with citrus aromas.



2015 Kirkland Signature Rutherford Napa Valley Meritage, (\$14)

This soft, approachable (but not lacking in structure) blend of Merlot, Cabernet Sauvignon, Petite Verdot and Cabernet Franc is a remarkable value.



2016 Member's Mark Mosel Riesling (magnum), (\$10.50)

This soft, relatively sweet and appealing Riesling made in Mosel, Germany, was launched in 2016. It's only available twice a year in select Sam's Club stores.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Orzo and Tomato Sauce With Feta and Oregano



The Chef
Tom Hill

His Restaurant
Ducksoup,
in London

What He Is Known For
Cozy, quietly impressive dishes that marry Mediterranean and Middle Eastern flavors with no superfluous flourishes

TOM HILL DIDN'T set out to reinvent risotto. The chef of London's Ducksoup was merely making the most of the ingredients at hand. "I live in an area with a large Turkish community," Mr. Hill explained. "At the local grocer there's always feta, tomatoes, bay leaves, cumin and orzo. So, that's what I bring home." The upshot: this dish of orzo pasta simmered in a fresh-to-mato sauce. Think of it as a light, summery take on risotto—without all the stirring.

Boil the orzo to just shy of al dente so it can soak up some of the sauce in the pan. This is meant to be a lush, somewhat

soupy dish, so use the juiciest tomatoes you can find, and add a splash of water if needed during cooking. "You want what we call the risotto wave," said Mr. Hill. "It should lurch across the plate, not sit stiff." Fresh oregano and feta are added just before serving to keep their flavors sharp.

Mr. Hill's only admonition: Trust your ingredients. His recipe calls for only as much seasoning as he deems necessary to highlight the robust flavors already in play. "You can always add more spice," he said, "but you can't take it away."

—Kitty Greenwald

TOTAL TIME: 20 minutes SERVES: 4-6

Kosher salt and freshly ground black pepper
3 pounds juicy tomatoes

4 tablespoons extra-virgin olive oil, plus extra for drizzling

2 teaspoons cumin seeds, coarsely crushed
1 large yellow onion, diced

2 large garlic cloves, finely grated

2 teaspoons chili flakes

2 bay leaves
2 teaspoons paprika
8 ounces orzo pasta

7 ounces feta cheese

Leaves from 8 sprigs fresh oregano

1. Bring two medium pots of salted water to a boil. Use a paring knife to make an X at bottom of each tomato and remove woody core. Set a large bowl of ice water next to stove.
2. Once water boils, add tomatoes to one pot and blanch 10 seconds, then plunge into ice water. Peel off skins and roughly chop.
3. In the other pot, boil orzo until just shy of al dente, about 7 minutes. Strain and toss dry.
4. Set a large sauté pan over medium-low heat and swirl in olive oil. Add cumin and toast

until aromatic, 20 seconds. Add onion and cook until translucent, 3 minutes. Stir in garlic, chili flakes, bay leaves and paprika and cook until aromatic, 1-2 minutes. Add tomatoes and simmer until soft and juices reduce slightly, 3-5 minutes. If pan looks dry, add a splash of water. Season with salt to taste. Stir in orzo and simmer until pasta is al dente, 2 minutes.

5. Divide orzo among plates and crumble feta over top. Finish with oregano, pepper and a generous drizzle of olive oil.



BARE NECESSITIES Slipping the skins from the tomatoes is easy to do after a quick blanching and gives the sauce a silky consistency.

OFF DUTY

TRAVELER'S TALE NOVELIST ANDREW SEAN GREER ON WHY ITALY'S VILLAGES BEAT ITS BIG CITIES

Roman Holiday? Don't Be So Predictable

ABOUT 35 YEARS AGO, my parents brought me and my twin brother, Mike, to Italy. We saw the classic tourist sites of Rome, Florence and Pisa, then, unusually, we spent almost a week in the small coastal town of Lerici while my father worked for NATO. Of everything we saw—the Forum, Michelangelo's David, the Sistine Chapel—what we remember most is that little Lerici apartment, where there was little to do but play cards and eat sausage. We loved it.

Now I live in Italy half the year as a director of a writers' retreat outside Florence. And Mike recently decided to bring his family to Italy to visit; in fact, he arranged for us to stay in Lerici again, and my mother came along to complete the reunion. While we reminisced seaside (a Spritz in hand this time instead of cards), Mike asked me if he should take his family on to Rome, Florence or Pisa. I told him he already knew the answer, the one we learned 35 years ago: Think outside the cities.

And here's why: Italy is personal. In my experience, the standard business practices most Americans expect—in hotels, restaurants, stores—do exist, especially in big cities, but miss the very nature of Italian transactions, which is between individuals. If you go into a certain cheese shop in Pontassieve, for example, asking for mozzarella, they might not have any. But if you talk to the owner, you might learn she loves books and if you lend her one, she may save you the mozzarella she gets from Puglia. Of course this personal touch is not limited to Italy—you find it in many small American towns as well—but in Italy it appears to be a general rule.

This pervading sense of individuals living among individuals makes driving interesting; everyone seems to have his own idea what the laws are. But it also brings specific pleasures to daily life: The baker in Lerici got to know our love of sfogliatelle pastries and was ready with a bag of them every morning (all cream, with one chocolate for my mother); the man who sold gelato on the beach taught my nephews how to pronounce "stracciatella";



WENJIA TANG

the rental owner, also a writer, got us into a closed church because he knew the "guy with the key."

In a city like Rome, all of these still exist. But you may miss them; the Colosseum might be in the way. If you stay in a small town for a week, spending your time more leisurely, visiting the castle, or the church, you will be pulled, even against your will, into personal relationships with the cafe owners, waiters and shopkeepers. You will see them daily; you can't help it.

In America, we think of great art as something exclusive to big cities, but I have found that small Italian towns are packed with culture. Almost every village I visit seems to have a masterpiece in its church—my unassuming nearby town of Cascia has a Masaccio—and the regional nature of Italy (it has only

been a country for 150 years) means these small towns have food specialties that are often hard to find in the cities. My favorite food experiences have all been in out-of-the-way places. Two years ago, while staying near Montepulciano, I was driving through the countryside

In the small towns, you're pulled, willing or not, into personal relationships.

looking for San Galgano, a famous church without a roof. I got lost, got hungry, and ended up in a town I have never been able to find since. It had a tower and a restaurant; that was all. In the restaurant, I

asked the waiter what I should have. He smiled, closed my menu and walked away. Minutes later, he returned with a hollowed-out wheel of pecorino cheese. Into it, he emptied hot pasta and white pepper, and stirred the mixture until it became creamy from the cheese. He served it to me with a bottle of local wine. Later, he took me into the locked tower; he knew the "guy with the key."

Don't take my word for it: Take my brother's. After Lerici, skipping the siren-song of Rome, Mike took his family to a former abbey outside of Orvieto, in Umbria. The town, easily walkable, is remarkably beautiful, with a famous cathedral filled with Renaissance masterpieces by Signorelli. And (food again), in Umbria, they put truffles on everything. My brother

and his wife also befriended the owners of the abbey. I am sorry to say they liked it even better than Lerici. Why? Because it was theirs. It was personal. Let me also add: It was much, much cheaper than a stay in Rome.

So which town to pick? Instead of Venice, try the fisherman's town of Chioggia. Instead of Napoli, head down to Castellabate and explore the Cilento coast. Instead of Florence, try the tower-town of San Gimignano. In each of these spots, you'll find exceptional works of art. Ancient ruins. Castles. Amazing food. Locals unjaded by tourists. And maybe, just maybe, you will meet the "guy with the key."

Andrew Sean Greer is the author, most recently, of the novel "Less" (Little, Brown and Company).

WAY DOWN UNDER IN DOWN UNDER

How best to plumb the depths of Australia's Great Barrier Reef? An eager diver tries three approaches

WAKING UP on the beach in classic Australian swag—a weatherized canvas bedroll unfurled on a cot on the sand—I was one of just 10 visitors on an otherwise deserted Queensland island. Butterflies and birds flitted overhead, but we hadn't come to look up. We were here to dive. The day before, we'd submerged four times on the reef just off the coast, amid electric-blue Maori wrasse and shark-size giant clams.

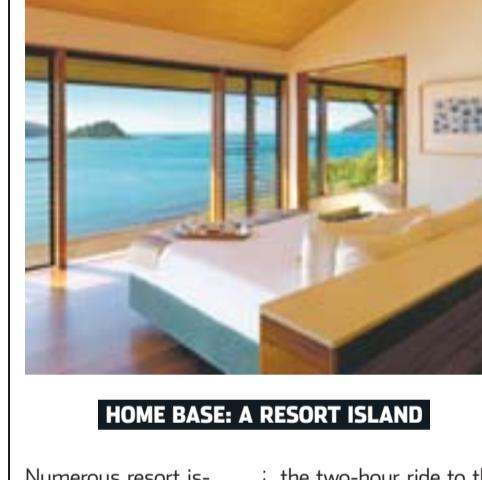
Australia's Great Barrier Reef is a conglomeration of 3,000 reefs longer than the Pacific coast from Vancouver to Tijuana. That's a lot of territory to cover if you're a vacationer looking for the ultimate diving experience in just a few short days. I visited during the height of its 2016-17 coral bleaching, when unusually high water temperatures were causing corals to expel from their tissues the zooxanthellae that provide their color and energy to survive. Still, given the 8,000-year-old reef's enormous size—eight times that of our planet's second-largest reef, off Belize—vivid sections still abound and I found myself overwhelmed with the options.

In the end, I opted to experience the reef in three distinct ways, setting up my home base at a campsite, on a resort island, and on a liveaboard cruise ship, around different parts of the reef. The only constant: access to the reef's astounding variety of life (dive leaders naturally focus on the healthiest sections), which never failed to disappoint—and never failed to remind me how devastating its loss would be.

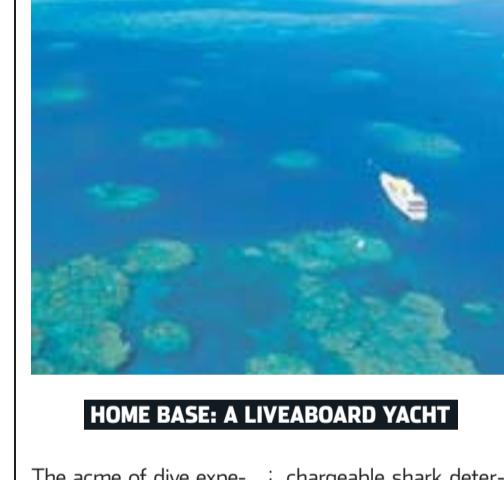
—James Sturz



HOME BASE: A CAMPSITE



HOME BASE: A RESORT ISLAND



HOME BASE: A LIVEBOARD YACHT

I started in Townsville, a seaside city in northern Queensland, with Remote Area Dive, a scuba operator that offers campsite-based dive experiences. This wasn't glamping. Five other travelers, three divemasters, a boat captain and I pulled out from the dive shop at 5:45 a.m., hauling a trailer full of scuba and camping gear. We drove 1½ hours up the coast before boarding a boat for a 40-minute trip to tiny Pelorus Island. Shimmery cottonwood and beach almond trees lined the white coral beaches where we set up camp.

We made two dives later that morning, using the boat to explore the fringing reefs around the 1.5-square-mile island, then returned to land for tur-

key sandwiches and watermelon. We completed two more dives later that day, the last of them just after dusk. By day, we saw pink fire coral and clownfish darting among the undulating tentacles of anemones. At night, the beams of our lights revealed slithering sea snakes, translucent cuttlefish, and striped orange and yellow nudibranchs, slugs that looked like jewels.

Back on land, there was less to see: a much-appreciated barbecue around a campfire and a starry sky.

Some in our group slept inside tents, but I opted for the outdoor swags and cots.

We went to sleep slicked with salt and, in the morning, washed it off with two more dives.

Numerous resort islands dot the Queensland coast but few are as extravagant as 1,829-acre Hamilton Island in the Whitsunday chain, which offers a range of accommodations. The nicest is the Qualia resort (pictured), where it's easy to want to stay in your room forever.

But since hibernation wasn't the point of my visit, I spent my initial morning on a catamaran-sailing trip; we snorkeled around shallow corals and then lolled on Whitehaven Beach, often voted the best in all of Australia. It might have felt more indulgent had I not been lolling with the 30 other people on my excursion.

For each of the following two days, I boarded the island's even larger dive boat for

the two-hour ride to the closest section of outer reef, where the barrier-reef corals give way to continental slopes extending more than a mile down. We didn't need to venture that deep at Bait Reef—75 feet was enough—to encounter a half-dozen whitetip reef sharks on every dive, along with scores of pineapple sea cucumbers (so-called for their pineapple-y armored skin), sea turtles, marble rays, hefty coral trout and 3-foot humphead parrotfish that reminded me of aquatic bulldogs.

Post-dive highlights at the resort included a hot shower in my comfortable hotel room, dining on local slipper lobsters and visits with the resident koalas, who snuggled and snoozed in the trees.

The acme of dive experiences is a liveaboard trip on a custom-fitted scuba yacht that allows passengers to reach distant sites while maximizing their number of dives. Most liveaboards in Australia are based in Cairns, including the 26-passenger, 122-foot Spirit of Freedom (pictured), which runs trips of three, four or seven nights. I opted for the shortest. We dived twice the first day, including at dusk, sighting painted crayfish and a carpet shark, named for its patterned skin and tasseled face.

Honeymooners took the tight but charming top-deck cabin; I shared windowless two-bunk quarters with the ship's lone snorkeler, a retired financial software engineer from California who strapped a re-

chargeable shark deterrent to his ankle each time he entered the water.

We spent the next two days at the Ribbon Reefs, ¼-mile-wide strips of coral 60 miles from shore, focusing on their "bommies," pinnacles that rise 100 feet from the reef. Some coral was bleached or phosphorescent, which meant it was fighting to survive. But the water clarity and the sea life we saw along the more distant reefs made liveaboard diving best. We ended our trip diving at Cod Hole, a site named for its massive potato cod, which can grow to 7 feet and 250 pounds. They counted among the biggest bony fish I'd seen—until 9-foot Queensland groupers began feeding in our stern lights that night.

Number of dives: Up to six. **Cost:** About \$526 per person, including camping and scuba gear and meals for one night. **Verdict:** The most budget-conscious way to spend two days diving (or snorkeling) the reef intensively. remoteareadive.com.au

Number of dives: Four over two days. **Cost:** About \$263, per person per two-dive excursion, including gear; snorkeling about \$140. Qualia rooms from about \$957 a night. **Verdict:** A great beach holiday with a side of diving. hamiltonisland.com.au

Number of dives: Up to 11 over three days. **Cost:** From about \$1,411 per person, all-inclusive of dives and meals, for the three-night itinerary. **Verdict:** If you're looking for a bucket-list dive holiday, a liveaboard is your vessel. spiritoffreedom.com.au

OFF DUTY

Open, Sesame

Remembering a myriad of passwords is challenging, even for famous magicians. Here, one tries to conjure a viable system

BY TELLER

IMAGINE WE'RE at a cafe. I hand you a pencil and a pad of paper. I ask you to write your laptop's password on the pad, rip off the sheet, fold it up and keep it safe in your pocket while I go place our orders for caffeine-laced milkshakes.

Later, I ask you to hand me your laptop. I turn it on, look dreamily into the distance, slowly type in your password and comment admiringly on your late-night browsing choices.

"That," I say with a smile, "is why security experts tell you never to write down your password."

I don't need to be a computer geek or have the budget of the NSA to accomplish this prank. The method is more than a century old and was devised by crooks—specifically, spirit mediums trying to get the dope on their clients. The medium would prepare a notepad by rubbing the back of the top sheet lightly with spermaceti wax (it was a tough time for whales). Then the medium would hand a pencil to the client and ask her/him to write down a secret question for a departed loved one and keep the question secure. Later, the rat-bastard would "channel" a message from the dead, such as, "Your dear wife says, 'Don't worry about our children. They will thrive without your help. Sell the house and invest in Dr. Slade's diamond mines.'"

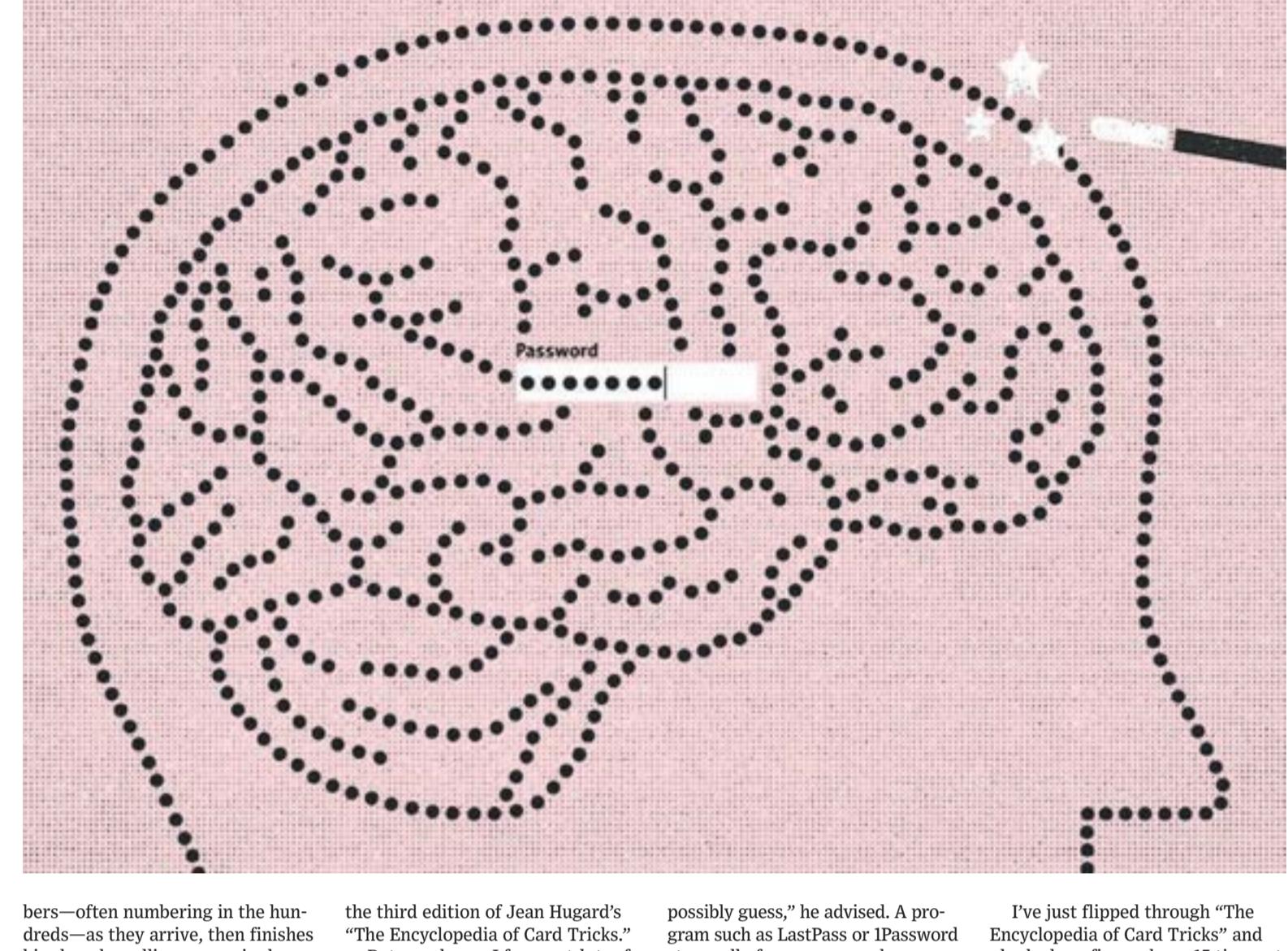
When the client wrote on the first sheet, the pressure left an invisible copy in wax (today, we use soap) on the second sheet. The medium took back the pad, left the room to "get a glass of water" (or, in my case, to fetch the frosty frap-pés) and secretly dusted the wax impression with powdered lead (I use something less lethal). The dusty particles stuck to the residue and revealed the writing.

Such information piracy was possible a hundred years ago, so how can I possibly defend myself from genius archfiends who are bent on stealing my passwords today? As a magician, can I use my tool kit to keep my information safe?

The overarching principle of magic is that magicians are willing to go to more trouble to pull off a trick than any spectator would think the trick is worth. We cripple our hands with years of practice just to make a dime disappear.

I could apply this too-much-trouble principle to my passwords by simply memorizing them all. That's not as impossible as it sounds. Memory training is one of magic's strongest methods. If I can glance at a hand of cards or the serial number of a dollar bill and commit that info to memory in the blink of an eye, I have quite a potent tool.

Memory is sometimes even presented as a trick on its own. The legendary New York magician Harry Lorayne greets his audience mem-



DAN PAGE

bers—often numbering in the hundreds—as they arrive, then finishes his show by calling every single person in the theater by name. He's written half a dozen books on mnemonics (e.g., "The Memory Book," "Ageless Memory"), and I recommend them.

The general principle of this kind of rapid memorization is to translate neutral information into vivid images, then to recall the images and translate those images back into the information. To accomplish this with numbers, for example, we generally employ a system of letter substitution. The one I use begins:

1=l (a letter with one stroke)
2=n (a letter with two strokes)
3=m (a letter with three strokes)

The reasoning changes from 4 onward:

4=r (because R is the final sound of the word "four")

5=f or v ("five")

And so forth.

When presented with a string of numerals, I translate them to consonants, then add vowels to create a juicy image. For example, the number 1342 (lmrn) becomes "lamb rain," and I picture a downpour of plump little sheep. Later, I recall the image and the two words, discard the vowels, and translate the consonants "lmrn" back to "1342." I use this system all the time for credit-card security codes.

You can find the complete mnemonic system I use under the heading "Curriculum" on page 387 of

the third edition of Jean Hugard's "The Encyclopedia of Card Tricks."

But, you know, I frequent lots of websites, and if I get enough of these nutty images in my head, I start to get confused. Let's say I need to fill in my American Express card number. In the middle of my card is the famous emblem of a helmeted Roman gladiator. If I picture that head covered with buzzing insects swimming in fruit topping, will I remember whether they are "lanky bumblebees in orange sauce" (129636160242800) or "dazed mosquitoes in cherry reduction" (707309702844782)?

How can I possibly defend myself from genius archfiends who are bent on stealing my passwords?

Kevin Mitnick—a reformed hacker who served hard time for the crimes of his youth and now fights for the good guys—attends a Penn & Teller show whenever he comes to Vegas. I recently took advantage of this to ask his advice. He said that although mnemonics might be fun for Harry Lorayne, they're hazardous for the rest of us. "Get yourself a good password manager and pick a master password that no one could

possibly guess," he advised. A program such as LastPass or 1Password stores all of your passwords on your computer or smartphone and allows you to unlock them with a single master password. "Then let the program do all the heavy lifting," he said.

OK. Now, I just need an unbreakable master password. Wait, I know what I should base it on: the Eight Kings stack.

When you arrange a deck of cards in an order that you can recognize, that's called a "stack." A stacked deck allows a magician to glance at the bottom card and know which card is on top.

To stack a deck, you memorize a repeating pattern for the suits (e.g., Spade, Diamond, Club, Heart, which you can remember with the phrase SaD CrotCH), then a similar pattern for the face values. When I was a kid, I learned a nonsense rhyme for this purpose:

*Eight kings threatened to save
Ninety-five queens for one sick
knight.*

If you say that aloud, you'll see how it sounds out to:

*Eight king three ten two seven
Nine five queen four ace six jack*

Which translates to:

8K3102795Q4A6J

That's one strong, perfect password. And who would suspect I'd really use it, now that I've published it in *The Wall Street Journal*?

But hold on. I've overlooked the most basic principle of magic.

I've just flipped through "The Encyclopedia of Card Tricks" and plunked my finger down 15 times at random. Each time, I noted whatever character, numeral or mark of punctuation I happened to land on. I have, in other words, created a 15-character password that's totally random. It's not the name of my dog, my favorite band or the street I grew up on. No one who knows me, however intimately, could guess it.

And I've written the utterly random password down. Yes, I've written it down—just as I advised you not to. But I'm not telling you where. It's somewhere in my office, somewhere easy to see from my computer. It might be broken up into different parts. Some of it might be big. Some might be very small. But only I know where to look.

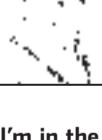
And now I'm tacking a bright pink sticky note onto my computer monitor screen. On it—in very thick, black marker—I've written PW-FOO7BA1176#. I believe with a strong pair of binoculars you could read that from the park outside my window.

The technical term for this pink note is "misdirection."

And that—as any magician will tell you—is the strongest security you can have.

Teller is the smaller, quieter half of the Las Vegas magic duo Penn & Teller and co-hosts "Penn & Teller: Fool Us" on the CW Network.

THE FIXER MICHAEL HSU



Securely Sign a Document With a Smartphone

QI'm in the process of applying for a mortgage and have been emailed a seemingly endless number of documents to sign. I don't want to have to print them all out. Is there a way for me to sign these using only my phone?

AAlthough iOS 11, due this fall, supports scan and sign natively for iPad and iPhone, my favorite document-signing app is currently Adobe Fill & Sign, which is free and available for both iOS and Android devices.

The app allows you to use your finger (or a stylus) to sign your phone's touch screen, which is less awkward than it might sound. Once your signature is stored, you'll be able to drag and drop it into any PDF document—and even resize the signature to fit

the line provided.

The app also makes it surprisingly easy to enter text into a PDF. It even has a tool that lets you complete forms with those rows of little rectangular boxes you're supposed to fill in letter by letter—the bane of every digital form-filler's existence.

If the documents that you're signing contain sensitive financial information, such as bank account or Social Security numbers, you'll want to go one step further by password protecting and encrypting the file.

To do this, I like an app called GeniusScan+. Although a free version, called GeniusScan, is available for both Android and iOS, you'll need to buy the ad-free version to access the PDF-encrypting capabilities. GeniusScan+ costs \$5 for Android

and \$8 for iOS.

The process of encrypting a PDF using the app requires only a few taps, but it isn't all that intuitive. Here's how to pull it off:

First, export the PDF from Adobe Fill & Sign by tapping the Share icon in that app and selecting GeniusScan+.

Then in the GeniusScan+ app, open the PDF and tap the Share icon. On the screen that pops up, tap "Password" and enter a strong one. Take care as you type, since the app won't ask you to verify the password that you've entered here.

From there, you can export the protected file to the app of your choosing, whether email or a cloud-storage app such as Dropbox or Google Drive.

Have a lifestyle problem that a gadget might solve? Email us: the fixer@wsj.com



KIERSTEN ESENPREIS

MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Nantucket! Take out your map and look at it. See what a real corner of the world it occupies.'

—Herman Melville

Friday - Sunday, August 4 - 6, 2017 | W9



NANTUCKET

HISTORIC APPEAL Devotees say part of the charm of the island, which has a median home-sale price of \$1.235 million, is its carefully preserved historic architecture. Above: shingled structures on the island; a boat passing Brant Point Light

Summer Home Smackdown!

Martha's Vineyard vs. Nantucket: How the enclaves stack up in terms of home prices, luxury-market performance, celebrity cachet and New England charm.



VARIED CHARMS Martha's Vineyard fans say the island is more eclectic, laid-back and artsy than Nantucket. Above, the Gay Head Lighthouse in Aquinnah; Gingerbread Cottages in Oak Bluffs. Median home-sale price in the Vineyard town of Chilmark: \$1.188 million.

BY CANDACE TAYLOR

FORMER SECRETARY OF STATE John Kerry made national headlines earlier this year when, after spending decades summering on the Massachusetts island of Nantucket, he bought a home on nearby Martha's Vineyard.

On the face of it, the move doesn't seem surprising—the two islands off Cape Cod are less than 20 miles apart, as the crow flies, and both are famed for their sweeping sandy beaches, his-

toric New England charm and affluent summer residents.

But despite these similarities, denizens of the two preppy enclaves are fiercely loyal to their chosen island. Many Martha's Vineyard loyalists say they've never been to Nantucket, and vice versa.

"I've never, ever visited Nantucket," said Daniel Phelan, 41, a Martha's Vineyard resident whose family has owned property on the Vineyard for generations. "I couldn't tell you anything about it except it's a longer boat ride" from the mainland, he added.

Residents can rattle off a long list of perceived differences between the two islands, both of which can only be accessed by boat or plane. The larger, more heavily wooded Martha's Vineyard is closer to the mainland and more accessible. It also has a reputation for being more ethnically and racially diverse, relaxed and artsy, whereas Nantucket is seen as more buttoned-up, with a high-octane social scene that lures jet-setting CEO types.

In reality, said Martha's Vineyard real-estate agent Tom Wallace, buyers' loyalties to one island

Please turn to page W10



HOUSE OF THE DAY
wsj.com/houseoftheday

LEMONY SNICKET'S ATTIC HIDEAWAY

The children's book author discovered reading under the eaves of his family house; today, he still lives in San Francisco, but he reads in his favorite leather chair that he says is way too big.



Daniel Handler, 47, is a novelist and children's book author, who publishes under the Lemony Snicket pen name. His latest children's book is "Goldfish Ghost" (Roaring Brook), illustrated by Lisa Brown, his wife. He spoke with Marc Myers.

My favorite children's book growing up was fairly obscure: "The Bears' Famous Invasion of Sicily," by Dino Buzzati. My Great Aunt Vera was a librarian and gave my mother many books when she was young. This one, published in 1945, was about a battle between bears and Sicilians.

Among the book's many charms is that the narrator frequently says something like, "The illustrator has gotten this all wrong. It went nothing like you see it here." Not until I was an adult did I realize that the illustrator and author were the same person.

I liked the ambiguous space the book's narrator created for me. There's a certain delight in being lied

Please turn to page W11



San Antonio, Texas
A Spanish Revival home with a courtyard pool



Malvern, Pa.
An art-filled retreat in the Pennsylvania woods



Seeley Lake, Mont.
A rustic lodge in the Montana mountains

FORTUNATE EVENTS Writer Daniel Handler, aka Lemony Snicket, with Eggroll, in the living room of his San Francisco home.

DREW KELLY FOR THE WALL STREET JOURNAL
LAUREN J. KELLER
SAS BECKER
HALL AND HALL

MANSION

MARTHA'S VINEYARD VS. NANTUCKET

Continued from page W9
or the other are usually created not by intrinsic differences between the two places, but by ties to friends and family and happy memories of vacations past. He noted that even within Martha's Vineyard, many buyers and renters often only want to be on one particular part of the island where they've gone in the past, which for them is "their own center of the universe."

As a result, he said, the real-estate markets on Nantucket and Martha's Vineyard largely "don't compete with each other, because they each have their own following."

Real estate doesn't come cheap on either island, but prices are higher on Nantucket, where a diminishing supply of buildable land has attracted the attention of investors. Property markets on both islands are gradually regaining their footing after a slowdown in the years after the global financial downturn. On Nantucket, the median sales price for the first five months of this year was \$1.235 million. That's up significantly from \$830,000 for the same period in 2013, but still down from \$1.634 million for the first five months of 2007, according to data from the Warren Group.

In the upscale Martha's Vineyard town of Chilmark, the median price was \$1.188 million—up from \$777,500 in 2012 but still well below a peak of \$3.065 million for the first five months of 2007. As the market recovers, both islands are seeing a resurgence in spec development despite stiff building restrictions.

Mr. Phelan and his wife, Lisa, recently decided to permanently relocate to Martha's Vineyard from the San Francisco Bay Area after years of summer visits. Mr. Phelan, who worked in manufacturing in the Bay Area, said his family history on the Vineyard stretches back to his great-grandfather, who owned property on the island. His mother grew up spending summer vacations on the Vineyard, as did he. He and his wife decided to move to the island to be closer to his mother and other family members. His wife's employer, a pharmaceutical company, allows her to work remotely from the Vineyard.

The couple originally planned to buy land and build a house, but quickly abandoned that idea—construction on an island roughly 7 miles from the mainland is a long and costly

NANTUCKET

Highest sale price on record: \$27.5 million for a 5.75-acre beachfront property on Cathcart Road, 2010

Highest-priced current listing: \$42.5 million for a waterfront estate on 4.5 acres with a tennis court and swimming pool

Median sales price, year-to-date (through May): \$1.235 million

Entry-level one-week rental: \$3,000, though most available rentals run \$5,000 and up

Celebrity devotees: Former General Electric chairman Jack Welch; Alphabet Executive Chairman Eric Schmidt; Drew Barrymore; Robert De Niro

process.

Instead, they bought a newly built spec home in Vineyard Haven in May for \$748,900. The three-bedroom house, which had been listed with Ocean Park Realty, has a screened-in porch and an outdoor shower—a sought-after feature in Vineyard homes.

Nantucket homeowner Jim Houlihan said both islands are "beautiful," but agreed with other residents that people tend to develop a strong allegiance to one or the other: "Once you get bitten by the bug, that's your place."

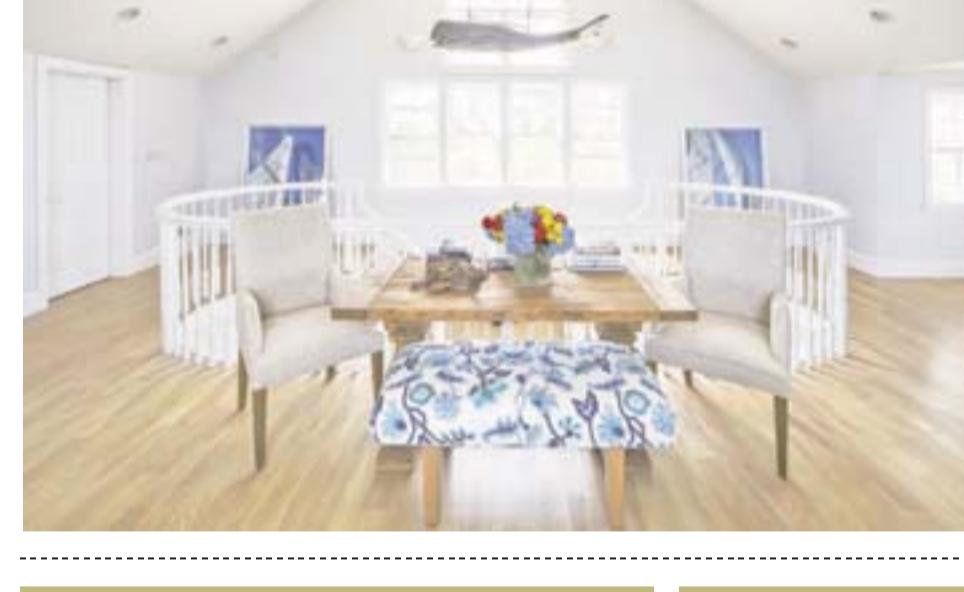
Mr. Houlihan, who lives in New York's Westchester County, had vacationed in the Hamptons for years, but after visiting friends in Nantucket he and his wife, Pat, decided to try New England. After renting on Nantucket for a few summers, they decided to buy a home there.

"We fell in love with it," he said, citing the fact that the island is far less developed than the Hamptons. Around 2012 they bought a house in Madaket, on the western end of the island.

Last fall, they upgraded to a larger house on 5 acres in Dionis, on the north shore of the island, for \$4.1 million, according to public re-



NANTUCKET Jim and Pat Houlihan, below, paid \$4.1 million for their five-bedroom shingled home, above, on 5 acres in Dionis on the island's north shore.



MARThA'S VINEYARD
\$19.5 MILLION This home on 1.2 acres on Edgartown Harbor was built in 1890; the property includes a guest house.



NANTUCKET
\$42.5 MILLION A waterfront estate on 4.5 acres with a tennis court and swimming pool.

cords. In classic Nantucket style, the five-bedroom house is shingled with white wooden trim, and has multiple decks and porches with views of Nantucket Sound. They plan to put in a pool and build a second home on the property for visiting family members.

Mr. Houlihan, who owns Houlihan-Parnes Realtors in Westchester, also sees Nantucket as a smart real-estate investment. Roughly half the island—which measures about 48 square miles to Martha's Vineyard's 100—is conservation land. A 2% real-estate transfer fee on most property sales allows the island to conserve more land each year. (Martha's Vineyard has a similar fee on most real-estate sales, paid to the Martha's Vineyard Land Bank Commission.)

Mr. Houlihan started investing in spec homes on the island about five years ago. His first two projects both sold in under 30 days, one for \$3.8 million and another for \$4.8 million.

Spec building on Nantucket—like all home-building and renovations—is challenging because the entire island is strictly regulated by the Nantucket Historic District Commission. The commission works to maintain the island's historic architecture, requiring that all houses be shingled and even limiting the paint colors homeowners can choose.

Martha's Vineyard also has strict building codes, especially in its historic districts, but its architecture is more varied, ranging from the occasional contemporary home to the Gingerbread Cottages in Oak Bluffs, said Meg Bodnar of Tea Lane Associates.

The consistency of Nantucket's architecture is part of its charm, said Lisa Lar-



MARThA'S VINEYARD Daniel and Lisa Phelan, above, paid \$748,900 for a newly built spec home in Vineyard Haven. The house has a screened-in porch and an outdoor shower.



son, a real-estate agent who lives primarily in Manhattan but has summered on Nantucket for years.

Despite the difficulty of the building process on Nantucket, a number of spec homes priced from \$3 million to \$7 million have come to market in the past few years, many of them fully furnished. The homes are eagerly snapped up by buyers who don't want to deal with the hassle and slow pace of navigating the building process on their own, said real-estate agent Steve DiFrancesco.

For Dennis and Tricia Brown, who bought a three-bedroom house on Nantucket in March for \$1.725 million,

the fact that the home was newly renovated was an important factor in their decision to buy it.

"It's expensive to do renovations on Nantucket," said Mr. Brown, Group Operating Officer of the NPD group, a market-research company.

"Having a house that was in move-in condition was important to us."

The couple, who live on the Upper East Side of Manhattan, go to Nantucket almost every weekend in the summer and about once a month the rest of the year. They said they love Nantucket's small size, and lack of Hamptons-esque traffic (the island has no traffic

MARThA'S VINEYARD

Highest sale price on record: The Nature Conservancy paid \$64 million for a 215-acre property in Edgartown, 2001

Highest-priced current listing: \$37 million for a vacant parcel with a private beach in West Tisbury (previously part of a \$118 million, roughly 314-acre listing that failed to sell after hitting the market in 2013)

Median sales price, year-to-date (through May), Chilmark: \$1.188 million

Entry-level price for a week-long summer rental: \$2,500

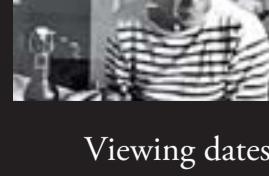
Celebrity devotees: Barack Obama rented on the Vineyard during his presidency; Bill and Hillary Clinton, Larry David, Diane Sawyer, Carly Simon.

lights).
Mr. Brown bought his first home on Nantucket in 1992. Ms. Brown, a food broker, said when the couple met 10 years ago he refused to introduce her to any family members until she'd been to the island. "He said, 'you better meet Nantucket first—Nantucket is part of my life,'" she recalled.

Mougin, Côte d'Azur, France
For sale:
MAS DE NOTRE DAME DE VIE



Pablo Picasso's home from 1961-1973
Auction October 12th, 2017 in France.



Viewing dates and information
www.residence365.com/mougin

RESIDENCE365.COM

+31 20 26 10 430

e-mail: info@residence365.com

MANSION

LEMONY SNICKET'S ATTIC HIDEAWAY

Continued from page W9

to as a child in books. Childhood is full of unreliable pronouncements.

My childhood was spent in San Francisco, in the Balboa Terrace neighborhood. Our three-story house was beige with brown trim, and there were two large spherical bushes in front that we decorated each year as jack-o'-lanterns for Halloween.

I lived in the attic, which my parents had converted into a bedroom. There was an extra set of stairs to reach my room, so most of my family gave up climbing and forgot about me.

When I was old enough to read books about people who were kept in garrets for various reasons, the attic became a gothic fantasy, even though I didn't live in our attic by force.

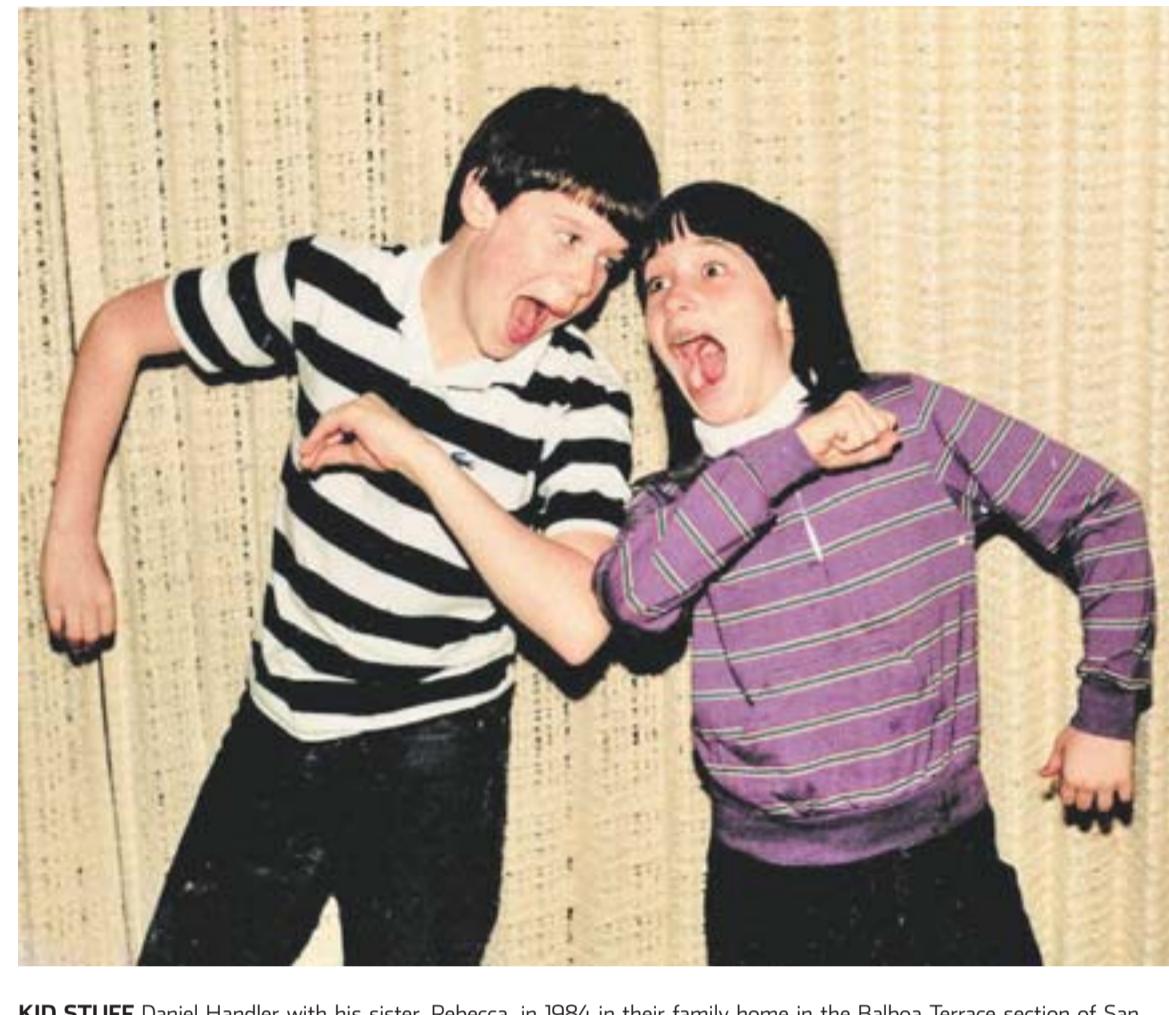
The attic was large, and there was plenty of floor space to spread out. But I didn't have much in the way of walls, since various slants formed the roof. The angles weren't great for decorating. Many things I put up would fall in the middle of the night with an eerie, swooping sound. In the morning I'd have to remember that things had fallen down to avoid stepping on thumbtacks.

My younger sister, Rebecca, wasn't particularly jealous of my attic space. Her bedroom door locked, so we both had advantages and disadvantages.

As a family, we ate dinner together most nights. At the table, my sister and I would be asked to report on the best and worst parts of our days. Rebecca and I competed to be amusing and theatrical.

My dad, Louis, was a CPA with a good sense of humor. He had a very high moral sense. So there were many rules and regulations. For example, you couldn't owe people money and couldn't take a taxi or buy a fancy shampoo or anything that could be considered a crazy luxury. But my father was unconditional in his affections.

My mother, Sandra, was a dean at San Francisco's City College, so



KID STUFF Daniel Handler with his sister, Rebecca, in 1984 in their family home in the Balboa Terrace section of San Francisco, above, and at his current home in the same city, right.

she was the stricter parent but also hilarious. She was on top of our homework and much more detail-oriented.

I wasn't beaten up at school as much as you'd think. My quick wit was off-putting enough. Compared with the childhoods of other writers I know, the suffering wasn't that enormous.

I was a voracious reader as a child. As soon as I had my own library card, I took out as many books as I could carry. I liked any book in which something terrible was happening.

I was conditioned early. My father's family had escaped Nazi Germany in 1939, and both my parents were opera fans. I heard the

'We live in an Edwardian house that is often mistaken for Victorian, so most people think I'm uptight.'

lurid stories of operas growing up, so melodramatic felt to me what a story should be like. If I reached page 35 in a book and no one had died or a blizzard or beast hadn't appeared, I suspected it wasn't a book I wanted to read.

I don't remember a time as a

child when I wasn't writing in a notebook. But my practical parents always made clear to me that pursuing a writing career was dreamy at best.

I didn't care. That's what I always wanted to do. I went to Wesleyan University, which encouraged self-starters. This let me pursue my writing with a single-mindedness.

But I had a seizure disorder in college. I would pass out and was subject to terrible hallucinations. That was a new kind of suffering. Medications had side effects and I was hospitalized for a time. The cause remains a mystery today.

After college, I worked in San Francisco writing for syndicated



radio shows. I also wrote for little newspapers in New York. I was making a living, sort of. Then I sold my first novel in 1998.

Today, I live with my wife, illustrator Lisa Brown, and our 13-year-old son, Otto, in San Francisco in the Haight-Ashbury district, near Buena Vista Park. We live in an Edwardian house that is often mistaken for Victorian, so most people think I'm uptight.

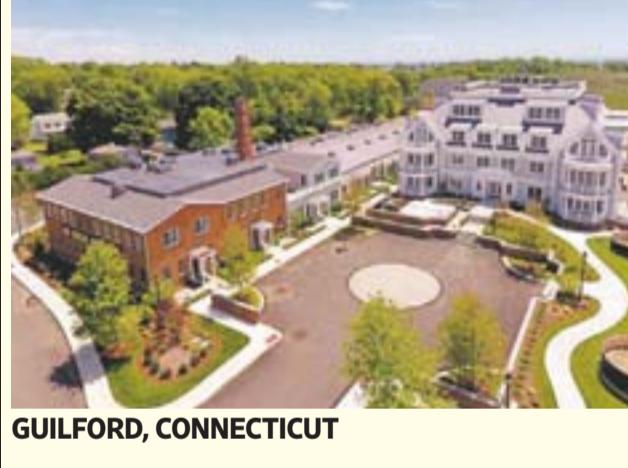
The house has two floors and three bedrooms plus a little office. It's my house, so I can go on any floor, and I'm welcome in any room.

My favorite place in the house is in my big black leather chair in the living room. Originally I wanted a leather club chair but my head kept rolling back. Someone said I could have a chair made, so that's what I did. But the chair is way too big. It rises so far up that I could perch a baby on my head or wear a huge fez and there would still be plenty of room.

It's the most comfortable chair in the world. I've often said I want to die in it. So often that my wife and son probably think that if I'm about to croak, they need to drag me to the chair.

Our house has an attic, but we haven't turned it into a room. If we did, we'd have to build a staircase. I think we'll skip that.

ADVERTISEMENT



GUILFORD, CONNECTICUT

Luxury Residences, CT "Project of the Year" by HBRA. 16+ acres, 1884 Mill has 2-BR loft units with garages. New construction of (3) 4-story buildings with 2-BR ranch units, underground parking, views of L.I. Sound, River, Marsh. Walk to the Historic Town Green, Shops, Restaurants, Train Station, Yacht Club and Beach. Proposed Pool/Clubhouse/Fitness Ctr.

Priced from \$719,000

www.66highst.com

Horton Group
Kenny Horton
phone: 1.203.499.8994



AUSTIN, TEXAS

Your Ultimate Lakeside Escape. Look no further than this custom lakeside home with privacy gate & direct Lake Travis access. This contemporary home boasts 5-bedrooms & 360-degree views of the lake & surrounding hills. Luxury home features include a Master-Suite wing with study, gourmet kitchen, over 800 sq.ft. of outdoor living, & an oversized pool with waterfall.

\$2,850,000

PeninsulaLakeTravis.com

The Peninsula at Rough Hollow
phone: 512.456.3756 Info@PeninsulaLakeTravis.com



AUSTIN, TEXAS

Your Ultimate Lakeside Retreat. Located in a private, lakeside community, this extravagant 4 bed/4+ bath home features cutting-edge design & smart home conveniences. Custom home features include a gourmet kitchen, full bar, outdoor kitchen & living with fireplace, pool/spa with swim-up bar, master steam room & dry sauna, and a 2-story "Hers" closet.

\$2,995,000

PeninsulaLakeTravis.com

The Peninsula at Rough Hollow
phone: 512.456.3756 Info@PeninsulaLakeTravis.com



KIAWAH ISLAND, SOUTH CAROLINA

Two homesites have been combined to form the breathtaking beachfront property at 185/186 Ballybunion Drive. A rare opportunity to own a full 125 feet of oceanfront on Kiawah Island, this 1.88-acre lot will easily accommodate a generous family estate or two private homes on exclusive Ballybunion Drive. A Kiawah Island Club Membership is available.

\$10,000,000

kiawahisland.com/real-estate

Kiawah Island Real Estate
phone: 866.312.1780 info@kiawahisland.com



BOYNTON BEACH, FLORIDA

Simply the Best 55+ Lifestyle in Florida - Valencia Bay goes above and beyond with luxury conveniences that rival the finest resorts. In the heart of the community is an opulent clubhouse featuring a fully-equipped fitness center, onsite restaurant, grand ballroom, resort-style pools, Har-Tru tennis courts, an on-site Lifestyle Director and more - right in your own neighborhood.

From the \$500's to \$800's glhomes.com/Valencia-Bay

GL Homes
phone: 800.432.7017



ASHEVILLE/WAYNESVILLE, NORTH CAROLINA

Gorgeous 210-acre, countryside, pristine property near Blue Ridge Parkway, waterfalls and 500 acres of hiking trails. Ideal for development or as luxury retreat. Expansive mountaintop views and lush valley floor. Includes active trout stream. Two vacation homes currently on site with excellent rental history. 4 miles of roads in place. Historic Asheville, NC just 25 minutes away. Sale by owner. Realtors protected. Owner prefers to sell as whole, but will divide.

Reduced to \$5.5 million or make offer on divided pieces.

Robert L. Graves
phone: 843.422.2990



Chicago, IL | €10,795,925
WEB ID: VDZD44
A true embodiment of Gold Coast elegance. 4 & 1/2 levels of sophisticated living.
@properties
Emily Sachs Wong — +1 312.286.0800

WESTERLY, RI | €10,718,750
WEB ID: RJDG44
Rare beachfront offering in the exclusive coastal enclave of Weekapaug.
Lila Delman Real Estate International
Melanie Delman — +1 401.284.4820

NEWPORT, RI | €10,290,000
WEB ID: QXBB44
Ker Arvor - exceptional estate on 9 acres off Ocean Drive near Newport Country Club.
Lila Delman Real Estate International
Kate Leonard — +1 401.848.2101

WINNETKA, IL | €10,204,250
WEB ID: IVSZ44
Flawless and rare 2-acre Richard Landry estate. 26,000 SF of pure luxury.
@properties
Jena Radnay — +1 312.925.9899

NORTH PALM BEACH, FL | €8,553,562
WEB ID: QVPV44
Contemporary masterpiece w/ endless water views/dock; 11,071 total sf on one+ acres.
Lost Tree Realty
Denice Sexton — +1 561.662.8344



ASPEN, CO | €7,503,125
WEB ID: EBDD44
4BD/5BA estate on 9+acres in Woody Creek, CO. 2BD/1BA guesthouse, pool, & mtn views.
Palladium Properties
Krista Klees — +1 970.379.0173

FALMOUTH, CAPE COD, MA | €7,203,000
WEB ID: CPZD44
Quaint waterfront living on Chappaquid Island with assoc docks, beaches and tennis.
Robert Paul Properties
Robert Kinlin — +1 508.648.2739

MOULTONBOROUGH, NH | €6,859,914
WEB ID: OZCY44
On Squam Lake, 14 acres, 2 year round homes. 5 bdrm lodge & newly built custom home.
Peabody & Smith Realty, Inc.
+1 603.968.7615

DARIEN, CT | €4,566,187
WEB ID: DIQT44
Never before offered for sale. 1 level acre w/ views of Li Sound & NYC skyline.
Houlihan Lawrence
Ashley Dineen — +1 203.253.9616

HUNTINGTON BAY, NY | €3,858,750
WEB ID: RYAV44
Rare opportunity to own a historic masterpiece with 190-ft of beach, 1 hr from NYC.
Coach Real Estate Associates, Inc.
Elizabeth Alessio — +1 631.664.6849



TUCSON, AZ | €3,429,999
WEB ID: OJAT44
Built by award-winning architect, Rick Joy. Top of the world views in Ventana Canyon.
Long Realty Company
Robin Sue Kaiserman — +1 520.918.5411

WOODS HOLE, CAPE COD, MA | €3,344,250
WEB ID: YHGZ44
Spectacular property with panoramic water views, beach front lot and private dock.
Robert Paul Properties
Robert Kinlin — +1 508.648.2739

WESTPORT, CT | €3,343,392
WEB ID: ZRST44
Superb 7980SF new construction in Compo Beach area sitting on .92 acres.
William Raveis RE, Mortgage & Insurance
Elaine Schanzenbach — +1 203.984.5543

WILMINGTON, NC | €3,082,712
WEB ID: KTDD44
1.74 acres overlooking the Intracoastal Waterway with beautifully-designed grounds.
Intracoastal Realty Corporation
Vance Young — +1 910.232.8850

CHERRY HILLS VILLAGE, CO | €2,978,155
WEB ID: JUXQ44
Renovated to perfection w/luxurious & technological finishes. A fabulous location!
Kentwood Real Estate
Patti Helm — +1 720.201.6573



E. FALMOUTH, CAPE COD, MA | €2,911,212
WEB ID: ENYQ44
Waterfront with incredible views and a substantial dock on Green Pond, Assoc Beach.
Robert Paul Properties
Robert Kinlin — +1 508.648.2739

WRIGHTSVILLE BEACH, NC | €2,571,642
WEB ID: LXBV44
Coastal design with lots of decks, a private pier for boating, and a sandy beach.
Intracoastal Realty Corporation
Vance Young — +1 910.232.8850

ATLANTIC BEACH, FL | €2,229,500
WEB ID: CLGD44
Elegant East Coast Living. 5,300sf w/ 6 beds+7 baths. Designer interiors & pool.
Watson Realty Corp
+1 800.257.5143

NORTH PALM BEACH, FL | €2,139,462
WEB ID: ICQJ44
Light filled 4BR 4BA garden home with pool in prestigious gated golf community.
Lost Tree Realty
Peter Erdmann — +1 561.329.2383

VIRGINIA BEACH, VA | €2,015,125
WEB ID: AYLQ44
North End. Extraordinary waterfront residence with unparalleled amenities.
Howard Hanna William E. Wood
Jonell Walthal — +1 757.639.3516

luxuryportfolio.com

LUXURY PORTFOLIO
INTERNATIONAL®



UNPRECEDENTED WORLDWIDE REACH

Luxury Portfolio International® is a collection of the world's most experienced and highly regarded experts in luxury real estate. Founded in 2005 as the premium division of Leading Real Estate Companies of the World® Luxury Portfolio marketed over 50,000 properties last year on the award-winning LuxuryPortfolio.com and in prestigious publications circulated around the globe. Encompassing more market-leading independent real estate brands than any network, members are recognized for their expertise in both local and global markets. Because anything is possible when you know the right people.

Visit luxuryportfolio.com to be connected.

Leading
REAL ESTATE COMPANIES
OF THE WORLD

LUXURY PORTFOLIO
INTERNATIONAL®