

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Gilead Sciences agreed to pay about \$11 billion for Kite Pharma, an ambitious bet on a new cancer therapy that is close to becoming commercially available in the U.S. A1

◆ Gasoline prices surged on shortage concerns after Harvey knocked out refining operations and traders tried to assess damage. B1, B11

◆ The Dow was weighed down by declines in energy and insurance shares as investors attempted to gauge the storm's impact. B12

◆ Investors are returning to synthetic CDOs, a financial-crisis villain, reviving concerns about the products. B1

◆ Apple has scheduled a product announcement for Sept. 12, reinforcing expectations it will release new iPhones and a smartwatch. B1

◆ For the CEO job, Uber has tapped a low-key executive with a steady hand and a track record running a scandal-free, profitable firm. B1

◆ Amazon slashed prices on more than 100 items at Whole Foods, which it officially acquired Monday. B3

◆ CBS plans to buy Australia's Ten Network, beating out a bid from moguls Bruce Gordon and Lachlan Murdoch. B3

◆ The FDA is stepping up oversight of medical treatments that aim to harness stem cells' potential. B5

◆ Regulators are reviewing auto-lending procedures at several banks after problems at Wells Fargo. B10

◆ Saudi Arabia and Russia are pushing to extend a deal to limit oil output. B10

World-Wide

◆ Harvey continued to pummel Texas, paralyzing greater Houston and testing it on every front as the region braced for more flooding in the coming days. A1, A4-A5

◆ The storm is poised to disrupt freight traffic across southeast Texas for days. A1

◆ North Korea launched at least one ballistic missile over Japan Tuesday, the latest in a string of direct provocations that have destabilized the region. A1

◆ Trump reinstated police agencies' ability to get surplus military equipment, reversing an Obama-era ban. A3

◆ The president defended his decision to pardon Arpaio, calling the former Arizona sheriff a patriot. A3

◆ A stabbing in Russia's Dagestan left one police officer dead, adding to worries about improvised attacks. A7

◆ China and India have negotiated a solution to a two-month-long standoff on a Himalayan plateau. A6

◆ A Trump Organization attorney said he discussed a prospective real-estate deal in Moscow with Trump during the presidential campaign. A2

◆ U.K. and EU negotiators resumed Brexit talks but officials played down the prospect of breakthroughs. A7

◆ The U.S. called on Guatemala's Morales to rethink his attempt to expel a U.N.-backed anticorruption prosecutor. A6

◆ Pope Francis is set to go to Myanmar in November for a visit likely to highlight the struggles of the country's Muslim minority. A6

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Residents braved rising waters on Monday in Beaumont Place, a community northeast of Houston's city center. Residents were increasingly getting hemmed in by flooding.

Historic Floods Submerge Houston

Rescuers scour city for trapped residents; officials warn waters will continue to rise

HOUSTON—Tropical Storm Harvey continued to pummel Texas, paralyzing greater Houston and testing it on every front as the region braces to take on more water in the

coming days.

Desperate rescue efforts were still under way late Monday, even as the city strained to perform basic functions. Mayor Sylvester Turner said Houston Police had rescued more than 3,000 people during the storm, including 1,000 on Monday alone, while the city's fire department said it had received more than 2,300 calls for service since midnight. The

mayor said three deaths in Houston had occurred during the storm, but he couldn't confirm reports that a family of six had died in their vehicle.

Houston's two major airports, its biggest public school sys-

By Erin Ailworth,
Dan Frosch
and Christopher M.
Matthews

tems, its port and nearly all of its major employers were closed as freeways and major roads remained nearly unnavigable because of high waters. Nearly all substantial commerce and none-emergency government operations had ground to a halt.

The city's health-care system faced unprecedented strains; floods cut off both doctors and patients from hos-

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Destructive Sweep

- ◆ Harvey creates health-care crisis..... A4
- ◆ First day of school ends up a washout..... A4
- ◆ Gulf coast faces billions of dollars in damages..... A5
- ◆ Lawmakers face financial challenges..... A5
- ◆ Storm sows disarray in the oil patch..... B1

Storm Overwhelms Waterways

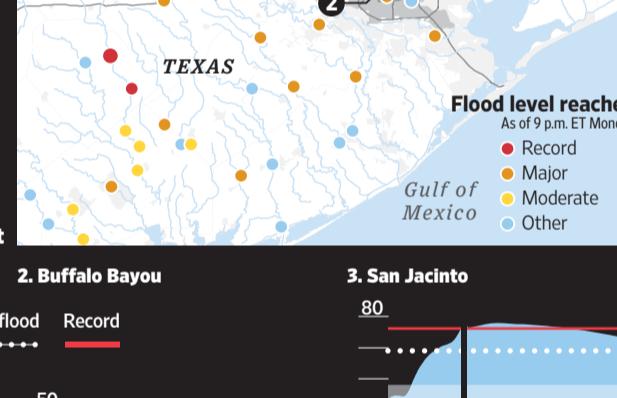
Many rivers and creeks crested above or near record highs, according to gauges throughout the area.

Sample gauge readings, in feet

1. GREENS BAYOU 2. Buffalo Bayou 3. San Jacinto



Source: National Weather Service



Flood level reached
As of 9 p.m. ET Monday

● Record

○ Major

△ Moderate

□ Other

Gulf of Mexico

TEXAS

45

10

Houston

1

2

3

Greens Bayou

Buffalo Bayou

San Jacinto

80

50

0

Aug. 26

Sept. 2

THE WALL STREET JOURNAL.

Freight Firms Face Harvey Gridlock

By PAUL PAGE
AND BRIAN BASKIN

Trucking fleets, railroads and shipping lines are rerouting cargo and setting up alternate supply lines as Tropical Storm Harvey promises to disrupt freight traffic across southeast Texas for days.

Seaports in Houston and Corpus Christi have been closed to most ships since before Harvey made landfall Friday, and rising waters from days of heavy rains and catastrophic flooding are threatening long stretches of highways and railroad tracks, bringing freight transportation in a major American hub to a virtual standstill.

The number of Houston-area trucking runs requested

plunged 80% Sunday, according to the most recent data from DAT Solutions, an online load board. Union Pacific Corp. has halted all freight rail traffic bound for Houston and surrounding areas, while United Parcel Service Inc. has suspended freight service in Houston and Beaumont, Texas, and is offering limited service as far west as San Antonio. Two Maersk Line container ships remain anchored in the Gulf of Mexico, joining oil tankers and cruise ships waiting for Houston's port to reopen.

The gridlock will likely reverberate beyond Texas, threatening to snarl international trade routes. Houston is a key consolidation point for imports of vehicles and appliances.

Please see CARGO page A5

North Korea Provokes Japan

By JONATHAN CHENG
AND PETER LANDERS

TOKYO—North Korea launched a ballistic missile over Japan Tuesday, in the latest in a string of direct provocations that have destabilized the region and triggered global alarm.

The missile—the first Pyongyang has fired over Japan's main islands since 2009—prompted a fiery response from Japanese Prime Minister Shinzo Abe.

"This outrageous action of firing a missile over our country is an unprecedented, grave and serious threat that seri-

ously damages peace and security in the region," he said. "We have firmly protested to North Korea."

Mr. Abe called for an emergency meeting of the United Nations Security Council. He said he spoke by phone with President Donald Trump for 40 minutes and that the president gave a "strong commitment" to Japan's security.

"We can confirm that the missile launched by North Korea flew over Japan," said U.S. Army Col. Rob Manning, a Pentagon spokesman. "We are still in the process of assessing this launch."

The missile passed over the northern Japanese island of Hokkaido and landed in the Pacific Ocean about 14 minutes after its launch early Tuesday morning, Japan's chief government spokesman Yoshihide Suga said, splashing down in the Pacific 733 miles east of Hokkaido's Cape Erimo.

South Korea's Joint Chiefs of Staff said the missile was fired from near Sunan, a suburb of North Korea's capital, Pyongyang, where the city's international airport is located.

They said the missile flew almost 1,700 miles and reached a height of 80 kilometers.

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INSIDE



Debut of New iPhone Nears

BUSINESS & FINANCE, B1



Our Political Central Bankers

OPINION, A14

Gilead Bets \$11 Billion On New Cancer Therapy

By JONATHAN D. ROCKOFF
AND DENISE ROLAND

Gilead Sciences Inc. on Monday agreed to pay about \$11 billion for Kite Pharma Inc., an ambitious bet on a new type of cancer therapy that is on the brink of becoming commercially available in the U.S.

Doctors say Kite's main treatment, which is up for regulatory approval in the U.S. and Europe, could drastically improve treatment of patients with some of the most advanced cases of cancer. EvaluatePharma expects Kite's therapy to generate sales of \$1.7 billion world-wide in 2022.

"This technology is really

going to be transformative to the field," Gilead CEO John Milligan said in an interview.

The new breed of treatments, known as CAR-T—or chimeric antigen receptor T-cell—therapy, work by extracting a cancer patient's T-cells, a type of immune cell. The T-cells are then genetically modified outside the body to make them more effective at hunting down and killing tumors, and then re-injected into the patient.

Several other companies also are developing CAR-T treatments—including Swiss-based

Please see GILEAD page A2

Heard on the Street: Gilead has shown what it can do..... B12

Kentucky Has a Problem: It Has Too Many Colonels

* * *

Beverly of royalty, actors, electricians sparks governor's crackdown

By COL. ANDREW TANGEL

What do Kentucky Fried Chicken founder Harland Sanders, Donald Trump Jr. and Betty White have in common?

They're all commissioned Kentucky colonels, honorary aides-de-camp to the commonwealth's governor. They have no official duties. Nor any perks,

not even a discount on mint juleps.

Yet the colonels' ranks have swelled since the War of 1812, after which a militia commander joined the governor's staff with the title. Kentucky has minted so many colonels some have criticized the commissions as willy-nilly.

"God knows how many actual colonels there are," said Sherry Crose, executive director of the Honorable Order of Kentucky Colonels, a charity that also sells colonel-themed Old

Fashioned glasses, string ties and other merchandise.

Kentucky Gov. Matt Bevin has made it tougher to become a colonel. Last year, he rolled out an online application with a

charity requirement aimed at renewing colonels' focus on community service.

Over the past couple of years, new colonels have included

Col. Sanders

members of the military, Wal-Mart employees and actor Bryan Cranston, according to a database reviewed by The Wall Street Journal. Representatives of Mr. Cranston didn't respond to requests for comment.

The data show colonels nominated by Senate Majority Leader Mitch McConnell, the Kentucky Republican, and myriad state politicians. New colonels since late 2015, when Mr. Bevin took office, include a tattoo artist, retired electrician and Navy SEAL.

Please see TITLE page A8

Col. Sanders

U.S. NEWS

Trump's Squabbles: Careless or Calculated?



CAPITAL JOURNAL

By Gerald F. Seib

Here are two ways of looking at how President Donald Trump has spent his August:

He has ruined the month—perhaps even his presidency—by

mindlessly picking fights with Republican congressional leaders and the media, and by wallowing in divisive cultural issues rather than pushing his economic agenda.

But here is another:

Rather than stumble and fumble into these controversies, Mr. Trump has quite deliberately chosen his issues and his enemies.

He has drawn attention to cultural issues—immigration, his border wall, defending Confederate symbols, Maricopa County Sheriff Joe Arpaio—because they speak to middle America. They resonate with both his core supporters and a wider universe of people who don't love the president but think the nation's elites have walked away from them on social issues.

Similarly, he has picked his targets for wrath—the media and the Republican establishment—carefully rather than cavalierly.

Targeting the news media is a winner with his base as well as a much broader segment of GOP voters. And by attacking Republican senators, he is trying to be sure they are blamed rather than him for failures on health care—while also creating grassroots pressure on them to atone for that failure by delivering on tax reform this fall.

"He's framing the fall," says Jason Miller, who was communications director of the Trump campaign and maintains close ties to the White House. "I think the president masterfully knows how to work the synergy of this counterculture, anti-Washington-elite sentiment to help him push forward on his agenda."

In short, perhaps Mr. Trump is simply doing what he did during last year's presidential campaign, which is to use controversy and even seeming chaos to show that he stands apart from establishment forces that many Americans think have failed them. He won by running essentially as a political independent and, after seven rocky months in office, he appears to be gambling on that course again.

That doesn't mean this is the wisest approach. It's certainly risky to think that an-



At a rally in Phoenix last week President Donald Trump attacked the media and fellow Republicans.

away from the Democrats.

Democratic pollster Stanley Greenberg calls immigration a "critical element of the Democrats' working-class challenge." His survey work has found that, among 2016 voters, white working-class men—a traditional Democratic group who became a core Trump constituency—were twice as likely to call immigrants an economic burden on the country as were college-educated white women, a core Democratic constituency.

Chicago Mayor Rahm Emanuel, who is in Mr. Trump's crosshairs over his city's policies toward immigrants, thinks he sees another motive: an attempt to distract attention from the administration's failure to produce economic policies that help the working class. "Each of these announcements is of a single piece: to grab voters they have lost on economic issues with cultural red meat," he says.

Heading into the fall, the paramount economic issue for the Republican Party and the White House is tax reform and a broad tax cut. Party leaders know they can ill afford to fail.

Mr. Trump's criticisms of party leaders are designed, Mr. Miller says, to add to the pressure. The president is saying: The party establishment failed me—and you—on health care. It's not my fault. Don't let them fail us on taxes.

gering rather than wooing congressional leaders of his own party is going to produce a productive working relationship this fall. It's equally hard to grasp why Mr. Trump is pursuing this approach after having eased out of the White House its main proponent, Steve Bannon.

Still, it isn't mindless. It is controversy generated for a purpose.

Trump aides believe—and there is ample evidence to support them—that cultural anxiety among working-class voters was as big a factor

as economic anxiety in his victory. Look at the issues Mr. Trump touched upon in recent weeks—transgender Americans in the military, sanctuary cities, the racially charged march in Charlottesville—and you can see him returning to that path.

In doing so, he has stoked deep divisions in the country, particularly with his language that appeared to equate white supremacist marchers with those who protest them. Yet while many in Washington hear defense of neo-Nazi groups when Mr.

Trump talks, his supporters make clear that what THEY hear is defense of historic Confederate statues—and, by implication, a traditional version of American culture.

House Democratic leader Nancy Pelosi has responded by calling for removing every Confederate statue from the U.S. Capitol—something Mr. Miller calls "a very dangerous spot of overreaching."

Similarly, when Mr. Trump revives tough immigration talk, he is embracing an issue that helped him steal white working-class voters

GILEAD

Continued from Page One
zerland's Novartis AG, which already won a key regulatory nod in the U.S. earlier this year, and is expected very soon to get the first official green light to start offering the treatment.

Gilead, of Foster City, Calif., had been looking for an acquisition to diversify its portfolio beyond its leading position in infectious-disease treatments and provide a new revenue stream as sales of the company's hepatitis C drugs decline.

The deal for Kite, of Santa Monica, Calif., would be one of Gilead's biggest, on a par with the company's \$11 billion purchase of liver-disease drugmaker Pharmasset in 2012. Through that acquisition, Gilead gained hepatitis C therapies that are among the world's top-selling drugs.

Now Gilead is betting that Kite can provide a similar payoff. Dr. Milligan said Kite's technology could be used beyond its initial focus on an advanced form of lymphoma to other blood cancers including multiple myeloma and perhaps

in combination with other immunotherapies.

While promising, CAR-T treatments won't be like other drugs that win FDA approval, and then quickly wind up on pharmacy shelves and hospitals. The rollout of this new breed will be complicated by unresolved questions.

Manufacturing and delivery

are more complex than for a typical drug. In the U.S., only a few dozen specialized hospitals are currently qualified to provide CAR-T treatments, which require retrieving, processing and then returning immune cells to the patient, as well as monitoring side effects.

Novartis said it expects between 30 and 35 centers to be certified to offer the treatment by the end of the year.

Some of the therapies that various companies are working on have produced serious, even deadly, side effects during development. Dr. Milligan said doctors have learned how to cut the risk of side effects.

Expense could also present a hurdle: A study by England's National Institute for Health and Care Excellence, an official body that analyzes the cost-effectiveness of medical treatment, said CAR-T procedures could command a price of up

to £528,600 (about \$681,000). The cost is similar to the total costs of some other cancer therapies taken over the course of several years, according to Stephan Grupp, who was part of the team that first developed Novartis's treatment at the University of Pennsylvania. But CAR-T therapy is conducted only once,

The rollout of these new treatments will be complicated by unresolved questions.

creating a comparatively steep one-time payment.

Novartis hasn't yet disclosed the price it plans to charge for its treatment, called CTL019, which has been shown to dramatically raise the chances of survival for children and young people with leukemia who don't respond to standard treatment, or who suffer a relapse.

So far, CAR-T therapies have been tested only on certain types of blood cancer. Kite Pharma's leading CAR-T treatment, known as axi-cel, is aimed

at patients with aggressive non-Hodgkin lymphoma, for whom standard therapy has failed.

Dr. Milligan, Gilead's CEO, said the company had been eyeing Kite for months and decided to make a move after Kite asked the FDA to approve axi-cel and Gilead watched the performance of treatments from Novartis and others.

Gilead made its name selling treatments for HIV/AIDS. The biotech company surged in value after launching the hepatitis C treatments developed at Pharmasset. The drugs, Sovaldi and Harvoni, helped Gilead double its sales in 2014. It now has a market value of roughly \$100 billion.

Yet the anti-viral drugs' commercial success has also come with some problems. Gilead faced public criticism and a Senate investigation for listing Sovaldi at \$1,000 a day—or \$84,000 for a 12-week treatment—even though the therapy cured most patients at a cost of less than a liver transplant.

Gilead's all-cash deal for Kite is expected to close in the fourth quarter, around the same time as the deadline for U.S. approval of Kite's main therapy.

—Dana Mattioli contributed to this article.

Lawyer Says Trump Told of Moscow Deal

By REBECCA BALLHAUS

Michael Cohen, an attorney for the Trump Organization, discussed a prospective real-estate deal in Moscow with Donald Trump on three occasions during the presidential campaign, Mr. Cohen said in an interview with The Wall Street Journal.

In 2015, Mr. Cohen said, he informed the then-candidate that he was working on a licensing deal for a Trump Tower in Moscow. He subsequently asked for and received Mr. Trump's signature on a nonbinding letter of intent for the project in October 2015. And in January 2016, he said, he informed the then-candidate that he had killed the proposal. Mr. Cohen said each conversation was brief.

Mr. Cohen's communication with the president about the Moscow project may come under scrutiny because of a January 2016 email Mr. Cohen sent to Russian President Vladimir Putin's top press official to ask for "assistance" in arranging the deal. Mr. Cohen said he didn't inform Mr. Trump that he had sent the email to the press official, Dmitry Peskov. He didn't respond when asked why he hadn't done so.

In the email to Mr. Peskov, Mr. Cohen said communication between the Trump Organization and a Russia-based company that was the prospective developer of the tower had "stalled" and said, "As this project is too important, I am hereby requesting your assistance. I respectfully request someone, preferably you, contact me so that I might discuss the specifics as well as arranging meetings with the appropriate individuals."

The email was sent to a broader press email address but was addressed to Mr. Peskov, according to a person familiar with the email.

The email was reported by the Washington Post on Mon-

day and was confirmed by a person familiar with the exchange.

Mr. Cohen said in the Journal interview that he didn't recall receiving a response from Mr. Peskov and opted to abandon the project weeks later. Mr. Peskov didn't return a request for comment.

The White House declined to comment and referred questions to Mr. Cohen's attorney, who didn't respond to requests for comment.

Trump associates' contacts with Russian officials have come under scrutiny as special counsel Robert Mueller investigates Moscow's efforts to interfere with the U.S. presidential election, as well as whether Trump associates colluded in that effort. Mr. Trump has denied any collusion, and Moscow has denied U.S. intelligence agencies' assessment that Russia interfered in the election.

Mr. Trump's awareness of his company's efforts to procure a business deal in Moscow, as described by Mr. Cohen, came during the campaign when he often praised Mr. Putin.

In December 2015, Mr. Trump in an NBC interview compared Mr. Putin more favorably to then-President Barack Obama. "He's running his country and at least he's a leader, unlike what we have in this country," Mr. Trump said of Mr. Putin.

A spokesman for the Trump Organization said in a statement that Mr. Cohen abandoned the Moscow proposal in January 2016 and said the prospective deal "was not significantly advanced (i.e., there was no site, no financing, and no development)."

The Trump Organization on Monday turned both email exchanges over to the House Intelligence Committee, which is investigating the alleged Russian election meddling, a person familiar with the move said.

U.S. WATCH

MILITARY

Groups Challenge Transgender Ban

Civil-liberties groups filed two lawsuits challenging President Donald Trump's ban on transgender service members openly serving in the military, saying the prohibitions are unconstitutional.

The American Civil Liberties Union of Maryland filed suit on behalf of six current transgender service members. Lambda Legal and OutServe-SLDN filed a suit in Seattle on behalf of a serving transgender person, two who wish to serve and two advocacy groups.

—Nancy A. Youssef

NEW MEXICO

Two Dead in Shooting At Public Library

Two people were killed and four others were injured when gunfire erupted inside a public library on Monday, throwing an eastern New Mexico community into a panic as officers swarmed the building with guns drawn.

The gunman surrendered and was taken into custody after police entered the building in downtown Clovis, authorities said.

Clovis Mayor David Lansford called the shooting tragic and senseless.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

The Justice Department has administered the president's pardon power since 1893. A U.S. News article Monday about presidential pardons incorrectly said the department has handled that responsibility since before the Civil War.

Stephen Rigali is a member of the executive management committee at Kayne Anderson Rudnick Investment Management. A Markets article on Saturday about Friday's market activity incorrectly referred to him with his former title of ex-

ecutive vice president.

MUBI Inc. offers an online streaming service focusing on art house cinema that costs \$5.99 a month. A Business News article Aug. 19 about niche video services incorrectly said it costs \$4.99.

KonMari Media Inc. is legally registered in Delaware and has its main operations base in San Francisco. A Life & Arts article Aug. 10 about tidiness guru Marie Kondo incorrectly said the company was based in New Jersey.

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U.S. NEWS

Protests Present a Balancing Act

Cities and universities struggle to thwart violence without stifling free speech

By SARA RANDAZZO

Cities and public universities are evaluating ways to prevent unruly protests without limiting free speech rights in the wake of the recent violence in Charlottesville, Va., and Berkeley, Calif., a balancing act likely to tie up lawyers and public dollars in the coming months.

That challenge gained urgency over the weekend when clashes erupted at the site of a demonstration in Berkeley, leading to more than a dozen arrests. The protesters chanted antifascist slogans and denounced white supremacists.

"There's a difference between free expression on the one hand and violence on the other," said Mike Feuer, the Los Angeles city attorney.

Mr. Feuer said that while he strongly supports peaceful protest, he would like to more heavily scrutinize those applying for permits to make sure they don't have plans to incite violence. The Los Angeles Police Commission, with consultation from Mr. Feuer's office, runs the permitting process.

The constitutional right to free speech is ingrained in the public consciousness, and those on both sides of the political spectrum typically agree that attempts to constrain the First Amendment can be fraught.

"When talking about the First Amendment, the thing that we are most terrified of is that the government is choosing either people they like or messages they like," said Jessica Levinson, a professor at Loyola Law School in Los Angeles.

Cities and other public entities are allowed under the First Amendment to limit the



Demonstrators argued during a rally on Sunday in Berkeley, Calif., where violent scuffles erupted and 13 people were arrested.

time, place and manner of speech or public assembly, as long as the restrictions are applied evenly and not as a means of suppressing speech. But finding grounds to deny a permit ahead of time can be tricky, legal experts said, because it isn't enough to say violence might occur. Instead, there must be evidence that the protesters clearly intend to incite violence.

"It becomes a really difficult call, in terms of, at what point do you say there's an imminent threat of violence?" Ms. Levinson said. Courts have been wary of censoring events before they happen, she said.

Mr. Feuer said denying a permit would be the last resort. The city could also control events by prohibiting what people bring, creating physical barriers between protesters and counterprotesters, and deploying more law enforcement. He pointed to Boston, which banned sticks, bats and backpacks ahead of a white supremacist rally this month and cordoned off counterprotesters.

"There's no First Amendment right to carry a stick," Mr. Feuer said.

Restricting what protesters can bring also risks butting up against another constitutional right, the Second Amendment's right to bear arms, especially in states that allow weapons to be carried openly. The American Civil Liberties Union recently reaffirmed it will no longer defend hate groups seeking to march with firearms.

Officials in San Francisco approved a rally permit last week on the condition that guns be banned, even for those with concealed carry permits,

along with anything else that could be considered a weapon and a long list of other items including selfie sticks, helmets and balloons. Organizers of that protest ended up canceling the event, citing safety concerns, but left-wing counterprotesters still streamed into the city Saturday.

In Berkeley, counterprotesters had arrived over the weekend to oppose a planned "No to Marxism" demonstration that also was canceled by organizers Friday. City officials had denied a permit to the Berkeley event.

Universities have slightly more leeway when deciding how to control events, and it can matter if speakers are invited by a student or faculty, or are looking to rent space on campus for their own event.

At least five universities have denied recent requests by

white nationalist Richard Spencer's organization to hold events on campus, including Pennsylvania State University, the University of Florida and Michigan State University.

School officials all cited the violence in Charlottesville and a need to protect student safety. Penn State President Eric Barron said "the First Amendment does not require our University to risk imminent violence."

Lee Tyner, general counsel of the University of Mississippi, said that more than in the past, people seem to be using universities "as a platform for the fight," which raises different considerations.

A university's primary obligations, he said, are to their students and faculty, not to providing a forum for any member of the public to speak.

Police To Regain Military Equipment

By ARUNA VISWANATHA

President Donald Trump reinstated the ability of local police agencies to receive surplus military equipment, including grenade launchers and large-caliber weapons, reversing a ban the Obama administration implemented after protests over police tactics in Ferguson, Mo.

Attorney General Jeff Sessions, who has overturned a series of Obama-era directives opposed by many police departments, announced the change in a speech before the National Fraternal Order of Police, the nation's largest police union.

"We will not put superficial concerns above public safety," Mr. Sessions told police officers in Nashville, Tenn.

Monday's directive rescinds a 2015 executive order by former President Barack Obama that barred police agencies from getting tank-like armored vehicles and other equipment from the military and imposed stricter controls on other products, including unmanned aerial vehicles and riot gear.

That ban was prompted by images of officers using such equipment at protests in Ferguson in the aftermath of the 2014 shooting death by an officer of an unarmed 18-year-old black man, Michael Brown. The White House revoked Mr. Obama's order in an executive order.

Civil-rights activists said having military vehicles and similar equipment in local communities suggests a police force at war with residents.

"When the federal government is putting weapons of war in our communities, there needs to be some accountability," said American Civil Liberties Union Legislative Counsel Kanya Bennett.

Trump Defends Pardon of Arizona Ex-Sheriff Arpaio



By PETER NICHOLAS

WASHINGTON—President Donald Trump defended his decision to pardon former Arizona Sheriff Joe Arpaio, calling him a patriot and suggesting that his predecessors granted clemency to people who were undeserving.

"Sheriff Joe is a great veteran of the military and a great law-enforcement person, somebody that has won many, many elections in the state of Arizona," Mr. Trump said.

Mr. Trump also accused the Obama administration of pressing a criminal case

against Mr. Arpaio in an attempt to sway voters.

Mr. Arpaio, who served as sheriff of Maricopa County, Ariz., for 24 years, lost a reelection bid in November. Less than a month before the election, federal prosecutors said they would proceed with their criminal-contempt case.

"I thought he was treated unbelievably unfairly when they came down with the big decision to go get him right before the voting started," Mr. Trump said. "They just hammered him before the election. I thought that was a very unfair thing to do."

Mr. Trump pardoned the 85-year-old former sheriff on Friday.

Mr. Arpaio had been convicted last month of violating a 2011 federal court order to stop immigration raids. He faced as many as six months in jail and was to be sentenced on Oct. 5.

Mr. Arpaio told the Washington Examiner in an interview that he is considering another run for elective office—possibly the Senate seat now held by Republican Jeff Flake.

Mr. Flake criticized the president for issuing the pardon, saying he would have preferred that the president "honor the judicial process

and let it take its course."

As sheriff, Mr. Arpaio took a hard-line stance toward illegal immigration, using tactics that included workplace raids and traffic stops. He also gained a reputation for holding county inmates outdoors in the Arizona heat.

The pardon drew criticism from officials in both parties, including House Speaker Paul Ryan (R., Wis.), who said through a spokesman Saturday that he didn't agree with the move and "law-enforcement officials have a special responsibility to respect the rights of everyone in the United States."

A large advertisement for the Breitling Avenger Hurricane watch. The watch features a black dial with multiple sub-dials and a black leather strap. The background is dark with the words "AVIENGER HURRICANE" in large, stylized letters. The Breitling logo is in the top right corner, and the text "INSTRUMENTS FOR PROFESSIONALS™" is at the bottom right. The word "GOVBERG" is at the bottom left.

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TEXAS BATTLES FLOODING

Harvey Creates a Crisis in Health Care

Hospitals and staff struggle to deliver care as storm cuts off access and supplies

Doctors waded miles through Houston's flooded roads to reach their clinics. Other medical staff camped out at their hospitals for days, catching some sleep on cots between shifts. One medical facility was forced to evacuate patients by boat.

By Melanie Evans,
Joseph Walker
and Peter Loftus

The health-care system in the nation's fourth-largest city strained to deliver care as floodwaters thwarted cancer and kidney-dialysis treatment, stalled ambulance traffic and left hospital officials worriedly monitoring dwindling supplies of food and medicines.

Houston is home to the Texas Medical Center, a sprawling health-care and medical-research complex that includes nationally known institutions including MD Anderson Cancer Center, the Houston Methodist DeBakey Heart & Vascular Center and the Texas Children's Hospital.

"We're very worried right now about the health and well-being of our patients, families and our staff in Greater Houston," said Cris Daskevich, se-



Dean Mize holds children as he and Jason Legnon use an airboat to rescue people from homes inundated with flooding from Harvey.

nior vice president of Texas Children's Hospital, which closed its outpatient clinics and canceled most outpatient procedures Monday. "There's been a great deal of loss and devastation."

At Houston's Catholic Health Initiatives' St. Luke's Health—Vintage Hospital,

floodwaters encircled the building like a moat. Water began seeping into the facility, forcing officials to start evacuation plans at 1:30 a.m. Monday, said Lorie Shoemaker, chief nurse for the Texas hospitals of Catholic Health Initiatives, which runs Vintage.

Ms. Shoemaker, who

couldn't get to her Houston office, began coordinating the evacuation from her home in Missouri City, Texas. But by 6 a.m., she was evacuating not just the hospital but her own home.

Ms. Shoemaker quickly moved to a hotel, where she continued overseeing the hos-

pital evacuation. The only way to get patients out, she and other officials determined, was by boat.

By midafternoon Monday boats had ferried 10 of the hospital's 44 patients to waiting ambulances on drier land, Ms. Shoemaker said.

Small teams of physicians,

nurses and physician assistants camped out over the weekend at MD Anderson Cancer Center to care for patients who were too sick to be sent home, said Robert Coleman, a specialist in gynecologic oncology and reproductive medicine.

Flooding of the streets surrounding the center made it mostly impossible for staff members to enter or leave the hospital over the weekend, he said.

MD Anderson, part of the University of Texas and one of the largest and most respected cancer centers in the world, was closed on Monday for all outpatient services, appointments and surgeries, and said those services would remain closed through Tuesday.

Adi Diab, an MD Anderson melanoma specialist, walked 3 miles on Monday through 1-foot deep waters from his home to the hospital to attend to a patient undergoing an experimental cancer treatment.

Because Dr. Diab and his colleagues were able to make it to the hospital, the patient treatment would go forward as planned, according to Dr. Diab, who planned to stay at the hospital until late Monday evening.

"I'm going to stay because it's my patient, so I need to make sure" the treatment is completed successfully, Dr. Diab said. "Thank God everything worked out."

First Day of School Ends Up a Washout

BY MELISSA KORN
AND TAWNELL D. HOBBS

A new school year set to begin Monday in the Houston area got off to a dramatic start, as administrators faced classrooms and facilities filling with water rather than with students amid the unprecedented flooding.

At least two dozen public school districts in southeast Texas have been closed until at least Sept. 5 as administrators assess damage, while classes at a number of colleges and universities around the region have been suspended.

"We wanted to start the year with a whirlwind tour, and we had nothing in mind like this," said Richard Carranza, superintendent of Houston In-

dependent School District.

Mr. Carranza said about 35 of 50 schools assessed so far have water intrusion or flooding, and roughly 230 more schools still need to be reviewed—though those aren't expected to have severe damage. Water damage and power issues will likely be the most prevalent concerns, he added.

The district, meanwhile, closed emergency shelters that had been operating at schools at the request of the mayor's emergency management office due to safety concerns.

Dallas Independent School District officials said they anticipate enrolling the children of families evacuated to Dallas. It is too early to tell how many evacuees would attend Dallas schools, a spokeswoman said.

Rising Reservoirs Pose Possible Issue for Dams

BY CAMERON McWHIRTER
AND ERIN AILWORTH

With Tropical Storm Harvey dumping record rainfall on Houston, the U.S. Army Corps of Engineers faced a dilemma as water volumes rose to perilous levels in its two reservoirs west of the city center.

The options: ordering controlled releases of water from two dams, adding to flooding in neighborhoods; or risk having water pour around or over the earthen dams, potentially rupturing them and causing far greater damage.

The Army Corps chose to let water out deliberately through Buffalo Bayou, a river

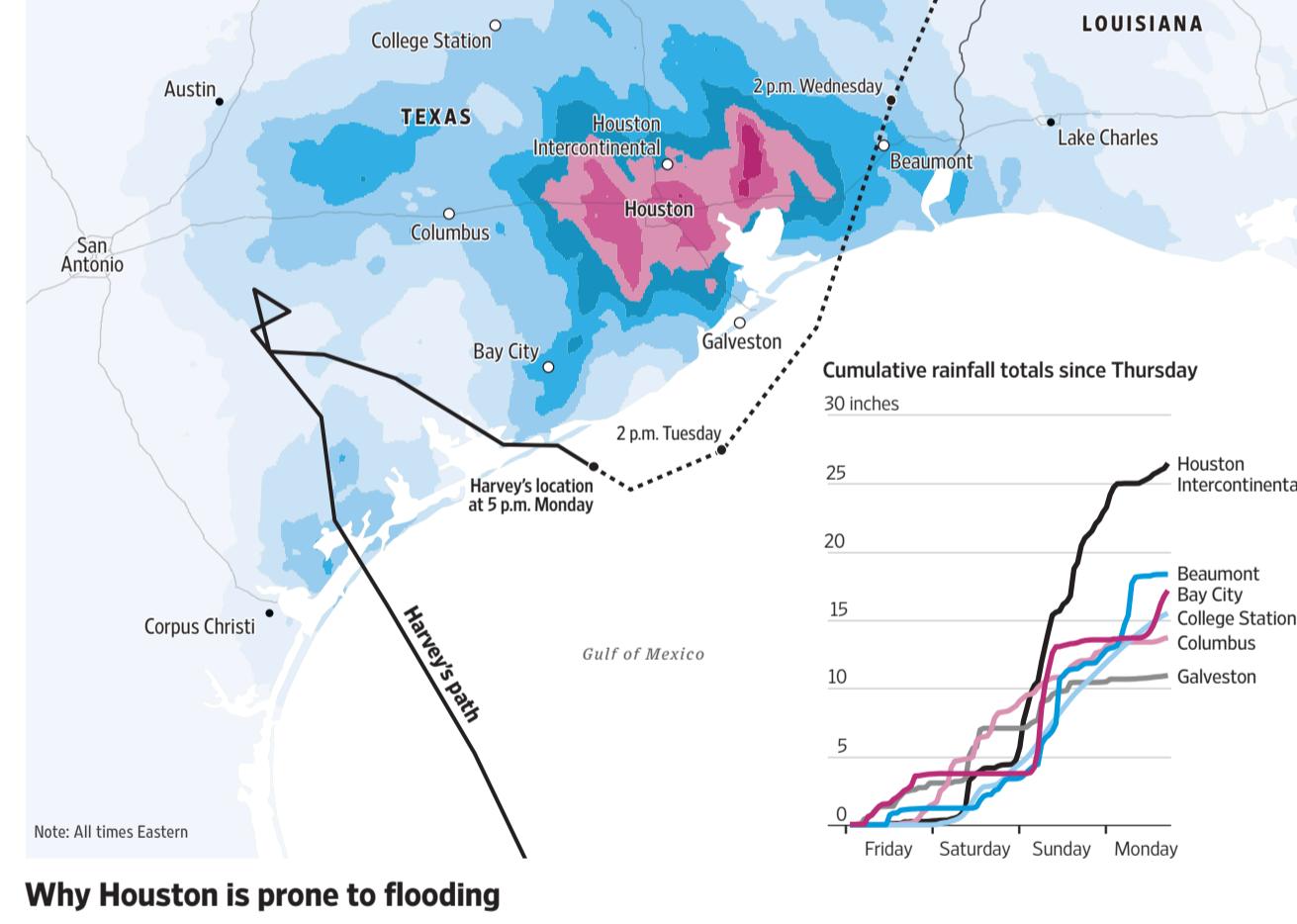
that cuts through downtown Houston. Even with the controlled release, Army Corps officials expect reservoir levels to rise throughout the week.

Harris County Judge Ed Emmett, the county's chief executive, said the Army Corps was striking "a delicate balance" between protecting homes and preserving the dams' integrity. County officials have asked residents living near the reservoirs to evacuate voluntarily.

The volume of water hitting the Addicks and Barker dams, both built in the 1940s, is "unprecedented in the dams' histories," said Edmund J. Russo Jr., deputy district engineer for the Army Corps.

Relentless Rain Soaks South Texas

Houston has seen localized rainfall totals exceeding 40 inches, putting much of the city under water.



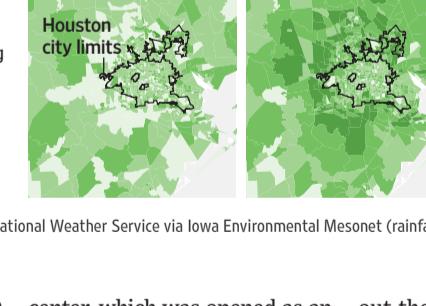
Why Houston is prone to flooding

Population growth

The Houston metro area had the highest growth rate eight straight years until 2017. Its population grew by more than 12% in 2016 to 4.6 million from 2010, adding about 100,000 residents every year. The influx of people required more housing and infrastructure. To accommodate all the newcomers, wetlands and prairie land that once soaked up rainwater have been built over with concrete and other impervious surfaces that can't absorb water.

Sources: NOAA (rainfall map, storm track); National Weather Service via Iowa Environmental Mesonet (rainfall chart); Longitudinal Tract Database, Brown University (population)

Population by tract



Development

The prairies and wetlands that were once capable of holding large amounts of water have been paved over in favor of asphalt and concrete that have been built to support large-scale developments like apartments, offices, shopping malls and roads. Now, when it rains in Houston, water flows into neighboring areas rather than being soaked into the ground, causing floods.

Bad drainage

The area's drainage system was built for a 10-year flood, a more likely and milder event. Houston officials have been trying to build up existing drainage networks to a 25-year flood level but it is a costly process. The city's geography also inhibits proper drainage. It is low-lying and most of its soil is clay, which doesn't drain well.

them," said store manager Arthur Buchanan, who'd ridden his bike through the floods to work that day. Mr. Buchanan said that if the water got any higher, he'd bring his shotgun with him, in case any water moccasons and copperheads came by.

Harvey is likely to deal a significant blow to Houston's economy, the nation's fourth largest city, whose gross domestic product—\$503 billion in 2015, according to the most recent data from the Department of Commerce—is larger than that of Poland, Thailand or Nigeria.

President Donald Trump said Monday that he expects Texas to recover fully and anticipated that "you're going to see very rapid action from Congress" in the form of disaster relief funds.

—Bradley Olson
Michael C. Bender, Arian Campo-Flores, Ben Kesling, Russell Gold, Melanie Evans and Miguel Bustillo contributed to this article.

HARVEY

Continued from Page One
pitals, and forced several hospitals to evacuate.

Roads surrounding Houston's Vintage and Sugar Land hospitals "have 8 feet of water," said Michael Covert, senior vice president of Catholic Health Initiatives' Texas operations. "They have become islands of humanity."

From the mansions of Houston's well-to-do River Oaks neighborhood, to the hipster cafes of the Heights area north of downtown, to the working-class neighborhoods of the city's east end, the storm's wrath spared virtually no one.

More than 30 inches of rain had fallen over parts of the area by Monday, inundating homes and requiring rescue attempts for thousands of stranded people to date, as Harvey moved

back over the Gulf of Mexico and headed east along the coast, according to the National Hurricane Center.

The U.S. Coast Guard said it had devoted every available resource to responding to the disaster. It was getting upward of 1,000 calls an hour and had rescued more than 3,000 people on Monday, it said. Its efforts in Houston had been made difficult, it said, because the tropical storm was still raging, unlike Hurricane Katrina where recovery operations unfolded after the storm had ended.

The historic rains were forcing Houston area officials to make painful decisions to evacuate flooded areas—and to release water from reservoirs under strain, knowing that it would flow into nearby neighborhoods.

Harvey was on track to make landfall again east of Houston late Tuesday or Wednesday.

Though it wasn't expected to regain much strength, it was

poised to deliver as much as 20 more inches of rain before passing—making the total, 50 inches, the equivalent of a normal year's worth of rain for Houston in one week.

"The reality is the water is continuing to rise," Mr. Turner, the Houston mayor, said Monday. "The water level along Buffalo Bayou in all likelihood will increase."

Buffalo Bayou is the main waterway that snakes through the heart of Houston, and the water levels of two reservoirs that feed into it are particularly concerning. The Addicks and Barker reservoirs, built in the 1940s to protect downtown and the Houston Ship Channel downstream, were beyond capacity, prompting the U.S. Army Corps of Engineers to release water from them strategically and to ask residents nearby to voluntarily evacuate.

Mr. Turner said there were 4,800 people staying at the George R. Brown convention

center, which was opened as an emergency shelter. He has previously said its capacity is about 5,000, but said Monday night that officials wouldn't turn anyone away. Hundreds more were spending the night in other shelters around the city and Harris County.

Houston's 800-mile web of bayous and creeks continued to swell.

North of Houston, Cypress Creek was among the most flooded, with water pouring into homes across several square miles. That, in turn, was prompting numerous harrowing evacuations, administered for the most part by friends, neighbors and other people in the community.

Kelly Adams, 55 years old, went out on a friend's jet ski Monday morning to save a few former neighbors who were stranded. "We have to do everything we can," he said. "We know there are more people

out there."

Near Tidwell Park, a less affluent section of northeast Houston, residents were getting hemmed in by flooding and some here said they had no way out. Half-sunken cars littered the streets and several stores nearby appeared to have been looted.

Brandi Tillman waded through waist-high murky flood water to reach her mother, who takes medication for blood pressure and lives in an apartment complex nearly surrounded by several feet of water. Ms. Tillman inched forward, clutching a fence for balance. She couldn't swim, she said, but needed to reach her mom.

On 11th Street, one the Heights neighborhood's main drags, one of the few businesses with its lights still on was family-owned C&D Hardware and Gifts.

"We only close five days out

of the year, and this ain't one of

TEXAS BATTLES FLOODING

Gulf Coast Faces Billions In Damage

By JOSH ZUMBRUN

Hurricane Harvey will take a financial toll on the nation's economy, but how much of one depends on the extent of flooding in the coming days.

Even after the immediate threat from Hurricane Harvey has passed and the floodwaters receded, the Texas Gulf Coast faces tens of billions of dollars in property damage, bottlenecks at some of the nation's largest oil refineries, and work disruptions possibly for millions of workers.

"The damage will likely be much higher than most recent hurricanes have been," said Adam Kamins, senior economist at Moody's Analytics. There are "very high levels of housing density where some of the most severe flooding is taking place. Because of that you have very high expected property and vehicle damage."

Moreover, the storm could affect the economy nationwide due to the large oil refining presence in the Gulf Coast. Refiners in Corpus Christi, Lake Charles and Houston have about 30% of the nation's oil refining capacity.

Gasoline futures rose 7 cents to \$1.74 a gallon on the New York Mercantile Exchange on Monday. That is likely to be temporary.

Gasoline prices have typically peaked within two weeks of major storms, rising by 20

to 80 cents a gallon, said Rick Joswick, managing director of global oil for PIRA Energy, an analytics unit of S&P Global Platts. Prices typically return to their pre-storm levels, or somewhat lower, within two to four weeks.

The "outlook is for gasoline prices to spike by a similar degree for the next week or so," Mr. Joswick said.

The biggest hit from any storm is to insurers and property owners. Moody's preliminary estimate is that the storm will cause between \$30 billion and \$40 billion of property damage. Mr. Kamins cautions these are initial estimates and could change significantly depending on how the storm evolves.

By contrast, the National Oceanic and Atmospheric Administration estimates that Hurricane Ike, which hit Texas and Louisiana in 2008, caused about \$29 billion of damage, while Hurricane Rita in 2005 cost about \$12 billion. If the Moody's estimate proves correct, it would be considerably less damage than 2005's Hurricane Katrina, which caused over \$100 billion in damage. Superstorm Sandy of 2012 is estimated to have caused \$71 billion in damage.

Most of Hurricane Harvey's economic impact will be concentrated. The Houston area is the nation's fourth-largest metropolitan economy, with



Property damage was heavy in Rockport, Texas. Below, a listing ship spotted by the U.S. Coast Guard in the aftermath of Harvey.

about 3.1 million workers who generate over \$500 billion of economic activity a year.

It remains unclear how long Houstonians and other Texans will be dealing with closed stores or idled and unreachable workplaces, but Moody's estimates thus far that there will be \$6 billion to \$8 billion in lost output in the weeks ahead. That is barely perceptible in a U.S. economy that produces more than \$19 trillion worth of goods and services annually.

Even the largest storms have typically not permanently damaged the U.S. economy. This is in part because storm often spark construction booms that employ tens of thousands of people to clean up and rebuild.

Gross domestic product

doesn't account for property damage but it does account for rebuilding, so the measure can climb after storms due to activity involved in rebuilding.

Other economic measures could be skewed in the weeks ahead. The initial weeks after similarly large storms have sometimes produced rising claims by waylaid workers for unemployment insurance. After Hurricane Katrina, jobless claims climbed by over 100,000 a week.

Michael Feroli and Daniel Silver, economists at J.P. Morgan Chase & Co., said in a note that other signs of the storm's impact could be seen in industrial production data, which will show the effect of power outages on utilities, and in personal spending data.



Houston Still Closed for Business

By MICHELLE MA

Most major businesses in and around Houston were closed on Monday, with many telling employees to stay home as they waited for floodwaters to recede and started collecting funds for disaster-relief organizations.

Many area hospitals remained open but some were evacuating patients due to flood damage. Other big employers, including energy giants like ConocoPhillips, NASA's Johnson Space Center, and Waste Management Inc., were closed for the day. The city's biggest malls were shut, as were many area grocers, retailers and restaurants.

Johnson Space Center, which employs more than 10,000 people, asked employees except "mission essential personnel" to stay home Monday unless otherwise instructed. Senior management will reassess opening on a day-to-day basis, the center said.

Several companies, including ConocoPhillips and BMC Software Inc., said their offices planned to reopen as soon as Wednesday, weather permitting. BMC, which employs about 900 people in the



Kroger closed most of its Houston-area stores as the storm hit.

Houston area, has encouraged area employees who are safe and able to work to work remotely, said Chief Executive Peter Leav in a statement.

Waste Management, which has about 1,000 corporate staff at its Houston headquarters, instructed those employees to work from home. The country's largest trash hauler had canceled Monday rubbish removal for customers in several cities and nearby areas, including Houston, The Woodlands, Jacinto City and Galveston, according to its website.

The company reopened three out of six landfills in the Houston area Monday morning, but later closed them again. "Getting to them is next to impossible," said Toni Beck, vice president of corporate communications.

Kroger Co. closed all but a handful of its 115 Houston-area stores for 24 hours as Harvey made landfall, and 65 remained closed Monday. Kroger's main distribution center in the area was closed, and the nation's largest grocer was pulling products from a Dallas warehouse instead.

"It's a logistical nightmare

there," a Kroger spokeswoman said.

HEB Grocery Co., a San Antonio-based grocery chain, said around 40 of its 100 Houston-area stores remain closed and many others were operating with limited hours. The company has a mobile kitchen that was expected to provide more than 8,000 meals by the end of Monday, and a convoy of 15 vehicles was delivering supplies to affected areas.

Group 1 Automotive Inc., which owns around 20 car dealerships in the Houston area and whose corporate headquarters are also in the city, said it doesn't have immediate plans for reopening its locations. "Once we can get a firm understanding of how everyone's well-being is, then we will assess operations," said Pete DeLongchamps, a vice president.

The company, which also has dealerships in New Orleans, "went through something similar but not on this scale with Katrina," said Mr. DeLongchamps.

—Heather Haddon, Jennifer Maloney, Daniela Hernandez and Sarah Nassauer contributed to this article.

Lawmakers Facing Financial Challenges

WASHINGTON—Hurricane Harvey leaves Congress with a pair of unexpected financial challenges: further shoring up a heavily indebted federal flood insurance program and providing emergency funding for uncovered damage.

By Andrew Ackerman, Kristina Peterson and Rachel Witkowsky

Lawmakers will be under pressure when they return to Washington next week to extend the National Flood Insurance Program after the flooding disaster crippled coastal Texas and Louisiana.

The insurance program, created about 50 years ago because private insurers were unwilling to risk catastrophic flood losses, is scheduled to expire Sept. 30.

It has a mere \$1.7 billion to pay claims and \$5.8 billion left that it can borrow from the Treasury, according to the Federal Emergency Management Agency, which manages the program.

Congress likely will have to raise the program's bor-

rowing authority should claims exceed its current cap, these people said. The contentious flood program went through 17 temporary extensions and four lapses during legislative disputes from 2008 to 2012.

Another issue lawmakers face is emergency aid to address damage that isn't insured, a process that has been controversial on Capitol Hill in recent years. Many conservative Republicans opposed federal aid after superstorm Sandy slammed the East Coast in 2012.

In January 2013, Congress approved a \$50.5 billion package to help states rebuild after Sandy, as well as a \$9.7 billion increase in the borrowing authority of the flood insurance program.

Aides from both parties said it was too early to know how much federal assistance would be needed for Harvey recovery. But already, tension among Republicans was apparent, as GOP lawmakers who fought for aid after Sandy noted that many Texas Republicans had opposed it

CARGO

Continued from Page One
ances made in Mexico, and stores as far away as Denver bring in foreign-made goods via the city's port.

The storm affected up to 10% of the U.S.'s trucking capacity, according to Noël Perry, chief economist with Truckstop.com, another online load board. Retailers and other shippers around the country may struggle to line up enough trucks to ship goods. And many trucks that are available are being turned over to relief and rebuilding efforts.

Wal-Mart Stores Inc. has sent more than 1,000 big rigs to hard-hit areas and evacuation centers, with most carrying water.

Shipping costs could rise anywhere from 5% to 22%, Mr. Perry said, based on the market's response to past natural disasters, including Hurricane Katrina and the "polar vortex" that hit the Northeast in 2014.

Many freight companies say they have no idea when they will resume operations. Even after the weather clears, it could be days before floodwaters recede enough to allow dockworkers back into ports,



Ports in Houston and Corpus Christi are closed to most ships. A boat sinks near Port Aransas Saturday.

or trucks to resume routes.

"This may be unprecedented when all is said and done," said Mark Rourke, chief operating officer at Schneider National Inc., a large Green Bay, Wis.-based trucking company. He said it could be three days before Schneider employees can access some terminals in the city and potentially two weeks before normal operations resume.

"We have about 3 feet of standing water in the parking lot," he said.

YRC has been holding freight bound for Texas near

the origin point since the middle of last week, adding trailers to keep goods at sites throughout its nationwide network.

Mr. Hawkins said YRC was bringing some critical shipments needed for relief, including generators and bottled water, to staging areas authorities have set up around Houston. But it could be some time before operations get back to normal, he said.

YRC Freight, based in Overland Park, Kan., said the trucking company's terminal in Houston has remained closed since Friday, when workers were sent home, and the company hasn't decided when it will be able to reopen.

"We have about 3 feet of

standing water in the parking lot," he said.

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Flooding could lead to ris-

ing levels of silt in the Houston ship channel, said Paul Bingham, a trade economist with Economic Development Research Group Inc. Port pilots, who board incoming ships and navigate them up the channel, will likely be hesitant to run vessels through a shallower channel until the Coast Guard has had a chance to test the depth.

The solution for now, Mr. Bingham said, will be to load ships lighter—and carry less than their capacity of petroleum products, bulk goods and containers. For container cargo, that could mean shipping companies would have to unload more goods at other ports before visiting Houston.

Port Houston, which appeared to avoid damage, said Monday afternoon it would remain closed on Tuesday.

For some carriers, all that is left to do is wait. "We are supposed to load up in Houston, in Corpus Christi, early Sunday, but nothing still goes in or out," said Aristos Pitsilis, the executive officer of a Greek-owned oil tanker. "We've been told that maybe tomorrow we'll make our way."

—Erica E. Phillips, Paul Ziobro and Costas Paris contributed to this article.

WORLD NEWS

China and India Resolve Border Standoff

Deal between the longtime rivals ends their stalemate on a Himalayan plateau

China and India said they had negotiated a solution to a more than two-month-long

By Niharika Mandhana
in New Delhi
and Eva Dou in Beijing

standoff on a remote Himalayan plateau, ending a stalemate that had raised concerns about a potential military conflict.

But statements on Monday from both sides created confusion over terms of the detente. India's Foreign Ministry said the two sides had agreed to the "expeditious disengagement of border personnel of India and China at the face-off site." Beijing said Indian troops had withdrawn and, responding to a question about Chinese troop deployments, said it would make "necessary adjustments."

The dispute began in mid-June after Indian soldiers halted Chinese efforts to construct a road in an area claimed by China and Bhutan, a close Indian ally sandwiched between the two Asian giants.



Exiled Tibetans demonstrated in New Delhi this month in support of India on the border issue.

India doesn't claim the territory in question, known as the Dolam Plateau, but said defending it was crucial to protecting its own security and the interests of Bhutan. Bhutan had asked China to retreat until the boundary dispute be-

tween them was settled.

Beijing had for weeks accused India of "illegal trespassing" and called on Indian soldiers to withdraw.

Neither side would comment on whether Beijing would abandon its road-building project as

part of Monday's deal. China's Foreign Ministry said border guards would continue to patrol the disputed area.

Monday's announcement came days before a summit of the Brics countries, scheduled to take place in the Chinese



THE WALL STREET JOURNAL.

city of Xiamen in early September. That meeting—between the leaders of Brazil, Russia, India, China and South Africa—was likely to be overshadowed by the border dispute between its two prominent members.

Indian Prime Minister Narendra Modi and Chinese President Xi Jinping will meet after weeks of acrimony and charged rhetoric. Chinese media has run commentary reminding India of a 1962 war between the two countries that China won.

Officials and analysts around the world have been watching to see how the two countries resolve the issue. China is also embroiled in potentially destabilizing maritime disputes with other Asian countries.

Jia Xiudong, a senior research fellow at the China Institute of International Studies, said the border standoff

has aggravated broader conflict between the two countries over competing spheres of influence and China's closer ties with Pakistan. "There are multiple conflicts between the two countries," he said.

In a press conference earlier Monday previewing next month's Brics summit, Chinese officials played down the border dispute and emphasized trade prospects between China and India.

Zhang Jianping, an official at a research institute under China's Commerce Ministry, said the summit was an "excellent opportunity" for India and China to work out any differences face-to-face.

Ties between India and China, never close, have frayed in recent years as Beijing has grown in strength and confidence.

India has stayed away from China's ambitious Belt and Road Initiative, an expansive infrastructure plan that seeks to tie dozens of countries to its global ambitions. China's growing economic and diplomatic footprint in India's neighborhood and the Indian Ocean have irked officials in New Delhi.

Grace Zhu in Beijing contributed to this article.

Pope's Visit to Spotlight Myanmar's Muslim Minority

Pope Francis will travel to Myanmar in late November for a visit likely to highlight struggles of the country's embattled Muslim minority.

By Francis X. Rocca
in Rome and Myo Myo
in Yangon

The Vatican said Monday that the pope will visit Myanmar from Nov. 27 to Nov. 30, then travel to neighboring Bangladesh to Dec. 2.

The announcement came a day after the pope, speaking to pilgrims in St. Peter's Square, decried the "persecution" of "our brothers the Rohingya" in Myanmar.

The Myanmar government has said that more than 100 people have been killed since Friday in battles in the country's western Rakhine state. An intensified military campaign against militants there has sent thousands of Rohingya fleeing to the border with Bangladesh.

Pope Francis' Sunday remarks, in which he called for the Muslim ethnic group to be given their "full rights," were his latest of several statements on behalf of the Rohingya. The pope has taken a special interest in Myanmar, naming the country's first cardinal in 2015. His November

visit will be the first to the country by a pope. The Vatican and Myanmar established diplomatic relations this year.

"We welcome the pope's trip to Myanmar," said Wanna Shwe, chairman of the Myanmar Muslim Federation. "What is happening to the Rohingya community in Rakhine state cannot be denied. We all know."

The government doesn't consider the Rohingya to be citizens and refers to them as Bengalis, indicating origins in what is now Bangladesh, though many Rohingya have lived in territory in Myanmar for generations.

Myanmar's leader, Aung San Suu Kyi, has adopted a hard line on the Rohingya. Her office has called the military's actions "clearances," accused the Rohingya of burning their own homes, and said aid groups were supporting terrorism.

Insurgency in northern Rakhine state has been increasing since October, when militants killed nine border guards and the military launched counterinsurgency operations that U.N. human-rights investigators said were marked by rape. The latest round of fighting started Aug. 25, when Rohingya militants launched coordinated gun and machete attacks on police outposts in northern Rakhine.



Pope Francis and Myanmar's Aung San Suu Kyi at the Vatican in May. The pontiff's November trip will be the first time a pope visits Myanmar.

Last week, a commission led by former U.N. Secretary-General Kofi Annan urged Ms. Suu Kyi's government and the powerful military to improve economic development and social justice in Rakhine state to resolve communal violence between majority Buddhists and

the Muslim Rohingya. Myanmar has restricted access to Rakhine state for aid groups and journalists.

The Rohingya have long faced severe discrimination and were the targets of inter-communal violence in 2012 that killed hundreds and drove

about 140,000 from their homes to camps for the internally displaced, where most remain.

The predicament of religious and ethnic minorities is a signature theme for Pope Francis, as is the plight of refugees.

During his stay in Bangladesh, a Muslim-majority coun-

try, the pope is likely to touch on the country's reception of Rohingya refugees. He will also draw attention to the situation of Christians, who represent less than 1% of the population and a majority of whom belong to tribal ethnic peoples, in a country that is 99% Bengali.

U.S. Presses Guatemala's President

BY DUDLEY ALTHAUS

MEXICO CITY—The U.S. government called on Guatemalan President Jimmy Morales to rethink his attempt to expel a United Nations-backed anticorruption prosecutor who is investigating the president and other top politicians for possible breaches of campaign finance laws.

Nikki Haley, the U.S. ambassador to the U.N., said Washington expects the Guatemalan government to allow the International Commission against Impunity in Guatemala, or Cicig, to "do its critical work without interference."

Ms. Haley praised Iván Velásquez, the Colombian prosecutor who leads the Cicig, as a crucial "voice calling out corruption and upholding the rule of law."

U.S. Rep. Ed Royce (R., Calif.), chair of the House Foreign Affairs Committee, also called for the Guatemalan president to "change course" and allow Mr. Velásquez to continue with his work.

The U.S. Congress "will continue to stand with the Guatemalan people, and especially those in poverty, who are hurt most by corruption," Mr. Royce said Monday.

The comments come a day after Mr. Morales declared Mr. Velásquez persona non grata and ordered him to leave the country. Hours later, the nation's constitutional court

granted a temporary injunction, preventing the president from kicking out the Cicig chief. In coming days, the court is expected to determine whether the stay is permanent.

Meanwhile, hundreds of people protested on Guatemala City streets, calling for Mr. Morales to resign.

The country's Supreme Court is expected to rule this week on a request from Guatemala's attorney general and Mr. Velásquez to strip the

president's immunity from prosecution, which could lead Mr. Morales to be formally charged with finance violations related to his 2015 election campaign.

Cicig was created a decade ago by agreement between the U.N. and Guatemalan government to aid the investigation and prosecution of organized crime and official corruption.

In a televised address Sunday, Mr. Morales accused the Cicig commissioner of over-

stepping his authority. He assured the public that his argument is with Mr. Velásquez, not the Cicig itself, whose work he said he supports. The current mandates of both Cicig and Mr. Velásquez expire in September 2019.

A government spokesman said at a press conference Monday that officials were analyzing their legal options in both the constitutional and supreme courts and repeated Mr. Morales's respect for the rule of law and the independence of the courts.

As they await the courts' decisions, political forces in the Central American country were aligning for and against Mr. Morales, a television comedian with no political experience before taking office in January 2016.

Mr. Velásquez has the support of a wide swath of Guatemalan society—from leading business groups to human rights activists and indigenous Maya organizations.

"We elected a president and now we've dedicated ourselves to criticizing him without letting him govern," Siglo 21, one of Guatemala's largest newspapers, said in an editorial.

Mr. Morales's efforts to rid himself of the U.N. envoy has roiled the government, with the president firing his foreign minister for disagreeing with the expulsion order and several cabinet ministers resigning in protest.

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Protesters against the president in Guatemala City on Sunday.

FABRIZIO ANTONI/REUTERS

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WORLD NEWS



Officers stood by the body of a man police shot dead after he slashed seven people in Surgut, in Siberia, on Aug. 19. IRINA VESMAN/TASS/ZUMA PRESS

Russia Attacks Raise Alarm

Stabbings in Siberia and Dagestan suggest spread of impromptu terrorist atrocities

By NATHAN HODGE

MOSCOW—A knife attack on police officers in the Russian republic of Dagestan left one officer dead, following a stabbing spree in Siberia this month, adding to worries here about the spread of improvised terrorist attacks like those that have been claimed by Islamic State in Europe.

On Monday, two unidentified attackers struck police officers with knives at a filling station in the city of Kaspiisk, the local branch of the federal Investigative Committee said. One officer was killed and the other was wounded before a third shot and killed the attackers.

Video footage from the scene showed a black jihadist banner said to have been found on the attackers, and Islamic State claimed respons-

sibility, according to SITE Intelligence Group, which monitors extremist activity.

The Investigative Committee, a federal agency charged with probing high-profile crimes, didn't describe the incident as a terrorist attack, and said a criminal investigation was under way.

The incident came days after a man roamed the streets of the Siberian city of Surgut with a knife, slashing seven bystanders before police killed him. That attack was also claimed by Islamic State.

Russian authorities declined to label the Aug. 19 incident as terrorism, but said terrorism wasn't being ruled out by investigators. Authorities initially described the attacker as mentally ill.

Following the attack, Islamic State released a video describing the man as a holy warrior and showing a masked man identified by the nom de guerre Masud of Surgut, seated next to a hatchet and an Islamic State flag, vowing to attack nonbelievers.

"Soon blood will flow like

the sea," a voice chants in the video.

While Islamic State has declared itself to be behind numerous attacks that investigators also attributed to the group, Islamic State has a record of falsely claiming responsibility, and it remains unclear if the group had any operational link to the latest incidents in Russia.

Russian President Vladimir Putin has responded with force to some past terrorist attacks. He came to power on a promise to wipe out militants in the north Caucasus region, and he launched a military campaign in Syria in 2015 that he described as an effort to defeat Islamic State.

But Russian officials have on occasion been cautious about playing up terrorism threats. When a passenger plane flying to St. Petersburg went down in Egypt's Sinai Peninsula in 2015, killing all 224 people on board, Russian officials initially dismissed an Islamic State claim and reports that a bomb brought

down the plane.

It took Moscow more than two weeks to say they had evidence it was a terrorist attack.

The response by authorities in playing down the possibility of terrorism in the Aug. 19 attack in Surgut indicated worries about public perception, said Alexey Malashenko, a Moscow-based researcher.

"If they admit it's a terrorist act, then you have to ask the question of what the authorities are doing" to combat it, he said. "It's convenient to describe it as a criminal act."

Mr. Malashenko said he believed the Surgut stabbing spree was terrorism. "It's a repeat of what's happened in Finland and Spain," he said, referring to a knife attack in the Finnish city of Turku that is being investigated as terrorism, and vehicle attacks in Barcelona and the Spanish town of Cambrils.

Surgut, a city of 360,000, has seen an influx of job-seeking migrants from Muslim-majority regions of Central Asia and the north Caucasus.

U.K., EU Resume Brexit Discussion

By VALENTINA POP

BRUSSELS—British and European Union negotiators resumed Brexit talks Monday but officials played down the prospect of breakthroughs on a handful of nettlesome issues related to the U.K.'s departure from the bloc.

Officials on both sides have in recent days said discussions—set to run through Thursday—will be technical, aimed at clarifying their positions before more-critical talks next month.

That round—the fourth since negotiations began in June—is expected to determine whether the EU will agree to talk about its post-Brexit relationship with the U.K., a topic London wants tackled as soon as possible but the EU has said it won't address until other issues are resolved.

Speaking on his way into the meeting, U.K. Brexit negotiator David Davis said position papers published in recent weeks covering the withdrawal and the vision for a future partnership with the EU should drive forward talks in all areas.

"We want to lock in the points where we agree, unpick the areas where we disagree and make progress on a whole range of issues," he called for "flexibility and imagination from both sides" to advance.

Mr. Davis's upbeat tone wasn't replicated by his EU counterpart, Michel Barnier, who said the U.K. still needs to clarify its position on several separation issues and "start negotiating seriously."

"I am concerned. Time passes quickly," Mr. Barnier said. "The sooner we remove the ambiguity, the sooner we'll be able to discuss the future relationship and a transitional period."

He repeated the EU's stance that talks won't advance unless divorce issues are "addressed properly."

Earlier this year, EU leaders restricted Mr. Barnier's negotiating mandate to issues surrounding Britain's departure, such as the bill the U.K. must settle upon leaving the bloc and the rights of EU citizens living in Britain.

Only when EU leaders are satisfied with progress in those areas will the bloc start talking about its future relationship with Britain in areas such as trade, officials have said. The EU and U.K. also must negotiate terms of a potential transition period between when Britain officially exits the bloc in March 2019 and a new relationship is established. Both sides say those terms are too complex to negotiate and approve in the coming 20 months or so.



Negotiators David Davis, left, and Michel Barnier in Brussels. DARIO PIGNATELLI/BLOOMBERG NEWS

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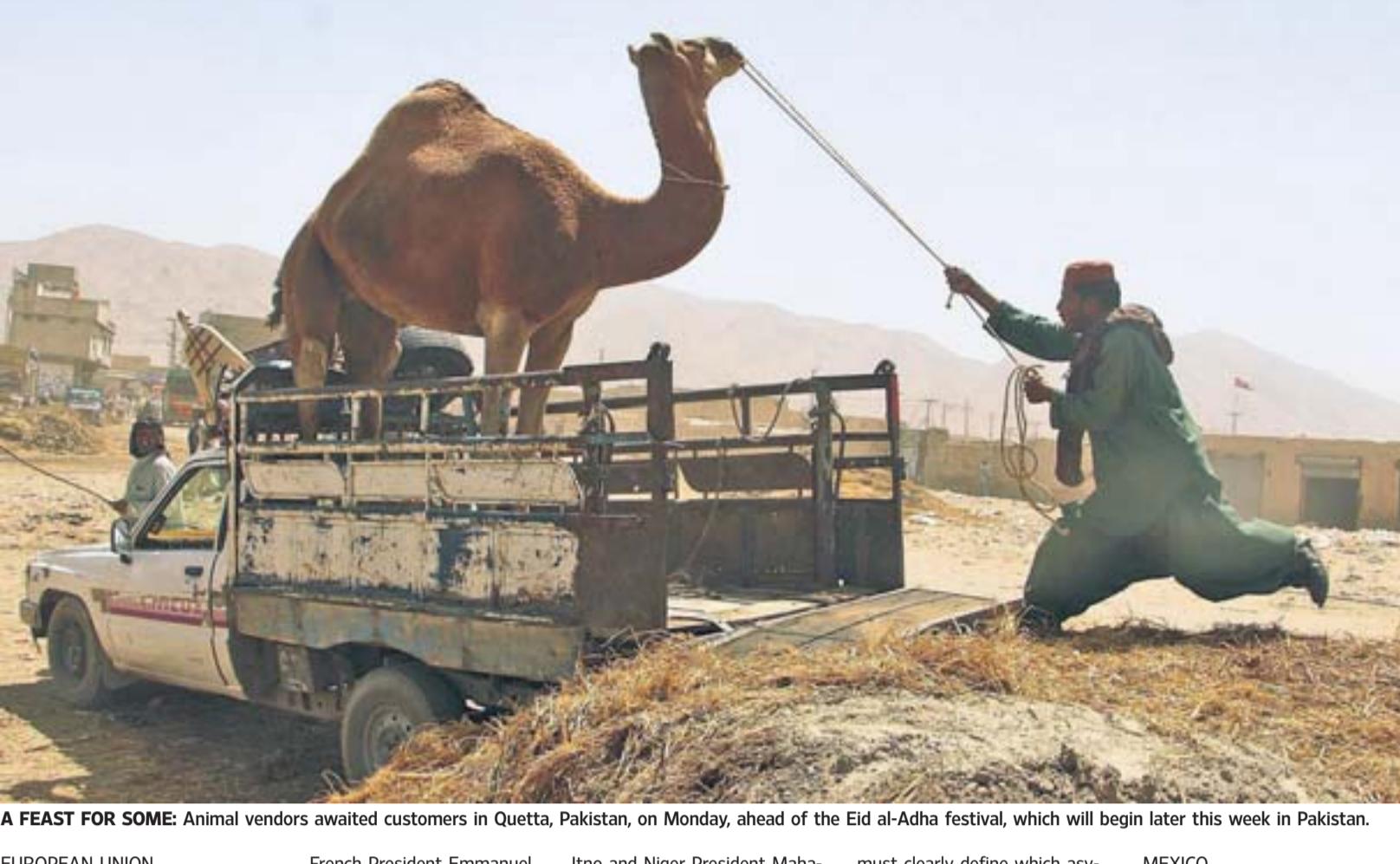
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WORLD WATCH

* * * *



A FEAST FOR SOME: Animal vendors awaited customers in Quetta, Pakistan, on Monday, ahead of the Eid al-Adha festival, which will begin later this week in Pakistan.

EUROPEAN UNION Europe, Africa Plan New Asylum Policies

The leaders of France, Germany, Italy and Spain agreed Monday at a summit with African leaders on a new policy to grant asylum to vulnerable migrants who apply for protection while in Africa instead of their destination countries.

French President Emmanuel Macron called the Paris summit, aimed at finding solutions to illegal migration, the most effective and far-reaching migration meeting in months. Many specifics remained unclear, and Mr. Macron didn't say how much the measures would cost.

The African leaders—the prime minister of Libya's U.N.-backed government, Fayed Serraj; Chad President Idriss Deby

Italo and Niger President Mahamadou Issoufou—stressed that fighting poverty must be a central part of any migration strategy.

The European leaders acknowledged the need for a process in Chad and Niger that would lead to the resettlement of "particularly vulnerable migrants" in Europe.

German Chancellor Angela Merkel said European countries

must clearly define which asylum-seekers have legitimate humanitarian needs.

The chancellor said Europe needs to rethink its asylum system, which requires migrants to seek refugee status in the first country they reach. That has heavily burdened Greece and Italy, where waves of boats carrying smuggled migrants have arrived in recent years.

—Associated Press

MEXICO

Trade Deficit Shrank Year-to-Year in July

Mexico ran a \$1.52 billion trade deficit in July, a shift from the surplus in June but smaller than the \$1.83 billion deficit in the year-ago period, as export growth outpaced the increase in imports, the National Statistics Institute said.

Exports rose 8% from July 2016 to \$321.6 billion on increased shipments of crude oil and gains in exports of manufactured products, agricultural goods and minerals. Imports rose 6.6% to \$33.69 billion.

Vehicles and auto parts led the gain in manufacturing exports, up 13.2% to \$9.51 billion. Exports of other factory-made goods were 4.5% higher at \$19.3 billion.

Petroleum exports were up 19.3% to \$1.93 billion.

Petroleum imports rose 4.6% to \$3.13 billion. Mexico exports crude oil but imports more than half of its gasoline and natural gas.

The July results brought the accumulated trade deficit for the first seven months of the year to \$4.43 billion, as a \$9.4 billion deficit in petroleum trade was partially offset by a \$4.97 billion surplus in nonpetroleum goods.

—Anthony Harrup

INDIA

Guru Gets 10 Years In Prison for Rapes

A judge on Monday sentenced a popular Indian spiritual guru to 10 years in prison on charges of raping two female followers.

The sentence was pronounced amid intense security at a prison in the northern town of Rohtak, where the guru, who calls himself Dr. Saint Gurmeet Singh Ram Rahim Insan, has been held since his conviction Friday.

The guru denied raping the two followers, in a case that stemmed from charges filed in 2002. His conviction sparked violent protests by his followers that left at least 38 people dead and hundreds injured.

—Associated Press

FROM PAGE ONE

KOREA

Continued from Page One
maximum altitude of 342 miles.

Mr. Suga said no damage has been reported from the missile, adding that Japan believes it broke into three parts but was still analyzing the matter.

While the missile was still in the air, Japanese authorities sent an alert to northern areas near its path.

"A missile has apparently been launched from North Korea. Please take refuge in a sturdy building or underground," the alert said. The warning was lifted a few minutes later, after the missile went down in the Pacific.

The North Korean missile was the fifth to pass over Japanese territory and the first since 2009 to overfly the main islands of Japan. Pyongyang fired missiles over the Ryukyu Islands, the Japanese territories including Okinawa south of the main islands, in 2012 and 2016.

The launch came three days after North Korea attempted to fire three missiles off its east coast, at least one of which appeared to fail.

Last week, U.S. Secretary of State Rex Tillerson praised North Korea for exercising "restraint" in not having conducted any missile tests during joint annual exercises between the U.S. and South Korean militaries, which began on Aug. 21.

The exercises, which are slated to end Thursday, are a perennial irritant to North Korea, which has called them a prelude to a possible attack on the country.

The launch occurred as Japan's air force temporarily deployed Patriot missile-defense batteries at a pair of U.S. bases in Japan, in what a U.S. military statement called an effort "to practice and refine their ability to rapidly respond to North Korean missile threats."

South Korea's National Security Council held an emergency meeting an hour after the launch.

South Korean authorities' assessment of the trajectory of the North's latest launch suggested that Pyongyang fired the missile at a more conventional angle than its two intercontinental ballistic missile test launches last month, which traveled deep into space but only a short lateral distance.

Japanese Defense Minister

Itsunori Onodera said initial analysis suggests the missile was an intermediate-range ballistic missile of the same type that North Korea fired May 14.

Tuesday's missile reached a maximum altitude of 342 miles, far short of the 2,300 miles of the North's ICBM test launch on July 28, while traveling farther laterally.

Earlier this month, North Korea said it was preparing for a possible launch of multiple missiles toward the U.S. Pacific territory of Guam, a trajectory that would overfly parts of Japan. Days later, the North said leader Kim Jong Un had decided against the launch for now but warned it would watch the U.S.'s behavior.

On Tuesday, the Andersen Air Force Base in Guam said U.S. authorities there had detected the missile "in real time" but determined it wasn't a threat to Guam.

"How the U.S. responds to this provocation will be closely watched by both Japan and South Korea, and could be a critical moment in alliance relations," said Jenny Town, assistant director for the U.S.-Korea Institute at Johns Hopkins University's School of Advanced International Studies.



Japanese soldiers took part in a drill with a Patriot missile unit on Tuesday morning near Tokyo.

Before the missile launch, South Korean President Moon Jae-in on Monday ordered changes to the country's military structure so that Seoul could "immediately switch to an offensive operation" in the event that North Korea "crosses the line" or launches an attack on Seoul, the South Korean capital.

In a military drill Tuesday, South Korea dropped eight

bombs on an artillery range after Mr. Moon ordered a "show of force." It was the latest in a series of steps he has taken to boost South Korea's military posture against a threat from the North, even as he continues to extend an olive branch to Pyongyang.

U.S. national security adviser H.R. McMaster discussed the use of "strategic assets" with Chung Eui-yong, his

South Korean counterpart, according to a statement from the presidential Blue House in Seoul.

While the statement didn't elaborate, the phrase "strategic assets" typically refers to nuclear weapons, stealth bombers or aircraft carriers—all of which tend to trigger complaints from Pyongyang.

—Nancy Youssef contributed to this article.

TITLE

Continued from Page One

"There's not a lot of official requirements," said former Kentucky Gov. Steve Beshear, Mr. Bevin's predecessor. "It's just one of those longstanding traditions that people in Kentucky think is very special and also fun."

A colonelcy carries some mystique. According to the Kentucky Encyclopedia: "The Kentucky colonel has come to represent the daring, glamour, dignity, wit, charm, and attraction of outstanding men who have claimed the title—the stereotype of a southern gentleman." Mr. Beshear, who estimates he commissioned more than 100,000 colonels during his two terms as governor, which ended in 2015, says they outrank honorary titles granted by other states.

Application criteria have long been vague. There was talk in 1934 of granting colonelcy only to those who had witnessed a horse race, according to a news account at the time of a meeting attended by Col. James A. Farley, then the U.S. postmaster general.

There have been concerns about colonel inflation. In 1921, an item in the Louisville, Ky., Courier-Journal complained about a Secret Service agent winning a commission after playing golf with the governor. The worry was that "Kentucky Colonels will soon be



Whoopi Goldberg, Shirley Temple and Emanuele Filiberto are among those who have been given the title of Kentucky colonel.

less than extreme. In 1980, during Mr. Brown's administration, a newspaper reporter proved the point by winning a commission for a dog named Waldo. The application took some liberties, inflating the hound's age in dog years and listing his occupation as "security guard."

Mr. Brown couldn't recall whether Waldo's commission was revoked. "Those kind of things do slip through," he said.

Messrs. Brown and Beshear say they often commissioned colonels when trying to lure

businesses to the state. "It's really been a good marketing tool," Mr. Brown said.

The Honorable Order of Kentucky Colonels doles out grants across the state. Last year, it spent about \$1.5 million on projects such as new air conditioners at a halfway house, food for needy schoolchildren and an elevator at a school in Appalachia, according to Ms. Crose. She said about 25% of the approximately 7,000 colonels named last year became active members of the Honorable Order by donating.

Mr. Bevin's office declined to respond to questions about its vetting procedures or the process generally. His office denied a request by the Journal for rejected applications, citing exemptions in Kentucky's open-records law. Under Mr. Bevin's process, those who nominate

must be colonels active with the Honorable Order. Applications include a spot for listing charity or community-service work.

The path to colonelcy varies widely. "Happy Days" star Henry Winkler was made a colonel during an appearance at a Bowling Green, Ky., book fair in 2013. He said his framed certificate is hanging at his Los Angeles home. Mr. Bevin awarded Vice President Mike Pence a commission when Mr. Pence visited Louisville earlier this year. A spokesman for Mr. Pence declined to comment.

L.D. Gorman, the Kentucky coal magnate who nominated

Mr. Trump, declined to say much about how he came to nominate the president's son. "I'm a friend of his," said Mr. Gorman, whose brother was mayor of Hazard, Ky., and bestowed the honor of "Duke of Hazard."

A representative of Mr. Trump declined to comment.

For some colonels, the commission comes as a surprise. Retired electrician Thomas Nitschke, 74 years old, still has no idea who nominated him for his work helping low-income fellow residents of Dry Ridge, Ky. "One day I went to the mail, and there it was," said Mr. Nitschke, who has stashed his certificate in a closet until he remodels his basement where he plans to display it.

Emanuele Filiberto, who claims the title of crown prince of Italy and whose grandfather was king before the country abolished the monarchy in 1946, didn't know he was a colonel until he was contacted by the Journal. "I never even went to Kentucky," Mr. Filiberto said. "I only ate Kentucky Fried Chicken, which I like."

Turns out, an associate asked a Louisville doctor to commission Mr. Filiberto, regarded by many as heir to Italy's nonexistent throne. While he said he was honored that his charity work was recognized with a colonelcy, Mr. Filiberto observed: "It's easier to become a colonel than for the monarchy to come back in Italy."

—Andrew Tangel has been a Kentucky colonel since 2014.

GREATER NEW YORK

Lawmaker Wants His Trial Dates Tailored

Sen. Menendez says case should be halted on days he is needed to vote on crucial bills

BY CORINNE RAMEY

Lawyers for Sen. Bob Menendez argued his coming public-corruption trial should be scheduled around key U.S. Senate votes, saying the New Jersey lawmaker has a constitutional obligation to his constituents.

His lawyers said the votes of Mr. Menendez, a Democrat, are critical in a closely divided Senate. The Senate is set to reconvene on Sept. 5, a day before Mr. Menendez's trial is scheduled to begin in U.S. District Court in Newark, N.J. Currently, the chamber is

made up of 52 Republicans, 46 Democrats and two Independents who caucus with the Democrats.

"As the recent vote on whether to repeal the Affordable Care Act demonstrated, the Senate is divided by razor-thin margins on consequential legislation, making Senator Menendez's absence from any particular vote potentially determinative," his lawyers wrote in a filing late last week.

The lawyers said important future votes include raising the debt ceiling and reauthorizing the National Flood Insurance Program. Other foreign policy matters that may arise include sanctions on Iran, issues around North Korea and economic actions concerning Venezuela, they added.

Mr. Menendez faces charges



JULIO CORTEZ/ASSOCIATED PRESS

Sen. Bob Menendez asked for trial holidays to vote in Congress.

including bribery and conspiracy. Federal prosecutors allege he accepted gifts and campaign contributions in exchange for using his government position to advocate for Florida ophthalmologist Salomon Melgen in matters includ-

ing a Medicare billing dispute worth millions of dollars.

"Those indictments allege a seven-year bribery conspiracy in which he traded the power of his public office for a lavish lifestyle that included private jet rides and vacations in Paris

and the Caribbean," federal prosecutors wrote in court documents filed Friday.

Mr. Menendez, who pleaded not guilty, has denied wrongdoing. Mr. Melgen, who is also being tried, has pleaded not guilty as well.

Judge William Walls previously has ruled against delaying the trial, saying a defendant has a right not to attend.

In filings late last week, lawyers for Mr. Menendez asked for occasional days off so he could participate in critical votes.

They said elected officials both have a constitutional right to be at their trials and a constitutional obligation to serve people who elect them.

Federal prosecutors argued

politics shouldn't disrupt the trial schedule and that the senator shouldn't receive spe-

cial treatment because of his official position.

"Many defendants try to evade their criminal trials—but only a United States Senator can try to hide behind the very office he corrupted to avoid accountability to the public for his actions," prosecutors wrote.

The judge likely won't be receptive to Mr. Menendez's argument, said Michael Weinstein, a defense attorney who isn't involved with the case.

"What Menendez is really asking the judge to do is to prioritize a politician's job as more important than any other," he said. He noted Mr. Menendez had previously asked for other delays in scheduling the trial.

"The judge is looking at this within the larger history of the matter," he added.

State Injecting Millions Into Its Fair, Irking Some

BY CHARLES PASSY

SYRACUSE, N.Y.—For most visitors to this year's New York State Fair, the attractions are what they have always been: Carnival rides, livestock exhibitions and an array of foods that aren't likely to be on any nutritionist's suggested list of dining options.

But for Gov. Andrew Cuomo, the 176-year-old event, which kicked off on Wednesday and runs through Labor Day, the fair's appeal represents something more significant.

The governor is spearheading an ambitious and sometimes controversial \$120 million plan to revitalize the 13-day fair and the 375-acre upstate property it calls home.

The goal is to see the fair grounds become a year-round hub of activity that could pump millions of dollars into Syracuse and the broader Onondaga County area and boost the troubled regional economy.

If You Go

◆ The New York State Fair, adjacent to Route 690 just west of Syracuse, runs through Labor Day.

◆ Adult admission is \$10, though discounts apply on certain days. Children 12 and under get in free daily.

◆ Gates open daily at 7 a.m. and close at 10 p.m.; 9 p.m. on Labor Day. Exhibit buildings open starting at 10 a.m.

Source: nysfair.ny.gov

—Charles Passy

"To me, the fair is really a metaphor for upstate New York," Gov. Cuomo said during his remarks at the event's opening day this year. The governor also took a ceremonial spin to help unveil a new skyline chairlift ride that dominates the midway.

Fairgoers have seen improvements resulting from the first \$50 million of the \$120 million, including a stately new entrance, an expanded midway and the tearing down of an aging grandstand.

Other upgrades, such as new drainage and electrical systems, are harder to spot, but have helped the fair run far more efficiently, say officials with the state's Department of Agriculture and Markets, which oversees the fair.

There is more to come with the remaining \$70 million the state has pledged.

A new 133,000-square-foot exposition center, which state officials boast would be the biggest facility of its kind between Cleveland and Boston and north of New York City, is slated to open next year in the southwest corner of the fairgrounds.

The aim is to see the fair attract everything from car shows to equestrian competitions throughout the year. The fair already hosts a number of such events, but the new center would be key to growth, officials say.

Also on tap as part of the next-phase of the \$70 million expenditure: \$20 million in area roadway and ramp improvements.

In all, the \$120 million commitment is "a significant investment for the state to



New York State Fair visitors recently rode the Broadway Skyliner, a new chairlift-type ride that dominates the midway.

make," said Marla J. Calico, president and CEO of the International Association of Fairs and Expositions, a trade group for the industry.

Still, the governor's plan for the fair has drawn its share of criticism.

Some lawmakers and other prominent individuals in the Syracuse area have said the \$120 million could be spent on more pressing issues, such as infrastructure needs that go beyond the fair.

Critics have focused on a plan to build a \$15 million gondola system—separate from the skyline ride—that would connect the fair to a nearby amphitheater that opened in 2015.

Onondaga County Republican Committee Chairman Tom Dadey called it "the gondola to nowhere" and said such projects are ill-advised given

Funding Boost Pays Off; Attendance Up

The infusion of state funds into the New York State Fair, which operates on a roughly \$15 million annual budget, is starting to pay off, state officials said.

They note that the event set a new attendance record last year of 1.1 million and saw record midway revenue of \$3

million (The state shares that revenue with an outside ride-and-games operator.)

Overall, the fair breaks even financially most years, said Troy Waffner, acting director of the fair.

So far, attendance at this year's fair that ends on Labor Day, is pacing ahead of 2016, with the event setting an all-time single-day record of 123,206 people on Sunday.

And fairgoers seemed to be enjoying themselves during the

first few days, whether they were waiting for a calf's arrival at the Dairy Cow Birthing Center or grooving to the sunny sounds of the Beach Boys at a Friday night concert.

The fair also is trying to expand its programming to reflect contemporary tastes and the diverse population throughout the state. Already this year, the event has hosted a Pride Day in honor of the state's LGBT community and a drone film festival.

—Charles Passy

the area's other priorities.

"Our roads are failing, our water and sewer lines are failing," he said.

State officials now say the gondola is no longer part of the \$120 million plan, but Troy Waffner, acting fair director, says the project hasn't

been ruled out for the future.

Many fairgoers say they are happy to see the event receive significant support from the state, noting that the improvements have made the event much easier to navigate.

Pat Brown, a longtime fair-

goer and retiree who lives part-time in Syracuse, says she's looking forward to what is to come at the event in the years ahead.

"If they can make it bigger and better, it's only going to be a plus for Syracuse," she said.

Connecticut Fatal Drug Overdoses on Track to Increase 18%

BY JOSEPH DE AVILA

The number of drug-related overdose deaths in Connecticut is forecast to exceed 1,000 in 2017, the highest number since the opioid epidemic began and the latest indication that the crisis hasn't abated, according to data released Monday.

There were 539 deaths related to drug-abuse through June 30, the state's medical examiner said. If that continues at the same rate for the entire year, the medical examiner predicted there would be 1,078 overdose deaths in Connecticut, up 18% over 2016 and more than three times the amount from 2012.

Hartford, the state capital, had 40 drug-related overdose deaths during the first half of this year, the most in the state. Waterbury was second, with 32, followed by Bridgeport with 25, the medical examiner's office said.

The vast majority of the deaths were due to opioid abuse, the office said. Fentanyl replaced heroin as the most common opioid found in overdose deaths in the state, the medical examiner said.

The state projects there will be 644 deaths involving fentanyl by the end of the year compared with 514 for heroin. In 2016, there were 483 fentanyl-related overdose deaths and 508 for heroin, officials said.

Gov. Dannel Malloy, a Democrat, said Connecticut needs help from the federal government to prevent fentanyl from coming into the state from other countries such as China.



A drug user prepares to inject heroin. The opioid crisis is fueling a rise in overdose deaths in Connecticut.

"Opioid addiction and prescription drug misuse is a disease that is impacting nearly every community and people of every background," Mr. Malloy, said. "This is a complex crisis that does not have one root cause, nor does it have simple solution."

The governor signed legis-

lation in June to address the opioid epidemic that includes measures such as increasing the data shared among state agencies regarding opioid abuse and opioid overdose deaths, requiring certain scheduled prescriptions be electronically filled, and reducing the maximum opioid

prescription for minors from seven to five days.

Overdose deaths related to the prescription opioid Oxycodone have declined in Connecticut. The state projects overdose deaths attributed to Oxycodone would fall from 110 in 2016 to 82 in 2017, a 25% decrease.

SOURCE: CONNECTICUT'S OFFICE OF THE CHIEF MEDICAL EXAMINER

THE WALL STREET JOURNAL.

JOHN MOORE/GTY IMAGES

GREATER NEW YORK

What is Afropunk?

We asked concert-goers at the annual Brooklyn event what Afropunk means to them.



"The first time I was so amazed and overwhelmed by the environment and all the people and so I had to come back for a second time. It's a really rich place to be. Afropunk means being unapologetic."

Erin Mitchell, 28, Birmingham, Ala.

PHOTOGRAPHS BY
SYLVIA SANGSUK KANG

Thousands turned out for the 12th installment of Afropunk Fest, a celebration of African-American music and culture, in Brooklyn's Commodore Barry Park over the weekend.

The two-day festival, in its second year at the larger venue after it outgrew nearby Fort Greene Park, started as a way to show that punk and hardcore rock were not exclusively played by Caucasian musicians.

This year's version included performances by Alternative R&B singer Solange, blues and soul guitarist Gary Clark Jr. and R&B teen singer Willow Smith.

"I kind of booked it like a mix tape," founder Matthew Morgan told the Associated Press. "I want people to be open and free enough to experiment within the space."



"It's great experience to see people are just like me, outside of the norm, I feel like I'm in my own type of family here. It's kind of like a reunion."

Jayee Adams, 20, Queens

"You can be whoever you want, not being judged, just being free to be yourself."

Angelica Thomas, 29, California ▶

"Afropunk means being proud of who I am. Being proud of every piece of me."

◀ JaQuam Mitchell, 22, St. Martinville, La.



Shows Poised to Close Get a Boost

BY CHARLES PASSY

The curtain may be coming down on a number of Broadway shows this summer, but that hasn't stopped them from courting a crowd in the meantime.

Take "Natasha, Pierre & the Great Comet of 1812," which is set to close Sept. 3. The musical, an interactive romp based on Leo Tolstoy's "War and Peace," saw its ticket sales rise by about \$85,000 to hit nearly \$1 million this past week, according to the Broadway League, a trade group.

Two other musicals scheduled to close Sept. 17, "Bandstand" and "Groundhog Day," also saw gains, though the shows still struggled to find a sizable audience.

"Groundhog Day," for example, took in \$650,416, an increase of roughly \$10,000 over the prior week. But that figure represented about 50% of the show's potential gross.

It is fairly common for shows to see a bump in sales at the end of their runs. Fans often rush to see a favorite once again, while those who missed the show earlier might try to catch it while they can.

And in the case of the "Great Comet," the show may be benefiting because Dave



'Bandstand' set to close Sept. 17, is seeing box-office gains, while struggling to find a sizable audience.

Malloy, its creator, is playing the lead male role of Pierre in the final weeks.

Still, shows face a particular challenge this time of year. The end of summer "is histori-

cally one of the worst periods for Broadway grosses," said Christopher McKittrick, an editor with DailyActor.com, a website that covers theater news.

Overall, Broadway is enjoying a good season so far. Grosses through last week totaled \$444 million, an increase of nearly 22% over last season at this same point.

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BROOKLYN Police Say Attack May Be Hate Crime

The New York Police Department searched Monday for a man who beat a social-services worker in what is being investigated as a possible antigay hate crime.

The worker was "badly beaten" in Brooklyn's Bedford-Stuyvesant neighborhood Saturday, according to the mayor's spokesman Eric Phillips.

The suspect, who was captured on video, approached the 27-year-old social worker on the corner of Fulton and Franklin Avenue, called him an antigay derogatory term and punched him in the face, police said.

The victim suffered a broken jaw, police said. The NYPD's Hate Crimes Task Force is investigating the incident.

Mayor Bill de Blasio said Monday that he had visited the victim, who will need surgery.

"He was in good spirits," the mayor said, adding he was "very troubled by what he went through."

—Zolan Kanno-Youngs

NEW YORK CITY

New Law Increases Price of Cigarettes

The price of a pack of cigarettes in New York City is going up—to at least \$13—and the number of places you can buy them is going down under legis-



A pack of cigarettes will cost a minimum of \$13 under a new law.

lation signed Monday by Mayor Bill de Blasio.

The new minimum price law, which takes effect on June 1, will make New York the most expensive place in the U.S. to buy cigarettes, Health Department officials said.

Currently, the minimum allowed price per pack is \$10.50.

The price increase is one of seven bills the Democratic mayor signed Monday aimed at pressuring the city's 900,000 estimated smokers to quit.

Another new rule will reduce by half the number of retailers licensed to sell tobacco products.

About 8,300 businesses now have a license. The numbers will be reduced through attrition.

Other laws will ban the sale of all tobacco products in pharmacies and require licensing of e-cigarette retailers.

—Associated Press

WESTERN NEW YORK Congressman Faces House Ethics Probe

The U.S. House of Representatives' Ethics Committee says it is investigating Republican Rep. Chris Collins of New York.

In January, the advocacy group Public Citizen filed a request for an investigation of possible insider trading. The House panel said Monday it needs more time to review a report submitted last month by the Independent Office of Congressional Ethics.

The advocacy group said Mr. Collins sits on the board of Inate Immuno, a company that is experimenting with a drug to treat multiple sclerosis. The group said Mr. Collins purchased millions of shares of the company while also sponsoring legis-

lation that could benefit the company.

A spokeswoman for Mr. Collins, who represents New York's 27th congressional district, says the congressman has followed all ethical and legal guidelines in his personal investments and he looks forward to the review.

—Associated Press

NEW JERSEY

Woman Is Charged in Fatal Car Crash

Authorities say a woman was driving drunk when her car overturned on a New Jersey highway and ended up in a mall parking lot, killing two other women.

Bergen County prosecutors say Jasmine Cruz faces two counts of death by auto.

The 23-year-old Garfield resident was seriously injured in Sunday's crash on eastbound Route 4 in Paramus.

It wasn't known on Monday if Ms. Cruz has retained an attorney.

Authorities say all four people in the vehicle were ejected from the car but were found nearby.

Maria Gomez, 29 years old, and 19-year-old Jenna DiScalfani, both of Garfield, were killed.

Another passenger, 23-year-old Kevin Coiro, suffered injuries that aren't considered life-threatening.

Authorities say the car ended up in the Bergen Town Centre parking lot. The mall wasn't open at the time of the crash.

—Associated Press

GREATER NEW YORK WATCH

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—Associated Press

LIFE & ARTS



JON KRAUSE

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

Are You Aware of How Others See You?

We don't always read how the outside world reads us; how to improve 'external self-awareness'

MOST OF US are not as self-aware as we think we are.

Research shows that people who have a high level of self-awareness—who see themselves, how they fit into the world and how others see them clearly—make smarter decisions, raise more mature children and are more successful in school and work. They're less likely to lie, cheat and steal. And they have healthier relationships.

Tasha Eurich, an organizational psychologist from Denver, spent three years conducting a study on self-awareness and has a new book on it titled "Insight." When it comes to self-knowledge, she says there are three types of people: those who have it, those who underestimate how much they have (she calls them "underraters") and those who overestimate how much they have ("overraters"). Underraters beat themselves up unnece-

sarily. Overraters believe they do everything well. She found no gender differences in her research.

Internal self-awareness is introspective—what happens when we know ourselves well. External self-awareness is what happens when we correctly understand how others see us. You can excel at one and not the other.

External self-awareness may be trickier to achieve, Dr. Eurich says. We can go to therapy or keep a journal to try to learn about ourselves, but we're still looking at the world through our own lens. Other people can give us a much more objective view of ourselves.

How can we truly know how others see us? Those who know us best often won't tell us the truth, especially if it's critical. Social media, with all its "likes" and "friends" can give us a false sense of self, too. And technology strips away a lot of feedback, such as

body language and tone of voice, that helps us understand how we come across.

Dr. Eurich says you can boost your external self-awareness. For her study, she and her colleagues

Family members may not give the most honest feedback. Look for someone more objective.

reviewed more than 800 studies on self-awareness. They also surveyed approximately 5,000 people around the world, and conducted in-depth interviews with 50 people who had significantly improved their own self-awareness over time.

Dr. Eurich identified seven cate-

gories of self-knowledge—areas that we need to cultivate in ourselves and seek feedback on from others if we want to be more self-aware. These are our values, passions, aspirations, fit (what type of environment is going to make us happy and engaged), personality, strengths and weaknesses, and the impact we have on people around us.

She has advice for how to more clearly see how others see us:

Pick the right person to ask for feedback

It might not be someone really close to you. A spouse, best friend or family member has a motive to try to please you. And those relationships can be emotionally complex, so there is a greater risk of conflict if you don't like the feedback.

Look for someone who is more removed and might be more objec-

tive. Studies have shown that people can watch a stranger for five minutes on video, without ever meeting the person, and evaluate his or her personality as accurately as a close friend or family member can.

You will also want to pick a person who sees you in the right context. For example, if you want to know how members of the opposite sex see you, you need to ask one.

Be specific about what you want to know

"Don't write them a blank feedback check," Dr. Eurich says. "You're opening the door to things you might not want to hear or might not be ready to work on."

Do some reflecting first, she suggests. Think about how you want to be viewed by others.

Here's an example: If you want to be seen as someone who is funny and charming, ask someone who was at that party with you last night how you really came across. What you did that helped you? What got in your way?

Pay more attention to people's reactions

We're often lost in our own heads, making up stories for ourselves about what other people think that are based more on our insecurities than their opinions.

Dr. Eurich says to think about what your goal is and compare that with the outcome. You wanted to be funny at the party. Did people laugh at the long joke where your mother-in-law was the punchline? Or did they sit silently, looking around at the others?

Watch whether people treat you differently

It's not enough to observe their body language—some people are animated or subdued no matter what. Pay attention to how they respond to others. Is that the same way they react to you? Are they listening to you more or less? Laughing more or less?

It's also important to observe whether a person's response has changed over time, especially if you know that person well. Personality is fairly consistent, so any changes may be about you.

Perform a friend audit

Dr. Eurich suggests you ask yourself: "Who are the people who would bail me out of jail at 2 a.m.?" Family members don't count. If you don't have at least one or two people on that list, think about what you could do differently so that you have people in your life who would do anything for you.

Create an imaginary therapist

This is like an imaginary friend, but more honest. Imagine your therapist observing your behavior and then gently telling you what he or she sees.

"You need to change your perspective," Dr. Eurich says. "And this helps you be objective and not wrapped up in your own defenses."

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ.

YOUR HEALTH | By Sumathi Reddy

WHAT YOUR GAIT CAN TELL DOCTORS

Bronx, N.Y.

DAVID VICTOR IS strolling up and down a walkway at a steady pace, reciting alternate letters of the alphabet aloud.

The 20-foot walkway the 73-year-old is on is embedded with pressure sensors that track every step he takes: his velocity, his cadence, how long his foot remains in the air. The measures pop up on a computer screen here in a laboratory at Albert Einstein College of Medicine.

Later, Mr. Victor will repeat the exercises with a device on his head that measures his brain function in real time.

Gait, or how people walk, is increasingly viewed as an important indicator of health for elderly people. Changes in gait have been associated with an increased risk for falling and other health outcomes. And researchers have discovered that slowing down or walking more erratically can predict later cognitive impairments, even dementia and Alzheimer's disease, more than a decade

before symptoms appear.

Roe Holtzer, a professor of neurology at Albert Einstein and Yeshiva University and Joe Verghese, director of the Montefiore Einstein Center for the Aging Brain, are collaborating on several research projects to shed light on the relationship between gait and cognition and how to improve them.

"We are treating walking abilities as an extension of brain function," Dr. Verghese says.

The researchers began annually monitoring 600 elderly area residents, including Mr. Victor, starting in 2011. Along with the analysis of their gaits, the seniors receive grip and balance tests, a battery of neuropsych tests and a routine health screening.

The researchers also measure changes in the oxygenation levels of the brain, using a functional near-infrared spectroscopy (fNIRS) device that looks like a headband. Participants wear one on their forehead. Doctors connect the device to a computer.

Please see **HEALTH** page A10



David Victor wears a device that measures his brain activity and levels of oxygenation as his walking and walking-while-talking speed are evaluated. Dr. Roe Holtzer, inset, a neurology professor, is helping to lead the study.

LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

Veterans Offer More Good-Time Rock

QUEENS OF THE STONE AGE Stone Age and LCD Soundsystem, reliable indie-rock veterans, return with new albums, both of which have a foot firmly in a musical past that precedes their careers. The recordings satisfy, each in their own way, even if they fail to challenge.

While "Villains" (Matador) by Josh Homme's Queens of the Stone Age and "American Dream" (DFA/Columbia) by James Murphy's LCD Soundsystem come to rock from different paths—the former from metal and hard rock, the latter from dance music and avant-funk—they share common spaces. Crunchy sounds populate the mid-range on both recordings, challenging aggressive percussion for dominance. With soul-and-funk producer Mark Ronson on board, "Villains" tweaks QOTSA's usually heavy approach and on a few tracks taps into some rhythmic techniques not unlike those on which Mr. Murphy builds his music. On "American Dream," Mr. Murphy now and then favors a metallic-like roar tearing through the synth-rich environment. His band can rock when it needs to.

And there is the specter of David Bowie, a clear and understandable influence on both albums. The groups were more than Bowie fans. Mr. Murphy, who revealed his fondness for Bowie's music on prior albums, played a bit of percussion on Bowie's "Blackstar," which was released two days prior to his death last January. Mr. Homme produced and, along with QOTSA's multi-instrumentalist Dean Fertita, performed on Iggy Pop's "Post Pop Depression" (2016); some of that album's compositions were influenced by Bowie and Iggy Pop's mutual creative period in late 1970s Berlin.

As if in homage to Bowie, there are sonic references too familiar to be coincidental: Queens of the Stone Age echoes Bowie's "Ashes to Ashes" on "Hideaway" and his "Let's Dance" on "Domesticated Animals." "Villains of Circumstance" all but quotes the bass line in Lou Reed's "Walk on the Wild Side," a recording Bowie co-produced. LCD Soundsystem's exceptional guitarist Al Doyle lets loose with free, squealing solos amid the tight funk-rock of "Change Yr Mind" that recall the work of Bowie colleagues Reeves Gabrels and Adrian Belew. Some of Mr. Murphy's synthetic environments are close kin to what Bowie cre-



FROM TOP: ANDREAS NEUMANN; PAUL R. GUINTA/WIREIMAGE/GETTY IMAGES



Queens of the Stone Age, above, James Murphy of LCD Soundsystem, left

ated for his landmark "Low," released 40 years ago. There's no great sin here, by the way. The code in rock and pop is when you borrow, borrow from the best.

Out now, QOTSA's "Villains" is a terrific hard-rock album, swaggering and entertaining. The quintet hugs its core strengths: big guitar riffs and thunderous drum patterns that propel hooky, well-crafted rock songs sung with wit by Mr. Homme. In "Hideaway" and "The Evil Has Landed" drummer Jon Theodore adds fat, syncopated patterns worthy of Led Zeppelin's John Bonham under the beefy guitars played by Mr. Homme and Troy Van Leeuwen. "The Way You Used to Do" kicks off with hand claps, but soon the band locks in as nasal-growl guitars and a snaking line by bassist Michael Shuman wrap around Mr. Theodore's booming beats. frantic New Wave percussion is the motor of "Head Like a Haunted House."

Arriving on Friday, "American Dream" is LCD Soundsystem's first studio album since Mr. Murphy disbanded the group in 2011. Much as QOTSA does on "Villains," it refreshes rather than discards a familiar method. Here, the sound is bright and intense, dense but not overcrowded and, at its best, instantly appealing. Tracks open with

simple percussive patterns and grow as instrumental sounds arrive and layer, their overtones coalescing as the hooks dig in deep. "Other Voices" is a full-blown dance track from the jump as the drums and bass played by Mr. Murphy, doing double duty, insist on motion.

An old-school drum-machine pulse and a repeating note played on bass introduce "Call the Police," but soon clouds of shimmering synths and cymbals cushion Mr. Murphy's voice, which has never been more limber than it is on this album. Also, Mr. Murphy resurrects his droll, deadpan delivery for the title track and the relentless "Tonite," a sardonic commentary on the modern-rock scene that spins into a portrait of paranoid delusion.

With the new albums, Queens of the Stone Age and LCD Soundsystem deliver something above ordinary, if not something extraordinary. There's little that's startling here, but not every album needs to reinvent rock and pop. In "Tonite," Mr. Murphy opines: "Everybody's singing the same song" and "All the hits are saying the same thing." That's not entirely true, but it acknowledges the need to adhere to audience expectations to succeed. If risk-taking is at the minimum on "Villains" and "American Dream," the rewards are more than few. And smart, good-time rock is always welcome.

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



David Victor takes a floor maze test. Dr. Joe Verghese, inset, says the idea is to study walking ability as an extension of brain function.

HEALTH

Continued from page A9
vise to the electronic walkway and test the patients' gaits.

Among their findings: Executive function, which takes place in the brain's frontal lobe and is associated with complex planning, is critical when walking while talking. A study they published earlier this year in the journal Neurology found that the levels of activation in this brain region while walking and talking is good predictor of future falls.

"This suggests that

there are changes in the brain that show up before clinical signs, like slow gait," Dr. Verghese says.

Now the researchers hope to improve gait by improving executive function in a federally funded study testing the effect of a computerized cognitive training program.

Three times a week for eight weeks the participants come to Albert Einstein to play computerized brain games for 45 minutes. On a recent day, a computer prompted 84-year-old Pedro Falcon to click a mouse as part of a memory game involving Halloween candy. A research assistant helped Natividad Jusino, 80, do a word search on another computer.

The researchers have recruited about 120 participants so far. They plan to have 420. About half will be playing brain games by CogniFit, which have been shown to improve executive function. The company—which sells games designed to improve cognitive health—has no affiliation with either researcher and isn't funding any of their studies.

The other half will be in a control group that also plays computerized brain games made by CogniFit, but ones the researchers don't believe stimulate the same cognitive processes.

The researchers are taking detailed measures of each participant's gait—both walking and walking while talking—before they start the eight weeks of training. They'll do so again post-intervention, as well as six and 12 months later, to see if any effects are durable. Doctors are also testing their brain activity during the tasks.

"One of the issues has been if you train someone to do a memory test, they appear to improve on memory, but not anything else," Dr. Verghese says. That's known as "near transfer."

They are hoping to show a far transfer effect, meaning that playing these games won't just improve the cognitive processes they're working on, but their walking as well.

A similar 24-person pilot study published in 2010 found that the intervention and control groups showed

improvements in walking and walking while talking. But the intervention group showed much greater improvements. The control group didn't play any computer games, so the researchers are trying to control for any impact playing on a computer might have in the current study.

Their ultimate goal is to help clinicians identify seniors at risk for dementia and other health risks, such as falls, and to find interventions to improve gait.

While the computerized cognitive training is the first intervention the doctors are testing, other tests are under way. Another researcher is starting a study in the fall to see whether imagining walking could help improve gait. Previous research has suggested it does.

The eight-week pilot study will use a telephone intervention with 40 frail seniors and talk them through a visual imagining exercise where they imagine walking. The study will measure whether their walking speed improves by the end.

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While the computerized cognitive training is the first intervention the doctors are testing, other tests are under way. Another researcher is starting a study in the fall to see whether imagining walking could help improve gait. Previous research has suggested it does.

The eight-week pilot study will use a telephone intervention with 40 frail seniors and talk them through a visual imagining exercise where they imagine walking. The study will measure whether their walking speed improves by the end.

The researchers hope to improve gait by improving executive function in a federally funded study testing the effect of a computerized cognitive training program.

Three times a week for eight weeks the participants come to Albert Einstein to play computerized brain games for 45 minutes.

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The researchers have recruited about 120 participants so far. They plan to have 420. About half will be playing brain games by CogniFit, which have been shown to improve executive function.

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LIFE & ARTS



Logic performed the song at the MTV Video Music Awards on Sunday, joined by suicide-attempt survivors. Below, the rapper in April.

MUSIC

A Rapper Sends A Suicide Lifeline

Logic's breakthrough anthem '1-800-273-8255' drives calls to a national hotline

BY JOHN JURGENSEN

A SONG that began with the working title "Suicide" has brought a new burst of life to the career of a rapper who is hammering a message of "peace, love and positivity."

Logic, 27 years old, has used that mantra and a tour de force rap flow to transcend outsider status and build a groundswell of fan loyalty. Now he has earned an unlikely breakthrough with an anthem that he named for the National Suicide Prevention Lifeline: "1-800-273-8255."

"Most people don't usually give a sh-t about songs like this," he says of his first commercial hit. On the radio and the streaming music charts, it's the odd tune out, surrounded by songs about seduction, self-congratulation and nightlife adventure.

It's not a one-off for Logic. His third album, "Everybody" (which made its debut at No. 1 on the Billboard album chart in the spring) is a front-to-back exploration of thorny human problems, and includes a running dialogue with God (voiced by astrophysicist Neil deGrasse Tyson). Logic burrows into personal issues: a rough upbringing in Gaithersburg, Md., and struggles as a biracial rapper in a no-man's-land of hip-hop, where identity is strictly policed.

After nearly a decade of trying to show off his rap prowess, he says, he shifted his priority: "How about just trying to send the biggest message I can?"

"1-800-273-8255" is written from the perspective of someone who reaches out for help and the operator who answers the call. The chorus shifts from "I don't wanna be alive" to "I want you to be alive." It has 167 million streams on Spotify and 46 million views for official versions on YouTube, including a seven-minute music video featuring actor Don Cheadle and a story about a gay teen who fights through his desperation.

Logic performed the song on Sunday night at the MTV Video Music Awards, where he and the singers featured on the track, Alessia Cara and Khalid, were joined on stage by suicide-attempt survivors wearing white T-shirts. Separately, the award show paid tribute to two rock singers who committed suicide this year, Chris Cornell and Chester Bennington.

Since the release of "1-800," call volume is 33% higher than the same period last year for the National Suicide Prevention Lifeline,

which is on track to field 1.8 million calls this year, direc-



tor John Draper says. Unlike other portrayals of suicide in entertainment, such as the recent Netflix series "13 Reasons Why," he says "1-800" is the rare example that sends a message of prevention, noting that the increase in calls doesn't take into account the people who heard the song and "just felt more hopeful" without needing to call.

A couple of weeks before the song's release, the organization gave approval to use its phone number, but didn't hear the track until the day it was released. Dr. Draper recalls his first listen and his relief that it didn't include any F-words in its lyrics.

"After all, [the hotline] is funded by the government," he says. Staff members have taken to shouting out one of the song's signature lines to each other at the office: "Who can relate?"

Logic's birth name is Sir Robert Bryson Hall II and he is known to friends as Bobby. On the song "Take It Back," he describes a childhood with a black father and white mother "addicted to crack cocaine, alcohol and various other drugs." Though he grew up poor and identifying as black, people often assumed he was white—and thus more privileged—based on his appearance, a cultural split that would carry over into his music career. The "Everybody" album is his most public effort to reconcile his past and both sides of himself, a sometimes uneasy peace.

On the title track, he raps: "Everybody talkin' 'bout race this, race that. I wish I could erase that, face facts." On another verse, he says, "In my blood is the slave and the master. It's like the devil playin' spades with the pastor."

With a tightknit group of collaborators, including a manager his age, Chris Zarou, Logic built a big grass-roots following by touring and releasing a series of underground mixtapes. After signing to the

Def Jam label in 2013, he released two albums that got little mainstream notice, setting the stage for the more personal and ambitious "Everybody."

"I always wanted a hit record. I always wanted to be on the radio. I always wanted love and respect on a mainstream level. I never got it," Logic says. "When I said, 'Screw it, I'm going to make this album for me,' that's when all that mainstream

success started happening."

In a genre where decadence and toughness is the norm, Logic's image is proudly nerdy. In Chicago last week, the last stop on a summer tour, he started the show by urging audience members to stay hydrated and to say hi to the fellow fans standing next to them.

Wearing glasses, jeans and loosely laced Nikes, he paused the show to take on members of his crew in a game of Nintendo Mario Kart, with the race shown on the venue's giant video screens. He closed out the concert by asking audience members their names and inviting a 17-year-old girl on stage to rap along with him at breakneck pace.

Though he built a career on rap skills, he's planning to expand his style, starting with the song he now performs at a piano during his shows. "I'm done with rapping all the time," he says. "I want to sing and play ballads. I want to give you something like Queen meets James Brown with a positive message. That's where my mind is going from here."

MUSIC REVIEW

ARTIE SHAW'S EARLY RETIREMENT

BY WILL FRIEDWALD

THE MOST familiar kind of tragedy in American music is that of the great artist who dies young, like Bix Beiderbecke or Charlie Parker. Then there's the artist who does all of his major work only in the early part of his career, as critics once said of Louis Armstrong (though hardly anyone would agree with that assessment anymore).

Artie Shaw represents a unique kind of cultural tragedy: the major artist who gives it all up at the peak of his powers for reasons that seem baffling to everybody else.

A new double CD reveals what an irreparable loss it was to music when Artie Shaw stopped playing the clarinet at age

44. (That he

lived another 50

years only adds

insult to injury.)

"These Foolish

Things: The

Decca Years"

(Sepia) collects

47 tracks re-

corded between

1949 and 1955,

including all of

his final big

band sessions

made before, as

he later bragged, he "made

a lamp" out of his clarinet.

As Shaw later told me—and many other interviewers—he hated the business aspects of the music world and cringed at the thought of being forced to replay his "Begin the Beguine" and "Frenesi" every night. Yet these swan-song tracks show that the bandleader was making brilliant music right up until his last note.

For most of those tracks, Shaw does what he did best: playing sumptuous arrangements of the classic songs that he helped define as standards, graced by his own passionate and moody clarinet solos, as on "Where or When" and "Love Walked In." There are also stylishly swinging original works played by his group the Gramercy Five (actually a septet here), among them "Crumbum" and "The Shekomeko Shuffle."

Yet new ideas abound as well: While earlier tracks (like both "Beguine" and "Frenesi") had alluded to Pan-American styles, "Ori-

noco" and "Mucho de

Nada" here are much more

authentically invested in

the Afro-Cuban idiom, fea-



Jazz clarinetist Artie Shaw (c. 1940)

strings and choir that represents Gordon Jenkins at his most rococo. It seems uncomfortably campy in a way that Shaw's other music never was.

Many years later, Shaw delighted in telling me that he didn't think much of nearly all of the singers he worked with. Still, most of those heard here are eminently worthy of sharing the mic with the great clarinetist, especially Connee Boswell and Dick Haymes; alas, the two songs assigned to Boswell are forgettable, but the Haymes-Shaw duet on "Count Every Star," a lovely French song that ought to be better known, is a highlight of both careers.

Maybe Shaw was inspired by Gioachino Rossini, who composed all of his classic operas before he was 40 and then retired. In the end, it's insignificant that the music in "These Foolish Things—The Decca Years" represents some of Shaw's last. It only matters that it's some of his greatest.

Mr. Friedwald writes about music and popular culture for the Journal.



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SPORTS

RUNNING

A Marathon Icon Races the Clock

60-year-old Joan Benoit Samuelson will try to become the first female sexagenarian to crack three hours in her signature race

BY MATTHEW FUTTERMAN

JOAN Benoit Samuelson is 60 years old. That's 33 years removed from winning the first Olympic women's marathon in 1984, and 34 years past running a world best time for 26.2 miles and nine years after she qualified for the Olympic Trials at 50.

But her addiction to milestones has not abated.

So Benoit Samuelson is spending her summer training hard, on the Maine coast, for the Bank of America Chicago Marathon in October, where she will try to become the first female sexagenarian to crack three hours in her signature race.

Benoit Samuelson, seemingly even trimmer and fresher-faced than when she won gold in Los Angeles, describes the attempt as "a long shot." Those who have watched her set age-group records for 20 years think differently.

Regardless, Benoit Samuelson's mind is fixed on her 3-hour barrier. "It's the human body against the clock," she said in a recent interview.

Eventually, everyone loses that race, but Benoit Samuelson has forced a lot of running experts to re-examine their notions of athletic decay. What makes her different from nearly every other elite athlete is how long she has remained elite.

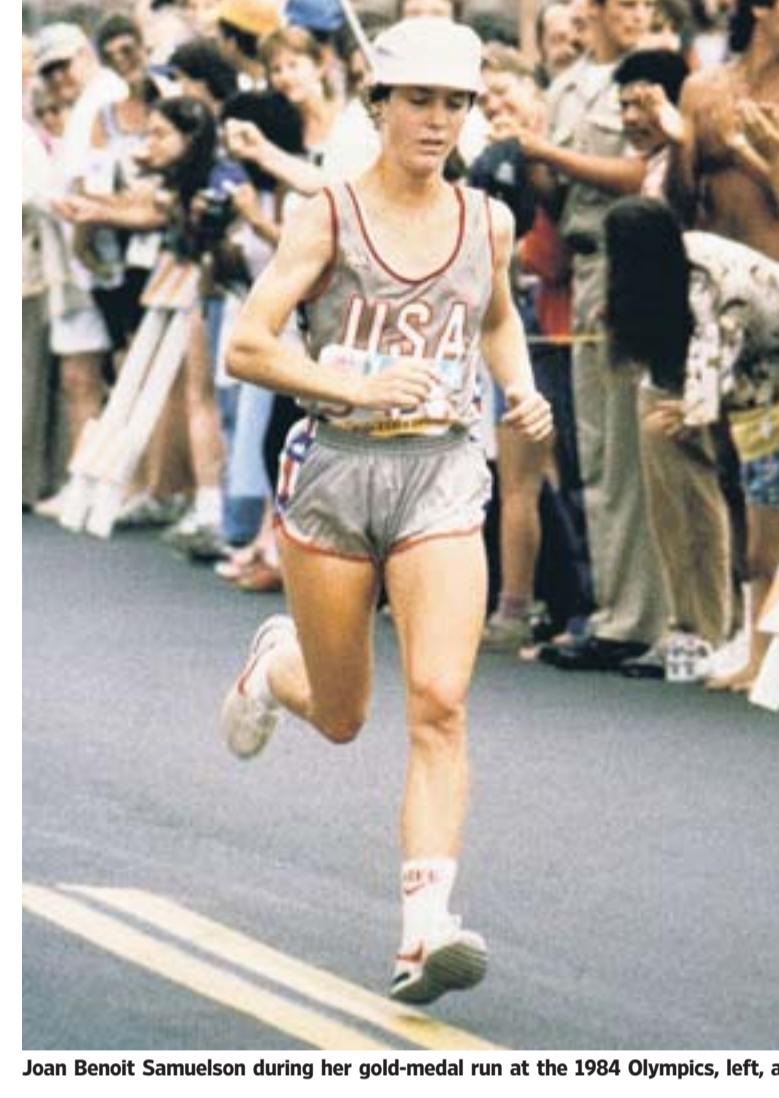
In all but the rarest cases, the absurdly intense training and competition that elite athletes endure leaves them limping in middle age on balky knees, replaced hips and sore backs.

Benoit Samuelson was the best-ever at 25, when she finished the 1983 Boston Marathon in 2:22:43, and again at 55, when she ran 2:50.29 in Boston in 2013, finishing about two hours before the bombs exploded at the finish line. In August, she set the U.S. record for her age group for 10,000 meters, finishing the Beach to Beacon race in Maine, an event she created, in 39:19. That translates to a 6:21 per mile pace.

Such performances have made her an icon of the sport. Earlier this year, she held the tape in Italy as Eliud Kipchoge came within 26 seconds of breaking two hours in the marathon in a Nike-produced stunt.

"What is most remarkable about Benoit is both her greatness while younger and an incredible record of longevity at the highest level," said Dr. Michael Joyner, an expert in exercise and physiology at the Mayo Clinic in Minnesota.

Joyner, who once ran a sub 2:26 marathon and is one of the world's



Joan Benoit Samuelson during her gold-medal run at the 1984 Olympics, left, and during the Quad-City Times Bix 7 in July.

leading researchers on endurance performance, said at age 35 performance generally begins to decline a minimum of 6% per decade and then accelerates with time, especially after age 60.

Benoit Samuelson's marathon times, beginning with her personal record of 2:21:21 in 1985 on Chicago's fast and flat course, track almost perfectly with a 6% per decade decline.

She has managed that with a regimen that gives new meaning to cross-training and will be music to the ears of runners who hate the labors of quarter and half-mile speed intervals. She says she hasn't been on a track in two decades, fearing the turns will wreak havoc with an irritable "lower back and hip thing" that can aggravate the opposite knee and ankle if she compensates by altering her natural stride.

"I am playing with fire," she said of the attempt to break three hours after her joints have pounded so much pavement the past 40 years.

To prepare, Benoit Samuelson is now stretching her weekly long run to 20 miles every other week. On the other days, she runs no less than three and no more than 12 miles, varying her speed and distance depending on how she feels. She races against cars for short stretches during her runs to keep her speed sharp.

She maintains her upper-body strength partly with cross-country skiing in the winter. A typical winter day will include a morning run, downhill skiing until 1 p.m., and skiing cross-country until darkness descends. In the spring and summer, she stays toned with kayaking and working in her garden, lugging bags of topsoil and digging through the dirt to grow celery, kale, chard and every kind of lettuce she can. Staying ahead of woodchucks has proved challenging, she said.

She didn't foresee competing with herself and ticking clocks at 60, but she is a sucker for numbers and the stories they tell. She

figured she was finished after the 2008 Olympic Trials marathon. She wanted to break 2:50 at 50 and finished in 2:49.08.

The following year organizers of the New York City Marathon convinced her to use their race to celebrate the 25th anniversary of her Olympic gold medal. (Result:

2:49:09, a course record for the 50-plus division). In October 2010 she couldn't resist running Chicago on 10/10/10, 25 years after she set the American record there. (Result: 2:47:50, first woman to go sub-three hours in five separate decades.) Three weeks later she was in Athens to celebrate the 2,500th anniversary of the Battle of Marathon doing, well, you know.

In 2013, she marked her the 30th anniversary of her then best-ever time in Boston with that 55-plus best-ever time.

If Benoit Samuelson does go "sub-3" at 60, her record may stick for a good while. The current 50-and-over world record holder,

Tatyana Pozdnyakova (2:31:05), is already 62. Linda Somers Smith, who set the American 50-and-over record (2:37:36) in 2012, is just 56-years-old, but she said her law practice is currently too busy to consider one-upping a legend again, as tempting as it is.

"I would have to have a change in lifestyle or retire to even consider what Joanie is doing," Somers Smith wrote in an email.

With Chicago weeks away, Benoit Samuelson is searching for the right balance between wanting to set another record and not taking the race so seriously that she over-trains and wears out her legs on Maine's back roads, or goes out too hard in the first half of the race. She tends to find her rhythm as races progress, and she draws strength from passing people in the final miles as opposed to being passed. If she is under 1:28 at the halfway mark, she will be worried. "I need to run my own race," she said. "I said the exact same thing that day in L.A."

SOCER

JOSÉ MOURINHO'S BIG REBUILDING GAMBLE

BY JOSHUA ROBINSON

Manchester, England
JOSÉ MOURINHO arrived at Manchester United last summer with the sole mission of restoring the club to greatness. United and its fans had just been through three of their worst seasons in decades, a spell that cost the team tens of millions of dollars, not to mention its old air of invincibility.

But with the Premier League more competitive than ever, Mourinho realized his team wasn't ready. So in his first year at England's most storied club, he did what no other elite manager would dare. Right in front of everyone, he openly put Manchester United through a rebuilding season.

It is paying off very quickly. Three games into this year's campaign, there is an unmistakable menace about the Red Devils. United has swaggered to three straight victories, outscoring opponents by a combined 10-0, and sits atop the standings. The club that hasn't finished in the top three since 2013 is now the British bookmakers' second-favorite to win the title.

"If the best needed that time, it means the others also need that time," Mourinho said last winter, recalling that even United's legendary manager Alex Ferguson got off to a rocky start.

The difference between Ferguson and Mourinho, however, is that United wasn't the global sports behemoth it is today when Ferguson took over in 1986. Back then, missing out on Champions League qual-

ification didn't blow a \$40 million hole in the following season's income. And Premier League managers lasted somewhat longer than the current average of 18 months.

That's why, at the top of English soccer, rebuilding years are like embarrassing rashes. People have them once in awhile, but it's best if no one brings them up. Arsenal's Arsène Wenger has been attempting to rebuild for a decade, though he never once conceded that the club was punting on a season. Chelsea and Manchester City have had similar restructuring campaigns, but their wild spending makes it too awkward to admit that they aren't hoping for immediate returns.

Mourinho had no such qualms. He settled for sixth place last season and made a gutsy call to focus on winning the second-tier Europa League instead of fighting for a top-four spot to secure a lucrative Champions League berth—and it worked.

"We didn't have many matches last season where we played 90 minutes with the control we had today," he said after a commanding 2-0 victory over Leicester City on Saturday.

That United is vastly improved after a year under Mourinho is no surprise. In every head-coaching job he has ever held—at Porto, Inter, Real Madrid and two stints at Chelsea—Mourinho has always won the league in his second year.

One factor is that his particular style of management—ruthless and pragmatic—can quickly whip under-performing squads into shape. The downside is that his approach has also proven highly volatile. At



previous stops, Mourinho has alienated veteran players, accused his team of "betraying" his work, and lost the confidence of his stars. There's a reason Mourinho has never lasted longer than three-and-a-half years at a club.

But a more tangible secret of Mourinho's signature turnarounds is the bluntest instrument in soccer: money. His employers over the past decade—Chelsea, Inter, Real Madrid and Manchester United—have all opened their vaults and Mourinho has promptly burned every penny available. By some measures, he is the highest-spending manager of all time.

Fourteen months into Mourinho's tenure in Manchester, his transfer-market tab is already \$406 million. That includes the then-world record \$130 million he spent on French midfielder Paul Pogba last summer and the \$98

million he shelled out for Belgian striker Romelu Lukaku this year.

It means that Mourinho finally has this squad where he wants it. In his first campaign, he was able to shore up the team's issues at the back and turned it into the second best defense in the league. Yet problems remained.

The club scored only 54 league goals last season, five fewer than it should have, according to the expected goals statistic, which projects results based on the quality of scoring chances.

Mourinho feels that he has already gone a long way toward fixing that. Nothing made that clearer than the fact that both of United's goals against Leicester came off the bench.

And the squad is only getting deeper. United announced last week that striker Zlatan Ibrahimovic would rejoin the club for

one more season as soon as he recovers from a knee injury.

Of course, Mourinho knows that the first three weeks of a campaign never reflect the reality of mid-season—so far he has faced only one game a week with five days to dissect each opponent. Once European competition kicks off in mid-September, United will play every three or four days for at least three straight months.

If that means occasionally reverting to the more defensive style that bored United fans last season, Mourinho said, so be it. At least they know that this season, no longer a reconstruction project, holds the potential for more.

"Probably in some matches where the opponent is playing better than us, we will have to be pragmatic and realistic and defend," Mourinho said. "But in these three matches we didn't need that."

OPINION

Steve Bannon's Revenge

MAIN STREET
By William McGurn

When Steve Bannon phoned an editor at the American Prospect and unloaded on his White House colleagues, he effectively issued his own pink slip. His offense was particularly egregious because it came right after the president had brought in a new chief of staff to end West Wing behavior like Mr. Bannon's.

But on his way out Mr. Bannon said something interesting. "The Democrats," he told Robert Kuttner, "the longer they talk about identity politics, I got 'em. I want them to talk about racism every day. If the left is focused on race and identity, and we go with economic nationalism, we can crush the Democrats."

Mr. Bannon's words, like Mr. Trump's remarks during his ill-fated post-Charlottesville press conference two weeks ago, have been interpreted as smiling on white supremacists. Even some of the president's own top appointees have felt compelled to put space between themselves and Mr. Trump over his comments about a protest that saw a young woman who was counterprotesting fatally run down by a protester's car. Still, Mr. Bannon invites the question whether the spectacle of mobs targeting public statues they don't like and suppressing the speech of

Undoubtedly more is to

Russia's Cold War With Scandinavia

By Azita Raji

The current relationship between the U.S. and Russia is eerily evocative of the Cold War, complete with aggressive aircraft interceptions, harassment at sea, and diplomatic expulsions. But there are significant, consequential differences between America's relationship with the Soviet Union and with the Russian Federation.

Today's situation is more perilous, made so by Russian President Vladimir Putin's sense of grievance and revenge. Alliances have shifted too. The nations of the Warsaw Pact dissolved that treaty and most then joined the North Atlantic Treaty Organization.

What remains of the nonaligned bloc is more nostalgic whimsy than an influential group of nations.

Consider Sweden and Finland. While they no longer assert their neutrality as they did during the Cold War, the Swedes and Finns are finding it hard politically at home to challenge the perceived benefits of nonalignment. They seem to be playing it safe, with one foot in the NATO camp and the other—even if lightly set down—outside it.

But for all the talk of neutrality, Sweden and Finland are as militarily capable as some NATO allies and enjoy a privileged relationship with the alliance.

The Kremlin prepares military maneuvers in the Baltic, as Sweden and Finland sweat.

It's no wonder Sweden and Finland feel more vulnerable than they did during the Cold War. No longer effectively neutral nor members of a broad military alliance, they are subject to Russia's belief that they side with NATO. Swedes and Finns have responded robustly to Russian aggression. They have boosted military spending and signed a mutual-support agreement with each other.

These nations saw what happened when Russia invaded Ukraine, which also had a privileged partnership with NATO. Without membership, and the Article 5 protection it

offers, the alliance didn't send troops to Ukraine's defense. For Sweden and Finland, the difference between the Cold War and today is that they don't have the vague and unreliable "protection" of neutrality, nor do they have the formal and real protection of NATO. As tensions with Russia increase, Swedes and Finns are trapped in their historical identity of neutrality and their current position of military nonalignment.

The Russian military forces currently gathering for next month's Zapad military exercise across the Baltic Sea will be watched closely and with grave concern in Stockholm and Helsinki. But unlike during the Cold War, the Swedes and Finns will be able to rely on a strong defense relationship with the U.S., sealed with bilateral memorandums of understanding that allow for joint-military planning, exercises and intelligence exchanges. During my time as U.S. ambassador to Sweden, trilateral meetings among the U.S., Sweden and Finland were inaugurated and are further tightening military cooperation.

While this close relationship is no substitute for NATO membership, the Russians know the U.S. will not stand idly by should they attack Sweden or Finland. During my tenure, then-Vice President Joe Biden visited Sweden to affirm the American commitment to

sometimes gone weeks without remembering the extra furniture and why it's there.

All of this has made me think about the human capacity to domesticate any disaster into a dim memory. The aftermath of Hurricane Harvey has been terrible, yet the real struggle will emerge in the months ahead, after the news caravans and the national attention migrate elsewhere, as inevitably they will. The true challenge for disaster victims can be a sense of isolation as people like me, those not directly hit, slip back into comfortable complacency.

It's easy to think of short attention spans as a weakness of the Twitter age, but the New Orleans journalist Lyle Saxon put his finger on it after the Flood of 1927. "We are a strange people—we Americans; we so soon forget," he wrote. "Before the water had begun to recede, and while some of the worst floods of the year were taking place, newspaper readers had become tired of the disasters

sometimes gone weeks without remembering the extra furniture and why it's there.

Along the Mississippi. It was already an old story. Newspaper men in the flooded area were fed up on horror, fed up on bravery, bored with the terrible sameness of destruction. Even the rescuers were sated. They had seen too much suffering, had endured too much. . . . The men who had seen the most could not talk about it.

The tragedy of Harvey has reminded me that compassion for catastrophic suffering shouldn't be a momentary impulse, but a commitment of months, maybe years. So I'll clear my sister's table and chairs, then invite her family over to eat dinner on her dining set. We'll hold hands and pray for the day when she, those hit by Hurricane Harvey, and all flood victims near and far will be able to teach itself many other things as well—slowly at first, then faster and faster.

What would that mean for humans? Nobody knows, including—as he freely admits—Mr. Tegmark. Like horses after the invention of the internal-combustion engine, we might be kept on as show animals—although Mr. Tegmark's observation that the U.S. horse population fell almost 90% between 1915 and 1960 is not exactly heartening. He presents a dozen or so other scenarios as well. Would an omniscient AI act as a "protector god," maximizing human happiness while allowing us the illusion that we're still in control? Would it decide we're a threat and wipe us out?

It's impossible to know that either. By failing either to refute or champion the bulk of these possible futures, Mr. Tegmark makes the whole exercise seem divorced from reality. But he means it as a challenge: Rather than our being told what is going to happen, he wants us to decide what we want to happen. This sounds quite noble, if a tad naive—until he invites us to debate the issue on a web site that is chockablock with promo material for the book.

There's a place for self-promotion, just as there's a place for killer-robot movies—but does either really contribute to our understanding of what humanity faces?

BOOKSHELF | By Frank Rose

When Machines Run Amok

Life 3.0

By Max Tegmark
(Knopf, 364 pages, \$28)

Cosmologists take on the big questions, and in "Life 3.0" Max Tegmark addresses what may be the biggest of them all: What happens when humans are no longer the smartest species on the planet—when intelligence is available to programmable objects that have no experience of mortal existence in a physical body? Science fiction poses such questions frequently, but Mr. Tegmark, a physicist at MIT, asks us to put our "Terminator" fantasies aside and ponder other, presumably more realistic, scenarios. Among them is the possibility that a computer program will become not just intelligent but wildly so—and that we humans will find ourselves unable to do anything about it.

With all this, the received wisdom, especially after the failure of the Republican Congress to repeal ObamaCare, is that the GOP is in the midst of a collapse that may cost them their majorities in Congress come 2018.

Maybe. But it won't be easy to find the good Democratic candidates necessary to gain the 24 seats the party needs in the House. As for the Senate, 10 Democrats are up for reelection in states that went for Mr. Trump, against only one Republican in a state carried by Hillary Clinton.

During his campaign for the presidency Mr. Trump infamously declared, "I could stand in the middle of Fifth Avenue and shoot somebody and I wouldn't lose voters." If it ends up that Charlottesville doesn't do the president any lasting damage, it won't be because of any genius. It will be because as bad or uncouth as Mr. Trump may be, he has a knack for bringing out even worse in his opponents.

Write to mcgurn@wsj.com.

Max Tegmark addresses what may be the biggest of them all: What happens when humans are no longer the smartest species on the planet—when intelligence is available to programmable objects that have no experience of mortal existence in a physical body? Science fiction poses such questions frequently, but Mr. Tegmark, a physicist at MIT, asks us to put our "Terminator" fantasies aside and ponder other, presumably more realistic, scenarios. Among them is the possibility that a computer program will become not just intelligent but wildly so—and that we humans will find ourselves unable to do anything about it.

Mr. Tegmark's previous book, "Our Mathematical Universe" (2014), put a hugely debatable spin on the already counterintuitive notion that there exists not one

universe but a multitude. Not all mathematicians were impressed. "Life 3.0" will be no less controversial among computer scientists. Lucid and engaging, it has much to offer the general reader. Mr. Tegmark's explanation of how electronic circuitry—or a human brain—could produce something so evanescent and immaterial as thought is both elegant and enlightening. But the idea that a machine-based superintelligence could somehow run amok is fiercely resisted by many computer scientists, to the point that people associated with it

have been attacked as Luddites.

Yet the notion enjoys more credence today than it did a few years ago, partly thanks to Mr. Tegmark. Along with Elon Musk, Stephen Hawking and the Oxford philosopher Nick Bostrom, he has emerged as a leading proponent of "AI safety" research, which focuses on such critical matters as how to switch off intelligent machines before things get out of hand.

In March 2014 he co-founded the Boston-based Future of Life Institute to support work on the subject, and soon after he helped stage a conference at which AI researchers from around the world agreed that they should work not just to advance the field of artificial intelligence but to benefit humankind. This past January, he helped draw up a 23-point statement of principles that has been embraced by some 1,200 people in AI, among them the authors of the leading textbook on the subject and the founders of DeepMind, the Google-owned company whose AlphaGo program defeated one of the world's top Go players last year in South Korea.

The issue is certainly timely. After decades in which artificial intelligence promised much and delivered little, recent breakthroughs in such target areas as facial recognition, automatic translation and self-driving cars have brought AI out of the woods. Amazon, Alphabet, Facebook, Tesla and Uber are making huge investments in AI research, as are Baidu and Alibaba in China. Where all this will take us is the broader focus of Mr. Tegmark's book.

The author was taken aback when he observed an AI program teach itself to play an arcade game—much better than its human designers.

Though he sees widespread benefits in fields ranging from medical diagnosis to power-grid management, Mr. Tegmark devotes the bulk of "Life 3.0" to how things could go wrong. Most immediate is the threat of unemployment, starting perhaps among Uber drivers before eventually spreading to computer scientists whose machines have learned to program themselves. Even more disconcerting is the threat of an arms race involving cheap, mass-produced autonomous weapons. As Mr. Tegmark points out, "there isn't much difference between a drone that can deliver Amazon packages and one that can deliver bombs."

Actually, bombs are crude compared with what AI could deliver once it has been weaponized: Think drones the size of bumblebees that could be programmed to kill certain people, or certain categories of people, by grabbing their skulls with tiny metal talons and drilling into their heads.

As horrific as that possibility may sound, it wouldn't threaten the existence of the human species.

Superintelligence might. No one really knows if a machine will ever develop the general-purpose intelligence that would be required. But in 2014 Mr. Tegmark caught a glimpse of how it might. He was watching a DeepMind program as it learned to play Breakout, a '70s arcade game. The object of the game is to break through a wall by bouncing a ball off it repeatedly, knocking out a brick with every hit. At first the AI was hopeless. But it quickly got better, and before long it devised a relentlessly effective technique that none of the humans at DeepMind had

thought of. It went on to learn 49 different arcade games, including Pong and Space Invaders, beating its human testers on more than half of them. Obviously it's a very long way from vintage arcade games to general intelligence, let alone consciousness. But if a computer program can teach itself to play games, it might be able to teach itself many other things as well—slowly at first, then faster and faster.

What would that mean for humans? Nobody knows, including—as he freely admits—Mr. Tegmark. Like horses after the invention of the internal-combustion engine, we might be kept on as show animals—although Mr. Tegmark's observation that the U.S. horse population fell almost 90% between 1915 and 1960 is not exactly heartening. He presents a dozen or so other scenarios as well. Would an omniscient AI act as a "protector god," maximizing human happiness while allowing us the illusion that we're still in control? Would it decide we're a threat and wipe us out?

It's impossible to know either. By failing either to refute or champion the bulk of these possible futures, Mr. Tegmark makes the whole exercise seem divorced from reality. But he means it as a challenge: Rather than our being told what is going to happen, he wants us to decide what we want to happen. This sounds quite noble, if a tad naive—until he invites us to debate the issue on a web site that is chockablock with promo material for the book.

There's a place for self-promotion, just as there's a place for killer-robot movies—but does either really contribute to our understanding of what humanity faces?

Mr. Rose is the author of "The Art of Immersion" and a senior fellow at the Columbia University School of the Arts.

Houston, It Gets Harder From Here

By Danny Heitman

My wife and I sobbed when we saw Houston underwater. After witnessing Hurricane Katrina and last year's massive Louisiana flood up close, we know in a special way what the people of Texas and parts of my state are going through today. Part of our grief comes from knowing that for those touched by Hurricane Harvey, the hardest part is yet to come.

After last year's flood destroyed my sister's house, forcing her family to move in with friends, she asked me to store her salvaged dining-room set until they rebuilt. I made space for the lovely oak table in our living room and dispatched the matching chairs to several corners of the house. The table seemed, in its first few days under our roof, a solemn shrine to my sister's ordeal, a useful reminder of her daily challenges long after the floodwaters had receded.

But any horizontal plane in

our house becomes a kind of coral reef, as oddities large and small quickly colonize the vacant surface. In no time, our 16-year-old son, a robotics buff, had appropriated the table for a workbench. A scatter

of copper wire, pliers and screws accumulated where, not long before, a now-displaced household had shared its meals.

I was initially troubled by the thought that my son, a typically sensitive young man, had converted a casualty of catastrophe into a spot to tinker. But I'd done essentially the same thing, using one of my sister's chairs to hold some books overflowing from my bedroom nightstand. Soon the legacy of loss blended into the background of life. During the year since the flood, I've

sometimes gone weeks without remembering the extra furniture and why it's there.

All of this has made me think about the human capacity to domesticate any disaster into a dim memory. The aftermath of Hurricane Harvey has been terrible, yet the real struggle will emerge in the months ahead, after the news caravans and the national attention migrate elsewhere, as inevitably they will. The true challenge for disaster victims can be a sense of isolation as people like me, those not directly hit, slip back into comfortable complacency.

It's easy to think of short attention spans as a weakness of the Twitter age, but the New Orleans journalist Lyle Saxon put his finger on it after the Flood of 1927. "We are a strange people—we Americans; we so soon forget," he wrote. "Before the water had begun to recede, and while some of the worst floods of the year were taking place, newspaper readers had become tired of the disasters

along the Mississippi. It was already an old story. Newspaper men in the flooded area were fed up on horror, fed up on bravery, bored with the terrible sameness of destruction. Even the rescuers were sated. They had seen too much suffering, had endured too much. . . . The men who had seen the most could not talk about it.

The tragedy of Harvey has reminded me that compassion for catastrophic suffering shouldn't be a momentary impulse, but a commitment of months, maybe years. So I'll clear my sister's table and chairs, then invite her family over to eat dinner on her dining set. We'll hold hands and pray for the day when she, those hit by Hurricane Harvey, and all flood victims near and far will be able to teach itself many other things as well—slowly at first, then faster and faster.

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OPINION

REVIEW & OUTLOOK

Our Political Central Bankers

Janet Yellen didn't run for President, but you wouldn't know it from her policy démarcée Friday at the Federal Reserve's annual Jackson Hole retreat. The Fed Chair unleashed a defense of post-crisis financial regulation that shows how political the world's central bankers have become.

"Already, for some, memories of this experience may be fading—memories of just how costly the financial crisis was and of why certain steps were taken in response," Ms. Yellen said. She added that regulatory changes "should be modest" and retain the superstructure built under Dodd-Frank.

Ms. Yellen's comments followed a blunter recent warning from Fed Vice Chair Stanley Fischer, who told the Financial Times that "one can understand the political dynamics of this thing, but one cannot understand why grown, intelligent people" would "reach the conclusion that" you should "get rid of all the things you have put in place in the last 10 years." Thank you, Senator Warren, er, Fischer.

* * *

This is extraordinary. Fed officials are launching a political campaign to retain their vast discretionary control over the American financial system. The brazenness of the effort shows how far afield central bankers have roamed from their traditional remit of monetary policy, which Ms. Yellen barely mentioned. You'd think she'd focus on that duty given that the Fed faces a watershed as soon as next month as it decides whether to begin rolling back the \$4.5 trillion balance sheet it has amassed since the 2008 financial panic.

The size and scope of that balance sheet is itself a political intrusion because the Fed's bond purchases are a form of credit allocation. The purchase of mortgage securities favors housing, while the Fed's focus on long-duration bonds has been a deliberate attempt to push investors into riskier assets.

These decisions haven't done much for the real economy, which has grown at a historically slow pace since the recession ended in June 2009. But the Fed has succeeded in lifting some asset prices, and no one knows what will happen to those prices once the Fed begins unwinding its portfolio. Perhaps it will all unfold without a hitch, but some very smart people aren't as sanguine.

As for the stability of the financial system, Ms. Yellen and Mr. Fischer are at pains to assure us that, due to their efforts, all is well. "Banks are safer," she says, thanks to capital and liquidity mandates and the wisdom of financial regulators. Oh, and "credit is available on good terms."

Behind the Bedlam in Berkeley

Politically charged street brawls broke out in Berkeley, California, on Sunday, with police arresting 13 charming participants on charges including assault with a deadly weapon. One Twitter video showed masked activists kicking a man curled in fetal position on the ground; the beat-down stopped only when a journalist, Al Letson, shielded the man with his body. "I was scared they were going to kill him," Mr. Letson said.

As Charlottesville drew attention to the worst elements of the far right, Sunday's melee revealed an increasingly violent fringe of the radical left that has received far less media coverage, much less criticism. It's called Antifa, pronounced "An-tee-fa," which is short for "anti-fascist."

* * *

Antifa members sometimes claim their movement spans the globe and dates to the 1920s and '30s, citing the 1936 Battle of Cable Street, where protesters shut down a march by the British Union of Fascists. But in the United States and Britain, Antifa grew in the 1980s primarily out of the punk rock scene. As Nazi and white supremacist skinheads became a bigger part of this largely un-policed subculture, far-leftists met violence with violence, calling it self-defense.

As it grew beyond punk, Antifa's adherents organized through the now-defunct Anti-Racist Action network and now sometimes through the Torch Network, as well as other less visible groups. Many activists also aligned themselves with the broader anti-globalization movement. But Donald Trump's election has become the catalyst launching Antifa into a broader political movement.

The Antifa members we've interviewed shun the Democratic Party label, saying their activism constitutes its own political orientation. They're mostly anarchists and anarcho-communists, and they often refer to fellow protesters as "comrades." Adherents typically despise the government and corporate America alike, seeing police as defenders of both and thus also legitimate targets.

The anti-fascist anarchist website CrimethInc.com recently summarized its philosophy: "In this state of affairs, there is no such thing as nonviolence—the closest we can hope to come is to negate the harm or threat posed by the proponents of top-down violence... so instead of asking whether an action is violent, we might do better to ask simply: does it counteract power disparities, or reinforce them?"

Antifa's activists use the Orwellian-sounding notion of "anticipatory self-defense" to justify

But Ms. Yellen wasn't nearly as optimistic about lending in the later Obama years. She often fretted that tight credit conditions were limiting growth, and the facts bear out that concern. Bank lending in the current expansion has trailed that of seven previous recoveries, and lending for small business has been especially slow. None of this is cause for Fed triumphalism.

Banks are safer, but they should be after eight years of modest expansion. The real test of financial stability comes in times of economic stress, when interest rates rise or investors get nervous and rush to safer assets. The system has already had one liquidity panic, in October 2014, when the yield on U.S. Treasuries moved some 40-basis points in a day.

You have to ignore history to believe that regulators are suddenly so wise that they know the current regulatory regime will prevent the next crisis. The Fed misjudged the economy in the mid-2000s and kept feeding easy credit that produced the housing bubble. Fed officials Ben Bernanke and Tim Geithner then underestimated the financial risks in early 2008 when the stresses were already apparent.

That's one reason to support a financial regime with high levels of capital to defend against potential losses but with less regulatory micro-managing. This is the trade-off that House Financial Services Chairman Jeb Hensarling has proposed, which contrasts with the lower capital and lower regulatory barriers that the Trump Administration seems to prefer.

This is the debate we should be having, but the Fed wants Americans to believe that Dodd-Frank is gospel and the only alternative is to return to pre-crisis policies. The irony is that Ms. Yellen is thus associating the Fed with the post-crisis status quo that has been splendid for Goldman Sachs and giant banks that have gained market share and can afford higher regulatory costs.

Ms. Yellen did concede that "there may be benefits to simplifying aspects of the Volcker rule" that limits proprietary trading, which is the least she can do since the rule as written is more than 950 pages of text and explanation. But until she runs for public office, she and the Fed ought to stick to executing regulatory policy rather than trying to dictate it.

Ms. Yellen's term as Fed chair expires early next year, and her Jackson Hole foray is a signal to President Trump about what he can expect if he reappoints her. The Fed needs a leader who won't bend to political pressure. But it also needs a leader who understands the limits of the Fed's political role.

direct confrontation. That can include violence, vandalism and other unlawful tactics. Many draw a false moral distinction between damaging private property and "corporate" property.

Antifa activists have also developed their own moral justification for suppressing free speech and assembly. As anarchists, they don't want state censorship. But they do believe it's the role of a

healthy civil society to make sure some ideas don't gain currency.

So they heartily approve of the heckler's veto, seeking to shut down speeches and rallies that they see as abhorrent. Antifa activists also search for and publicize damaging information on their targets or opponents, or launch campaigns pressuring their bosses or companies to fire those opponents.

Words don't constitute violence, despite what Antifa activists believe. But there are dangerous ideas and practices, and the radical left has embraced several of them. Democracies solve conflict through debate, not fistfights. But Antifa's protesters believe that some ideas are better fought with force, and that some people are incapable of reason.

Implicit in this view is that Antifa alone has the right to define who is racist, fascist or Nazi. It's a guerilla twist on the culture wars, when a microaggression must be met with a macroaggression.

Antifa has also widely embraced "Black Bloc" tactics, including disguising themselves with black garb and covering their faces with bandanas and balaclavas. It's not a good look for a supposedly anti-authoritarian group to show up in uniform, like the KKK in white hoods, much less armed with batons.

* * *

Which brings us back to Berkeley. This weekend two right-wing groups sought to hold peaceful rallies. Their leaders—Patriot Prayer's Joey Gibson, a Japanese-American, and Amber Cummings, a transgender Trump supporter—explicitly denounced racism. Amid fears of violence, both cancelled their events. Antifa showed up anyway, outnumbering and terrorizing any right-wingers or Trump supporters who dared show their faces.

Antifa views itself as fundamentally reactionary, as a necessary opposition to corrosive ideologies. But because your foe is a really bad guy doesn't mean you're inherently a good one. Movements are defined not merely by what they oppose but by what they do. Antifa's censorious criminality resembles the very political behavior it claims to fight. The mainstream left ought to denounce it as much as the right should reject white supremacists.

LETTERS TO THE EDITOR

Attacking Opioid Abuse From Many Angles

John P. Walters, director of National Drug Control Policy under President George W. Bush, and David W. Murray note that President "Trump Can Save Lives by Stopping Illegal Opioids at Their Source" (op-ed, Aug. 15).

Messrs. Walters and Murray make an impassioned argument for reducing the supply of these drugs entering our country. As the acting director of National Drug Control Policy, I couldn't agree more—the drug threat cannot be effectively addressed unless we pursue a comprehensive approach that addresses both the supply and demand sides of the issue. The good news is that the Trump administration is doing exactly that.

On the supply side, we're cracking down on those who traffic deadly drugs into the U.S. We're tightening security on the Southwest border and working across government and with international partners to stop the importing of illicit fentanyl into the country. We're also working closely with Mexico and Canada on efforts to reduce the flow of these dangerous opioids into our countries.

On the demand side, the administration released nearly \$500 million in grants to states so they can treat and prevent drug use on the local level and, as Mr. Walters points out, the President's Commission on Combating Drug Addiction and the Opioid Crisis is working hard on its recommendations for how we can reduce the demand for drugs.

We lost more than 52,000 people to drug overdoses in 2015. When it comes to reducing drug use and its consequences, all options should be on the table. President Trump is committed to turning the tide on this crisis, and I'd like to thank Mr. Walters for both his past service to the nation and for continuing to bring much-needed attention to the importance of reducing the supply of these dangerous drugs entering the U.S.

RICHARD BAUM
Acting Director
National Drug Control Policy
Washington

An alternate strategy would be to eliminate the satisfaction surveys that can result in a physician's Medicare reimbursement being reduced if

he or she fails to provide opioids in an amount or duration that a patient deems satisfying. Since illegal opioid use has been shown to track proportionally with legal use, this will address both aspects of the problem. It will not address the tiny fraction of "doctors who prescribe excessive amounts," but it will address the much larger fraction who will give a little more, a little stronger dose or for a longer post-injury period to a coercive patient.

Opioids, measured in morphine milligram equivalents, are now prescribed in the U.S. at a rate 11 times higher than in the first decade of my career, and currently four times higher than in Western Europe. A policy modeled after one for cocaine that only addresses illegal use is dubious.

STEPHEN L. BROTHERTON, M.D.
Fort Worth, Texas

It is important to remember the impact of the opioid crisis on the youngest among us. The number of children in foster care has increased significantly due to the opioid epidemic. In 2005 parental substance use was a factor leading to removal from the home for 25% of children in foster care; by 2015 that had increased to nearly a third of children.

Medicaid is the glimmer of hope for millions of families, including those who might have nowhere else to turn without it. We would do well to remember this when discussing ways to "fix" Medicaid, or we risk cutting off a critical lifeline for millions of vulnerable children.

FERNANDO STEIN, M.D., FAAP
President
American Academy of Pediatrics
Washington

Almost no one dies from drug overdoses in Portugal, where drugs of abuse were decriminalized 10 years ago. A coincidence? It seems more likely that ending the relationship between the criminal justice system and victims of drug abuse and investing our resources in treatment and rehabilitation (which for some may have to include heroin or morphine maintenance), would be a more effective way of saving the lives of our drug-dependent victims.

NELSON GOODMAN, M.D.
Annapolis, Md.

Mizzou Could Learn From Patten on Rhodes

Regarding Jillian Kay Melchior's "Mizzou Pays a Price for Appeasing the Left" (op-ed, Aug. 21): I believe the state of Israel's stance that it doesn't negotiate with terrorists offers a lesson for Mizzou administrators and the administrators of other colleges and universities. As students try to remake universities and colleges in their own flavor of the day, perhaps administrators and university presidents should just say no.

Chris Patten, chancellor of Oxford University, offers an example to emulate, cited by L. Gordon Crovitz in "Rhodes Must Not Fall" (Information Age, Jan. 25, 2016): "Chancellor Chris Patten this month told students to open themselves to challenging ideas or 'think about being educated elsewhere.'"

Mr. Patten was answering demands that the university expunge its history with Cecil Rhodes, including removing a statue of its imperialist graduate and benefactor. Mr. Crovitz

continues, quoting Mr. Patten: "That focus on Rhodes is unfortunate, but it's an example of what's happening on American campuses and British campuses. One of the points of a university, which is not to tolerate intolerance—to engage in free inquiry and debate—is being denied. People have to face up to facts in history which they don't like and talk about them and debate them."

ROBERT RUSNAK
Edina, Minn.

As a 1965 journalism graduate of the University of Missouri, I think Ms. Melchior's op-ed is an obituary for the freethinking and civil debates we would have in literature, psychology and political science classes during the mid-1960s. The student body was evenly Republican and Democratic with few if any liberals. The authoritarian regime of George Orwell's novel "1984" where wrong thought was a serious crime may be the order of the day at Berkeley but the 35% decline in freshman enrollment at Mizzou as students voted with their feet speaks volumes.

DAVID P. CARTER
Seminole, Fla.

Genuine free-market competition always includes the moral dimension of choice. It is the consequences of that competition that Mizzou now faces. Perhaps the solution is obvious. Enact legislation to dictate the appropriate moral dimensions, rather than permitting free markets and choice to undermine progressive moral agendas. Problem solved.

VINCE SKOLNY
Los Angeles

Pepper ... And Salt

THE WALL STREET JOURNAL



"We could hire another accountant, but wouldn't it be fun to have a barista?"

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OPINION

The Danger of a Jihadist Pakistan

By John Bolton

Almost certainly, the war in Afghanistan will be won or lost in Pakistan. President Trump's announcement last week that he will send more U.S. troops—some sources say another 4,000—to Afghanistan represents a change in tactics from President Obama's policy. But the ultimate objective is still opaque, and even once the specifics are articulated, what may ultimately matter more is the still-undeveloped "South Asia policy" promised by Defense Secretary Jim Mattis.

Careless U.S. pressure could push the country's nukes into the hands of Islamic fundamentalists. China can be helpful.

That means dealing with Pakistan. Islamabad has provided financial and military aid, including privileged sanctuaries, to the Taliban, the Haqqani network, Gulbuddin Hekmatyar, Islamic State, al Qaeda and other malefactors, allowing them not just to survive but flourish. President Trump rightly says this must stop and is encouraging Pakistan's principal adversary, India, to increase its economic assistance to Afghanistan.

But the task isn't so straightforward. The Bush and Obama administrations also criticized Pakistan's support for terrorists, without effect. Putting too much pressure on Pakistan risks further destabilizing the already

volatile country, tipping it into the hands of domestic radical Islamicists, who grow stronger by the day.

Peter Tomsen, a former State Department regional expert, once described Pakistan as the only government he knew consisting simultaneously of arsonists and firefighters—often the same people, depending on the situation. Pakistan has teetered on the edge of collapse ever since it was created in the 1947 partition of British India. Its civilian governments have too often been corrupt, incompetent or both. The ouster last month of Prime Minister Nawaz Sharif—he stepped down after the Supreme Court disqualified him for not having been "honest"—is no reassurance. If anything, it shows the judiciary's excessive politicization, which further weakens constitutional governance.

Islamabad's military, sometimes called the country's "steel skeleton," is equally problematic. It recalls the old remark about Prussia: Whereas other countries have armies, Pakistan's army has a country. The military is also becoming increasingly radicalized, with Islamicists already in control of its intelligence services and now working their way through the ranks of the combat branches.

In this unstable environment, blunt pressure by the U.S.—and, by inference, India—could backfire. Just as America must stay engaged in Afghanistan to prevent the Taliban and other terrorists from retaking control, it is also imperative to keep Islamabad from falling under the sway of radical Islamicists. Hence the danger of inadvertently strengthening their hand by supplying a convenient narrative of overt U.S. dominion.



The country's ousted prime minister, Nawaz Sharif, in Lahore, Aug. 14.

"One Belt, One Road" initiative. Clearly Beijing intends to bind Islamabad ever more tightly into its modern-day "co-prosperity sphere."

It must, therefore, be core American policy to hold China to account, even belatedly. The U.S. can use its leverage to induce China to join the world in telling Pakistan it must sever ties with terrorists and close their sanctuaries. The Trump administration should make clear that Beijing will face consequences if it does not bring to bear its massive interests in support of this goal. Washington could also point out that this is in Beijing's own interest, lest the terrorists rise next among the Uighurs in China's Xinjiang province, what was once "East Turkestan."

Whether Beijing truly intends to be a "responsible stakeholder" in international affairs, as its U.S. advocates insist, should be put to the test—and not merely on monetary and trade issues. Fighting international terrorism and nuclear proliferation requires determination and action, not the kind of smiling repetition of bumper-sticker phrases that the People's Liberation Army and China's political leadership blithely ignore.

Starting now in Afghanistan and Pakistan, China should be told its bona fides as a state engaging in a "peaceful rise" are on the line. If real proof of that conceit does not emerge, Washington will be entitled to draw the appropriate conclusions.

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).

Such a blunder might help Pakistan's radicals seize power even as the U.S. battles terrorists in Afghanistan.

Remember that Pakistan has been a nuclear state for nearly two decades. The gravest threat is that its arsenal of nuclear warheads, perhaps up to 100 of them, would fall into radical hands. The U.S. would instantly face many times the dangers posed by nuclear Iran or North Korea.

If American pressure were enough to compel Pakistan to act decisively against the terrorists within its borders, that would have happened long ago. What President Trump needs is a China component to his nascent South Asia policy, holding Beijing accountable for the misdeeds that helped create the current strategic dangers.

Of all the external actors, China bears primary responsibility for Pakistan's and North Korea's possession of nuclear weapons and ballistic missiles. For its own strategic reasons, China gave both countries direct financial, scientific and technological

assistance and then flew political cover at the United Nations and elsewhere. Empowering Islamabad was a hedge against India, China's biggest threat in South Asia. Helping Pyongyang was a play against the U.S. and its Asian allies. (And, increasingly, against the wider world, since North Korea appears to have sold its technology.)

In both cases China recklessly disregarded the risks of proliferation and breached its obligations under the Nuclear Non-Proliferation Treaty.

By comparison, Beijing's flagrant violations of its World Trade Organization commitments are trifles. China was hardly unaware that Pakistan has fostered and aided Islamic terrorists in Kashmir, threatening Indian control. Yet Beijing has done nothing to stop it, thus indirectly keeping Indo-Pakistani relations tense.

China has also made Pakistan a considerable beneficiary of the massive transportation infrastructure and other projects related to its

Congress Has Exposed Patients' DNA to Prying Eyes

By Twila Brase

The 21st Century Cures Act was hailed as the biggest health-care reform since ObamaCare. It's easy to see why: The law, which passed both houses of Congress by unanimous consent last December, increased the budget of the National Institutes of Health, designated nearly \$2 billion for cancer research, and set aside \$500 million in 2017 alone to address the opioid crisis.

Unfortunately, the legislation also weakened patients' privacy rights. Americans were already vulnerable under the Health Insurance Portability and Accountability Act of 1996. That law allowed government-funded researchers to collect and even share patients' medical and genetic information without their consent. But the 21st Century Cures Act goes further. In an effort to promote medical breakthroughs, the law tries to create an "information commons": a government-regulated pool of data accessible to all health researchers, regardless of background, training or motive.

Although speeding research is a noble goal, there's little evidence that

patients are willing to sacrifice their privacy the way that the 21st Century Cures Act requires. A 2007 survey by the Institute of Medicine found that only 1% of Americans were willing to have their health information shared for research without their consent. Yet the new law doesn't give patients in government-funded research any method to opt out of data sharing. It prohibits "information blocking" by health-care providers, essentially mandating that doctors and hospitals share data with government researchers. It encourages the creation of a "global pediatric clinical study network" to pool data on children world-wide.

Federal courts have upheld forced data sharing because patients "voluntarily" give personal health information to their doctors. Some jurists and legal scholars, however, argue that today's laws don't adequately protect privacy. Consider the Supreme Court's unanimous 2012 decision in *U.S. v. Jones*. "It may be necessary," Justice Sonia Sotomayor wrote in a concurring opinion, "to reconsider the premise that an individual has no reasonable expectation of privacy in

information voluntarily disclosed to third parties." Although that case was about law-enforcement surveillance, Justice Sotomayor's warning that the current privacy laws are "ill suited to the digital age" applies equally to medical research.

How 'anonymous' is the health information that federal law helps pool? Less than you'd hope.

In theory, the data shared under the 21st Century Cures Act can't be traced back to individual people. It's stripped of direct identifiers like names, street addresses and Social Security numbers. But with big data virtually everything is traceable. A few years ago Harvard researchers examined about 600 anonymized profiles from a genome-research project. Participants had provided a few small pieces of information: birth date, sex and ZIP Code. By comparing that against public records

and voter data, researchers were able to identify nearly half of these people by name. The same approach could work on medical records containing sensitive information about alcoholism, illegal drug use or sexual abuse.

Even if researchers stopped asking for birth date, sex and ZIP Code, anyone with an internet connection and a decent understanding of biology could link genetic data to individual patients. In 2013 a group of researchers led by MIT's Yaniv Erlich took anonymous genetic information and cross-referenced it against a public database genealogists use to match small differences in Y chromosomes with certain family trees. That helped establish the anonymous donors' surnames, which were then cross-referenced with other public records, like voter and tax rolls. In this way the researchers were able to identify dozens of completely "anonymous" people.

The 21st Century Cures Act isn't the only federal legislation that threatens patient privacy. A bill introduced in March by Rep. Virginia Foxx (R., N.C.), the Preserving Employee

Wellness Programs Act, would give companies leverage to push genetic tests on their workers. Those who opt out could have their insurance premiums raised by up to 50%.

This genetic-testing requirement could quickly lead to discrimination, since companies would have an enormous incentive to avoid hiring people at high risk of serious illness. Although managers might never admit to firing people with risky genetic profiles, they could give these workers bad reviews or deny raises to force them to quit.

When the Founding Fathers wrote the Fourth Amendment, which protects against "unreasonable searches and seizures," they were thinking of abusive government agents kicking down doors. But with modern technology, state officials and big companies don't need to resort to brute force. In the internet age, they can get sensitive information from the comfort of their offices—and the law allows them to do just that.

Ms. Brase, a registered nurse, is president of the Citizens' Council for Health Freedom.

Why Would Anyone Sane Be a Bank Director?

By Thomas P. Vartanian

Bank regulators have imposed responsibilities on directors that are hindering good governance of banks. But don't take my word for it. The Board of Governors of the Federal Reserve System and the Treasury Department say so.

Treasury concluded in June that regulators' expectations may be crowding out critical board functions, blurring the responsibilities between directors and management, and imposing a "one size fits all" approach. On Aug. 3, the Fed asked for comment on the elimination or amendment of redundant and ineffective director responsibilities, including 170 it identified in 27 different regulatory pronouncements.

This represents an about-face. In response to every financial crisis over four decades, Congress and regulatory agencies, including the Treasury and Fed, have sought to improve

bank regulation—which in practice has meant continuously increasing it. That has created a "rising dough" syndrome of regulation—a continuing expansion of regulatory obligations imposed on directors, and a corresponding expansion of the basis for lawsuits against them when their institutions fail.

I had a front-row seat at the outset of this trend in 1982, when in the face of the projected failure of nearly all of the nation's 4,000 savings-and-loans, the Federal Home Loan Bank Board launched programs that resulted in an unprecedented number of administrative enforcement actions and liability cases against directors and officers. The goal was to inject market discipline to counter the "heads I win, tails you lose" risk-reward ratio created by federal deposit insurance. The effort focused on those who overtly caused the failures. Ten years later the Federal Deposit Insurance Corp. issued

a similar policy statement articulating its standards for suing directors and officers after the failures of their institutions.

The Fed now believes that "supervisory expectations for boards of directors and senior management have become increasingly difficult to distinguish." Boards that meet periodically cannot effectively undertake management's day-to-day operational responsibilities, or the oversight role of regulators. Record-keeping, board process and regulatory noncompliance criticisms have increased, but the blizzard of increasing responsibilities has not necessarily improved board performance or reduced the risk of financial distress.

The Fed now wants to improve corporate governance by having boards devote less time to satisfying supervisory expectations that do not directly relate to their core responsibilities, and devoting more time to what really matters, such as establishing strategy and risk tolerance and holding senior management accountable.

The Fed and Treasury are years late to this conclusion, and two important factors are missing from

their analyses. Neither focuses enough on the most important challenge that directors face: determining how to balance the need to make an objectively measurable profit against more subjective judgments about how much risk a bank can safely assume. If directors mess up that job, not much else matters.

They're asked to do too much, and then they get sued for failing to do the impossible.

The second unaddressed question is the all-important endgame for directors: When and how are they held financially accountable if their institutions fail? As director obligations have expanded since 1982, FDIC receivership suits against directors of failed banks have multiplied, with an increased focus on the FDIC's recouping its financial losses.

That is a legitimate goal. But when FDIC lawsuits are driven by the availability of insurance coverage or

personal assets, rather than whether directors made inappropriate decisions, the incentives for directors turn perverse. If directors believe they'll be sued in the event of failure no matter how they acted, why not throw a financial Hail Mary when failure looks likely? The FDIC should follow the Fed and Treasury leads and re-evaluate its director and officer liability program to ensure that justice and the facts are the prevailing standards.

Recalibration of the regulatory demands on and potential liabilities of bank directors would give them the tools, incentives and freedom to be more effective overseers of the backbone of the U.S. economy and better avoid future financial crises. Holding bank directors financially responsible only for the actions they can control, rather than the economic events they cannot, would strengthen the banking system, improve corporate governance, and deepen the pool of qualified bank directors.

Mr. Vartanian is a partner at the law firm Dechert LLP and a former general counsel of the Federal Home Loan Bank Board.

Notable & Quotable: Silicon Valley Conformity

From "Trump Damaged Democracy, Silicon Valley Will Finish It Off" by Joel Kotkin, DailyBeast.com, Aug. 27.

For all its talk about "disruption," Silicon Valley is increasingly about three things: money, hierarchy, and conformity. Tech entrepreneurs long have enjoyed financial success, but their dominance in the ranks of the ultra-rich has never been so profound. They now account for three of world's five richest people—Bill Gates, Jeff Bezos, and Mark Zuckerberg—and

dominate the list of billionaires under 40.

Unlike their often ruthless and unpleasant 20th century moguls, the Silicon Valley elite has done relatively little for the country's lagging productivity or to create broad-based opportunity. The information sector has overall been a poor source of new jobs—roughly 70,000 since 2010—with the gains concentrated in just a few places. This as the number of generally middle-class jobs tied to producing equipment has fallen by half since 1990 and most new employment

opportunities have been in low-wage sectors like hospitality, medical care, and food preparation.

The rich, that is, have gotten richer, in part by taking pains to minimize their tax exposure. Now they are talking grandly about having the government provide all the now "excess" humans with a guaranteed minimum income. The titans who have shared or spread so little of their own wealth are increasingly united in the idea that the government—i.e., middle-class taxpayers—should spread more around.

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Do Sanctions Really Work?

U.S. passes new sanctions against Russia, North Korea and Iran, but history shows a mixed record of success

By Ian Tulley and Brian McGill
Published Aug. 3, 2017 at 11:06 a.m. ET

North Korea

September 2005

The U.S. cuts off Banco Delta Asia's access to U.S. financial markets as part of an effort to rein in North Korea's nuclear program. By targeting the Macao-based bank cited as a key financing hub for North Korea, Washington chills broader financing to the country. The won plummets and the country enters into what turns into a two-year recession. By February 2007, Pyongyang agrees to shut down a nuclear facility critical to the regime's weapons program.

However, North Korea's trade continues despite these sanctions as China's buying surges. **China now makes up over 90%** of North Korea's total trade, up from around 50% in 2005. After the U.S. relaxes its sanctions, the country subsequently restarts its intercontinental ballistic missile and nuclear-weapons programs.

In June, the U.S. proposes cutting off Chinese Bank of Dandong from the U.S. financial system, accusing it of laundering money for North Korea that the regime is using to fund its nuclear-weapons program.

North Korean exports by destination

Sept. 2005 U.S. cuts off North Korean-aspiring bank from financial markets

\$5.0 billion

4.5

4.0

3.5

3.0

2.5

2.0

1.5

1.0

0.5

0.0

1998 2000 02 04 06 08 10 12 14 16

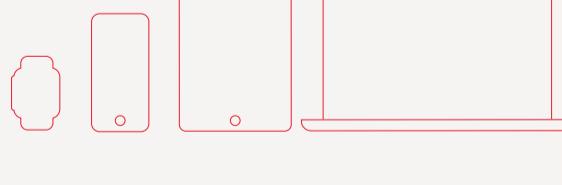
*Includes China's mainland, Hong Kong and Macau
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Harvey Sows Disarray in the Oil Patch

Gasoline prices jump after storm damages refineries in Texas and causes shortage fears

BY STEPHANIE YANG
AND ALISON SIDER

Gasoline prices surged Monday on concerns over a shortage in supply after Tropical Storm Harvey knocked out refining operations and traders tried to assess damage in the Houston area.

Harvey barreled into Texas on Friday as a Category 4 hurricane, the strongest to hit Texas in half a century, but has since been downgraded to a tropical storm. Still, on Monday Harvey looked poised to move back over the Gulf of Mexico before coming back ashore, dumping more heavy rain on Houston and the surrounding region.

Traders remained focused on the possibility that Harvey might now approach Louisiana

and that the onslaught could cause damage to fuel-making plants that could take weeks or even months to fix.

The storm had disrupted 15% of U.S. refinery capacity as of Monday morning, and the percentage was growing. Exxon Mobil Corp. said its 362,300-barrel-a-day refinery in Beaumont, Texas, is running at reduced rates. The total amount of refining capacity offline could rise as high as 30% if Harvey moves toward Louisiana, according to Houston energy investment bank Tudor Pickering Holt & Co.

"There are so many things that are left up in the air here," said Tariq Zahir, managing member of Tyche Capital Advisors, who said significant moves in energy prompted him to start trading at 6 p.m. EDT on Sunday, when Asian markets opened, and continue into Monday.

Gasoline futures for September delivery jumped in the biggest one-day dollar gain in more than three months, clos-



A damaged oil tank near Seadrift, Texas. The storm disrupted the state's refining capacity.

ing up 4.57 cents, or 2.7%, at \$1.7123 a gallon on the New York Mercantile Exchange. Diesel futures rose 1.29 cents, or 0.8%, to \$1.6352 a gallon.

Volatility in energy markets picked up Thursday as Harvey was upgraded to a hurricane. As the storm developed over the weekend, the uncertainty over the lasting damage added to the frenetic trading.

"I've gotten clients calling, [asking] what do we do?" said Mark Waggoner, president of

Excel Futures. "I don't even remember the last time it was this busy walking in the door."

Harvey's path cut right through the heart of U.S. oil infrastructure, with the Texas coast being home to nearly 30% of the country's refining capacity. Exxon Mobil said Monday that a floating roof on a storage tank at its Baytown plant, the second-largest refinery in the country, was damaged during the storm. If plants need to get new electrici-

cal equipment and other parts installed to repair damage from flooding, that could extend downtime significantly.

"The market is going to trade from data point to data point," said Mark Benigno, codirector of energy trading at INTL FCStone. "Are more refineries going to shut in? Will they be shut in for longer? Conversely, will they come back sooner? How long will it take ships to get in and out of Houston Ship Channel?"

Even energy-industry veterans who have experienced major storms were flummoxed.

"There should be a stronger word than unprecedent," said Tom Kloza of the Oil Price Information Service.

Mr. Kloza said wholesale gasoline prices are rising 5 to 10 cents a gallon throughout the Southeast and other markets that are supplied by Gulf Coast refiners. Consumers will likely pay higher prices at the pump as a result.

The reduced refining capacity is also expected to hit U.S. crude demand. Light, sweet crude for October delivery fell to a one-month low in its biggest one-day decline in nearly two months, closing down \$1.30, or 2.7%, at \$46.57 a barrel.

—Sarah McFarlane
and Dan Molinski
contributed to this article.

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Crisis-Era Scourge Reignites Worries

BY CHRISTOPHER WHITTALL
AND MIKE BIRD

LONDON—The synthetic CDO, a villain of the global financial crisis, is back.

A decade ago, investors' bad bets on collateralized debt obligations helped fuel the crisis. Billed as safe, they turned out to be anything but. Now, more investors are returning to CDOs—and so are concerns that excess is seeping into the aging bull market.

In the U.S., the CDO market sank steadily in the years after the financial crisis but has been fairly flat since 2014. In Europe, the total size of the market is rising again—up 5.6% annually in the first quarter of the year and 14% in the last quarter of 2016, according to the Securities Industry and Financial Markets Association.

Collateralized debt obligations package a bunch of assets, such as mortgage or corporate loans, into a security that is chopped up into pieces and sold to investors.

The assets inside a synthetic CDO aren't physical debt securities but rather derivatives, which in turn reference other investments such as loans or corporate debt.

During the financial crisis, synthetic CDOs became a symbol of the financial excesses of the era. Labeled an "atomic bomb" in the movie "The Big Short," they ultimately were the vehicle that spread the risks from the mortgage market throughout the financial system.

Synthetic CDOs crammed with exposure to subprime mortgages—or even other CDOs—are long gone. The ones that remain contain

Please see CDO page B2



Uber Pick For CEO Is Unlike Kalanick

BY GREG BENINGER
AND DREW FITZGERALD

For its new CEO, Uber Technologies Inc.'s board has chosen a low-key executive with a steady hand and a track record running a scandal-free, profitable company—a contrast to the man he is tapped to replace.

Uber's board voted Sunday to hire Dara Khosrowshahi, the longtime chief executive of Expedia Inc., who is lesser known than the candidates he beat out, General Electric Co. Chairman Jeff Immelt and Hewlett Packard Enterprise Co. chief Meg Whitman.

Mr. Khosrowshahi, a veteran CEO who has a background in finance, in many ways is the antithesis of Travis Kalanick, a trained engineer and serial tech entrepreneur. Unlike Uber's pugnacious and volatile former CEO, Mr. Khosrowshahi has a reputation for being gregarious and even-keeled.

"He's no nonsense, but a very likable guy, not gruff," said Rich Barton, the founder of Expedia and a venture capitalist. "He's good at the management jujitsu of making his idea seem like it's yours, which builds loyalty."

At the same time, according to executives who have worked with him, Mr. Khosrowshahi has experience dealing with strong and sometimes conflicting personalities on his board, which could help him with his biggest immediate challenge: working with an Uber board riven by animosity and legal disputes.

If he accepts Uber's job, Mr. Khosrowshahi will need to work closely with the eight-member board to fix a host of

Please see UBER page B2

Apple Prepares to Launch Next iPhone

BY TRIPP MICKLE
AND DREW FITZGERALD

Apple Inc. has scheduled a product-announcement event on Sept. 12, according to people briefed on its plans, reinforcing expectations that the technology giant will release new iPhones and a smartwatch well ahead of the holiday shopping season.

The company is expected to unveil three iPhones, according to other people familiar with its plans. Those include a showcase iPhone to mark the product's 10th anniversary that is larger and pricier and features an edge-to-edge display and facial-recognition technology, as

well as updates to the two iPhone 7 models that started selling last year.

Analysts had widely reported in recent months that production glitches on the newest iPhone could cause it to be delayed. If the event proceeds on Sept. 12, its timing would be roughly consistent with iPhone launches in previous years, reassuring investors and customers that the device is on track.

Still, it remains to be seen if production shortfalls like those that constrained supplies of the iPhone 6 will crimp sales of the latest handsets. Apple typically begins selling new iPhones about 10 days after unveiling them.

In the past two years it has used San Francisco's Bill Graham Civic Auditorium, but people close to the company say it is aiming to use the 1,000-seat Steve Jobs Theater on its new headquarters campus. The new headquarters, however, aren't finished, and the construction timetable could affect the timing or location of the event, those people said. Apple declined to comment. It often keeps secret the timing and other information about such events until close to the date.

Apple's announcement is scheduled to happen a week after sales start in the U.S. for Samsung Electronics Co.'s Galaxy Note 8. The South Korean

company's flagship smartphone features a new dual-lens camera similar to the iPhone 7 and one of the largest smartphone screens on the market. Samsung hopes the device wins over some iPhone owners.

Apple has increased production in recent weeks of the new showcase iPhone and is poised to expand manufacturing from one plant in China to others, according to people familiar with the process. The expansion bodes well for the company's efforts to meet sales demand for the device during the holiday shopping season, one of the people said.

Consumer demand for a new

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INSIDE



HONG KONG FLOOR TRADERS MAKE A LAST STAND

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BUSINESS NEWS

UBER

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problems, including replenishing Uber's depleted executive ranks and implementing changes mandated by the board to address allegations from a former female engineer that the company ignored complaints of sexism and sexual harassment. He will also need to shore up Uber's finances; the company lost over \$3 billion last year.

Mr. Khosrowshahi, 48 years old, couldn't be reached for comment. He would inherit a board divided by a heated legal dispute between **Benchmark** Capital and former Uber chief Mr. Kalanick, and the public airing of factions that emerged during the CEO hunt, particularly over the candidacy of Ms. Whitman.

Some directors privately groused that Benchmark, which owns 13% of the company and holds a seat on the board, pushed for Ms. Whitman over other candidates even though she repeatedly denied that she was considering the job.

Benchmark has denied it advocated for Ms. Whitman, who despite her public denials met with board members over the weekend to present her vision for leading the company. She didn't respond to requests for comment.

Mr. Immelt removed himself from consideration on Sunday, after observing disorder and divisions among directors, according to a person familiar with the matter.

Others said Mr. Immelt was simply saving face after realizing he didn't have the votes he needed to win. Mr. Immelt didn't respond to requests for comment.

The board on Sunday unanimously voted for Mr. Khosrowshahi, according to people familiar with the matter.

Mr. Khosrowshahi would have to manage the presence of Mr. Kalanick, who was known for his tight grip on Uber.

Several of the company's directors have been sniping in private over the past few



ZUMA PRESS

Dara Khosrowshahi will need to work closely with the board to fix some pressing problems.

weeks over the alleged ambition of Mr. Kalanick to continue to exert control over the direction of the company he co-founded eight years ago.

Some investors aligned with Benchmark said Mr. Kalanick and another board member, media magnate Arianna Huffington, conspired to torpedo early CEO candidates so that Mr. Kalanick could ultimately return to the job. People familiar with Mr. Kalanick's thinking say he never intended to return as CEO.

Mr. Kalanick also is defending against a lawsuit from Benchmark, the firm that led an investor coup to pressure him to resign in June. Benchmark sued Mr. Kalanick over what it alleges is his reneging on a contract to return to board oversight the three seats he controls, and is seeking to remove him as a director.

The venture firm has said Mr. Kalanick knew of wrongdoing at Uber, including the basis for a lawsuit from **Alphabet** Inc. over allegedly stolen trade secrets.

Just one day after Uber selected the new CEO, its former leader filed court documents as part of his defense against Benchmark, suggesting the case could be a distraction for some time to come. Mr. Kalanick argued again for the suit to be

settled in private arbitration, saying a public trial would "expose the company to significant and unnecessary harm for no reason other than Benchmark's desire to use this forum to publicly slander Mr. Kalanick."

At Expedia, Mr. Khosrowshahi navigated a contentious fight between two board members and dominant personalities: Barry Diller, the chairman of Expedia and the company it spun off from in 2005, **IAC/InterActive Corp.**, and John Malone, the chairman of Liberty Interactive Corp.

Mr. Malone's company, called Liberty Media at the time, sued IAC in 2008 after Mr. Diller announced his plan to split IAC into five companies. Liberty Media, IAC's biggest shareholder, argued that the move was designed to dilute its voting power.

The battle grew increasingly acrimonious between Mr. Diller and Mr. Malone until 2010, when IAC bought out Liberty Media's stake.

Mr. Diller, who is also chairman of IAC, effectively controls Expedia, though Liberty's affiliates still hold shares in the company and are represented on its board.

On Monday, he sent a memo to Expedia employees saying Mr. Khosrowshahi will probably accept the job.

Mr. Khosrowshahi didn't get

in the middle of the dispute between Messrs. Diller and Malone but has remained on good terms with both moguls, said Altimeter Capital Chief Executive Brad Gerstner, an Expedia investor who has known the company chief for nearly two decades.

"He's extraordinarily familiar with boardrooms," Mr. Gerstner said.

But, he adds, Mr. Khosrowshahi isn't a pushover when it comes to negotiating for Mr. Diller. Nor has the executive pulled his punches in criticizing President Donald Trump, even by Silicon Valley standards. He ended a earnings call shortly after Mr. Trump's inauguration by thanking employees for their hard work in 2016, adding "hopefully we will all be alive to see the end of 2017."

While trying to restore order on the board, Mr. Khosrowshahi will also need to recruit chiefs of finance, operations and marketing, among other top jobs.

At Expedia, Mr. Khosrowshahi manages an array of semi-autonomous chief executives who run Expedia's various travel brands, which could help him attract talent to fill Uber's vacant senior positions.

TripAdvisor Inc. Chief Executive Stephen Kaufer said the extra leeway helped the Expedia CEO gain his executives' trust.

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Auto Maker Audi Names Four New Board Members

By MAX BERNHARD

Volkswagen AG's luxury car brand, **Audi** AG, said on Monday it would replace four of seven board members next month.

As previously announced, Rupert Stadler will stay on as chief executive officer until 2022.

Like its parent company, Audi has been shaken by the crisis that erupted in 2015 when Volkswagen admitted it had installed software in millions of vehicles that allowed them to dodge emissions test-

ing. Some Audi models were also affected.

"Audi has recently passed through a difficult phase, but has all the prerequisites to be successful also in the mobility world of tomorrow," said Matthias Mueller, Volkswagen chief executive and head of Audi's supervisory board.

Alexander Seitz succeeds Axel Strotbek as board member for finance, information technology and integrity.

The other new members of Audi's board are Bram Schot, Wendelin Goebel and Peter Koessler.

rate defaults.

Many investors, though, still view the products as unnecessarily complex and are concerned they may be hard to offload when markets get choppy—as they did in the last crisis.

"We don't see that demand from our clients and we wouldn't recommend it," said Markus Stadlmann, chief investment officer at Lloyds Private Banking, citing concerns over the products' lack of transparency and lack of liquidity, meaning it could be hard to exit from a position when needed.

The return of synthetic CDOs could present other risks. Even if banks are currently less willing to lend money to help clients juice returns, credit-default swaps can be very leveraged, potentially allowing investors to make outsize bets.

Structured products accounted for nearly all the \$2.6 billion year-over-year growth in trading-division revenue at the top 12 global investment banks in the first quarter, according to Amit Shahani, research director at financial consultancy Coalition.

"There has been an uptick in interest in any kind of yield-enhancement structure," said Kokou Agbo-Bloua, a managing director in Société Générale SA's investment bank.

The fastest growth this year has come in credit—the epicenter of the 2007-08 crisis. The top 12 global investment banks had around \$1.5 billion in revenue in structured credit in the first quarter, according to Coalition.

that pays better than basic government bonds, insurance companies, asset managers and affluent investors are scooping up investments like synthetic CDOs, bankers say, which had largely become the preserve of hedge funds after 2008. Investment banks, which create and sell CDOs, are happy to oblige. Placid markets have made trading revenue weak this year, and such structured products are an increasingly important business line.

Synthetic CDOs got "bad press," said Renaud Champion, head of credit strategies at Paris-based hedge fund La Française Investment Solutions. But "that market has never ceased to fully function," he added.

These days, Mr. Champion still trades synthetic CDOs, receiving a stream of income for effectively insuring against a sharp rise in European corpo-

more than doubling since the first quarter of 2016. Structured equities are largest overall, a business dominated by sales of derivatives linked to moves in stock prices, with revenue of \$5 billion in the first quarter.

"The low-yield environment hurts," said Lionel Pernias, a credit-fund manager at AXA Investment Managers. "So there are a lot of asset owners looking at structured credit."

These days, the typical synthetic CDO involves a portfolio of credit-default swaps on a range of companies. The portfolio is sliced into tranches, and investors receive payouts based on the performance of the swaps. Those investors

owning lower tranches tend to get paid more but are subject to higher losses if the swaps sour.

Synthetic CDOs have evolved since the crisis, bankers say. For instance, most are shorter-dated, running up to around two to three years rather than seven to 10 years. Some banks will only slice and dice standardized CDS indexes that trade frequently in the market rather than craft tailored baskets of credits.

There are also fewer banks involved in arranging these trades. Those active include **BNP Paribas** SA, **Citigroup** Inc., **Goldman Sachs Group** Inc., **J.P. Morgan Chase & Co.** and **Société Générale** SA.

not just another pretty face.

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08-B17 1104

The amount of European collateralized debt obligations outstanding is growing again.

European CDOs outstanding, change from a year earlier



Sources: Association for Financial Markets in Europe, Securities Industry and Financial Markets Association

THE WALL STREET JOURNAL.

BUSINESS NEWS

CBS Plans To Acquire Australian Network

By MIKE CHERNEY

SYDNEY—U.S. media company CBS Corp. plans to acquire Australian broadcaster Ten Network Holdings Ltd., beating out a bid from Australian media moguls Bruce Gordon and Lachlan Murdoch for the company after it went into receivership.

CBS's bid was favored by receivers for Ten Network, one of Australia's three main broadcasters, over a proposal from Messrs. Gordon and Murdoch, who wanted to run the broadcaster as a joint venture, people familiar with the deal said. Mr. Murdoch is co-chairman of News Corp., which owns Wall Street Journal publisher Dow Jones, while Mr. Gordon controls a company that owns broadcasting licenses across Australia.

Financial terms for the purchase weren't disclosed, but analysts said CBS likely got a favorable deal given the Australian broadcaster in June went into voluntary administration, a process similar to bankruptcy in the U.S. CBS, Ten Network's largest unsecured creditor, supplies content to Ten Network and owns a stake in Ten Network's digital-television channel, Eleven.

Aside from boosting its international-distribution footprint, the deal for Ten Network would give Manhattan-based CBS an existing platform to help it roll out its CBS All Access subscription service in Australia. CBS is looking to expand the service in global markets, and this month said it would launch it in Canada in the first half of next year. No date has been set for an Australia launch.

"This acquisition not only presents CBS with considerable broadcasting opportunities in Australia, but also allows for further multiplatform distribution and growth," said Armando Nunez, president and chief executive at CBS Studios International, in a written statement.

Representatives for Messrs. Murdoch and Gordon declined to discuss what next steps the pair might take.

The proposed deal comes as traditional broadcasters face an audience migration to online streaming services, threatening advertising revenue. For the quarter ended in June, CBS reported better-than-expected earnings as it received a boost from new initiatives such as the Showtime streaming service.

The deal still needs to win approval from Ten Network creditors, as well as from Australia's Foreign Investment Review Board.

On Monday, Australian Prime Minister Malcolm Turnbull voiced support for the transaction. A deal "would be in the interests of the network, its employees and, of course, its viewers," Mr. Turnbull said of the CBS offer.

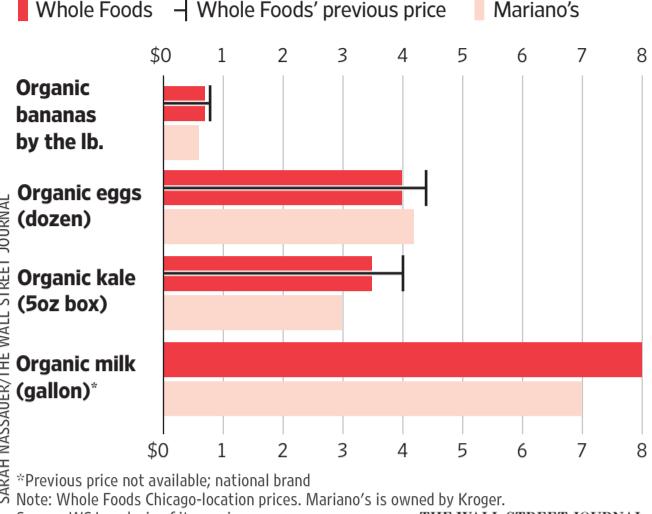
—Rob Taylor in Canberra contributed to this article.



Customers at Whole Foods are generally more focused on quality and are less price conscious.

Modest Cuts

Amazon is lowering prices at Whole Foods following its acquisition of the organic grocer, hoping to boost sales, but it still can't beat nearby stores on some items.



*Previous price not available; national brand

Note: Whole Foods Chicago-location prices. Mariano's is owned by Kroger.

Source: WSJ analysis of item prices

THE WALL STREET JOURNAL.

Amazon Acts First on Food Prices

With Whole Foods in hand, online giant veers from matching strategy, shakes peers

By LAURA STEVENS
AND HEATHER HADDON

Amazon.com Inc. on Monday put itself in the unusual position of being a first mover on price cuts when it slashed the sticker price on more than 100 items at Whole Foods Market Inc., many by more than 30%.

Amazon typically relies on algorithms that scrape competitors' prices before automatically matching or narrowly undercutting them on its website. It focuses on items that are most popular on the site and that drive traffic, according to former executives in Amazon's retail divisions. That gives the retail giant a reputation for having the lowest prices.

With Whole Foods, which it

officially acquired Monday for about \$13.5 billion, Amazon has broken with its reactive approach. For example, a dozen organic eggs was for sale at a Chicago store for \$3.99, compared with \$4.39 the day before and lower than the \$4.19 that Mariano's, a division of Kroger's Co., was charging at a nearby store.

The price cuts could partly be a marketing stunt to mark Amazon's ownership of the chain. But they also shed light on how the company is adapting its strategy to seek success in the physical retail world it has long disrupted.

The cuts could improve Whole Foods' reputation for high prices and lure more shoppers into the chain's 470 stores. They also offer a first sign of Amazon's intent to apply order to Whole Foods' decentralized structure. Prices had varied across the grocer's 12 regions, but Monday's reductions brought those of the selected items in line nationally.

"This will make me come more," said Jen Harris, 33 years old, who skipped her Sunday shopping trip in favor of stopping by Monday morning, looking for cheaper prices on staples like chicken and fish. "I feel like Amazon is great for customers."

The occupational therapist from Chicago typically shops for milk, eggs and snacks at Trader Joe's, Costco Wholesale Corp. or Albertson Cos.'s Jewel-Osclo banner because they are cheaper.

Amazon's strategy of being a price follower, not a price leader, has helped make Amazon a major player in everything from books to apparel.

"They can be a cent below the other competitors, they don't need to go all the way down," said Guru Hariharan, chief executive of retail technology company Boomerang Commerce and a former Amazon manager.

Grocery shoppers typically enter a store with a set list of items but often make impulse

purchases once there. Customers at Whole Foods in particular are generally more focused on quality and are less price conscious, making it tougher for Amazon to predict how discounting products may affect traffic. Whole Foods, for example, began cutting prices two years ago, but the cuts didn't reinvigorate sluggish sales growth.

Whole Foods has some way to go to match other grocers. Analysts estimate that prices before the Amazon takeover were roughly 15% higher than conventional competitors for similar items.

"Amazon cutting prices at Whole Foods likely doesn't mean undercutting other grocers, but rather bringing prices more in line with average market prices," said Forrester retail analyst Brendan Witcher.

For example, Amazon cut the price of Whole Foods' private-label creamy and crunchy almond butters to \$6.99 from \$7.99, matching Trader Joe's.

A Whole Foods spokeswoman said that many store items couldn't be directly compared with competitors because the chain has higher quality and ethical standards. The price cuts and promotions will continue in the weeks to come as the merger progresses, she said.

"This is just the beginning," she said.

Amazon declined to comment on its pricing policies, but the company has previously said it finds the lowest prices and meets or beats them every day.

Investor concern that Amazon's price cuts at Whole Foods will trigger a price war led to a stock selloff among traditional grocers Monday, continuing last week's slide. Sprouts Farmers Market Inc.'s stock tumbled 10%, while Natural Grocers by Vitamin Cottage Inc. was down by more than 2%. Kroger, the largest U.S. grocery chain by stores and revenue, slipped 1.4% before largely recovering.

Ad Groups Try to Simplify in Complex Times

By ALEXANDRA BRUELL

Around this time last year, WPP PLC Chief Executive Martin Sorrell addressed more than 100 top executives from the holding company's ad agencies at a senior leadership meeting. He pointed to a screen that displayed the logos of McDonald's, AT&T, Procter & Gamble and Volkswagen.

What do these companies have in common, he asked. The answer: Those were all accounts WPP had lost. He said WPP, home to agencies like J. Walter Thompson, Grey Advertising and Mindshare, would need to simplify its unwieldy structure for clients that want more integration of functions like media planning, data analytics and creative advertising, according to agency executives in attendance.

WPP last week reported weaker-than-expected revenue growth in its latest quarter and reduced its forecast for 2017, fueling a stock selloff. A major point of focus were the

cutbacks in spending by consumer products and packaged goods companies and the business headwinds those firms are facing. But agency holding companies are also under pressure to revamp an organizational structure that has gone out of style.

On the company's earnings call, Mr. Sorrell said, "Ensuring our people work seamlessly together through client teams and country and subregional managers to provide integrated benefits for clients is absolutely essential."

WPP for years has been pulling resources from individual shops to create dedicated agencies for specific clients. Mr. Sorrell uses the term "horizontalization" to describe the approach.

Big ad firms like WPP, Publicis Groupe SA and Omnicom Group Inc. have spent the past decade acquiring assets to help them adapt to the online ad business.

But at the same time, their existing roster of agencies, assembled over many years, have developed their own dig-

ital skills out of survival instinct. That has blurred the lines, creating overlap and confusion for clients who are coming to the agencies for clarity about the digital ad world.

The holding companies' complex structures have also impeded their ability to move quickly at a time when clients are demanding more real-time digital marketing responses to daily events, particularly on social media.

Typically, marketers have separate contracts with various agencies that offer many of the same types of services. Media and digital marketing agencies both claim to be able to create and buy videos for social platforms, for example.

What they want is to have a single business relationship that gives them access to creative, technology and media expertise without having to potentially pay for overlapping services.

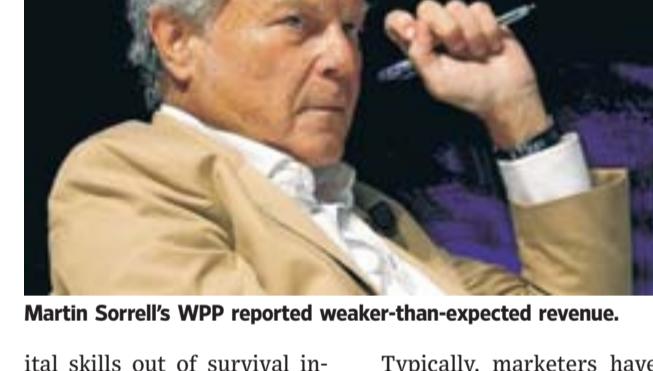
Ad executives will find it challenging to transform their cultures.

Clients want the flexibility to pull in resources from various agency groups, but agencies, many of which house big egos, have been incentivized to generate revenue for their specific shops and have fiercely competed with sister agencies for decades.

Still, after Mr. Sorrell's remarks at the leadership event last year, the remit was clear: get past your differences and work together. Clients want integration and simplicity.

The reshuffling is also likely to give data and analytics specialists more influence, potentially giving media-buying agencies a leg up over creative shops, another source of tension.

"I think the future model is going to be a reconstituted agency a la the days of 'Mad Men.' The difference is Don Draper will report to Harry Crane, not the other way around," said Lou Paskalis, a media executive at Bank of America.



Martin Sorrell's WPP reported weaker-than-expected revenue.

ERIC GAILLARD/REUTERS

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TECHNOLOGY

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Samsung Asks Staff to Carry On

In memo, a co-CEO urges focus on work after heir's conviction; chip investment is set

BY EUN-YOUNG JEONG

SEOUL—Samsung Electronics Co. urged its employees to stay focused on their work after last week's conviction of the company's de facto leader, and punctuated that business-as-usual appeal with a fresh \$2.3 billion investment in semiconductors.

The dual moves on Monday appeared intended to send a message of steadiness and continuity as Samsung, one of the world's biggest technology companies, navigates a precarious period.

The Korean-language message from a Samsung Electronics co-chief executive, Kwon Oh-hyun, urged employees to continue to work hard and not be distracted.

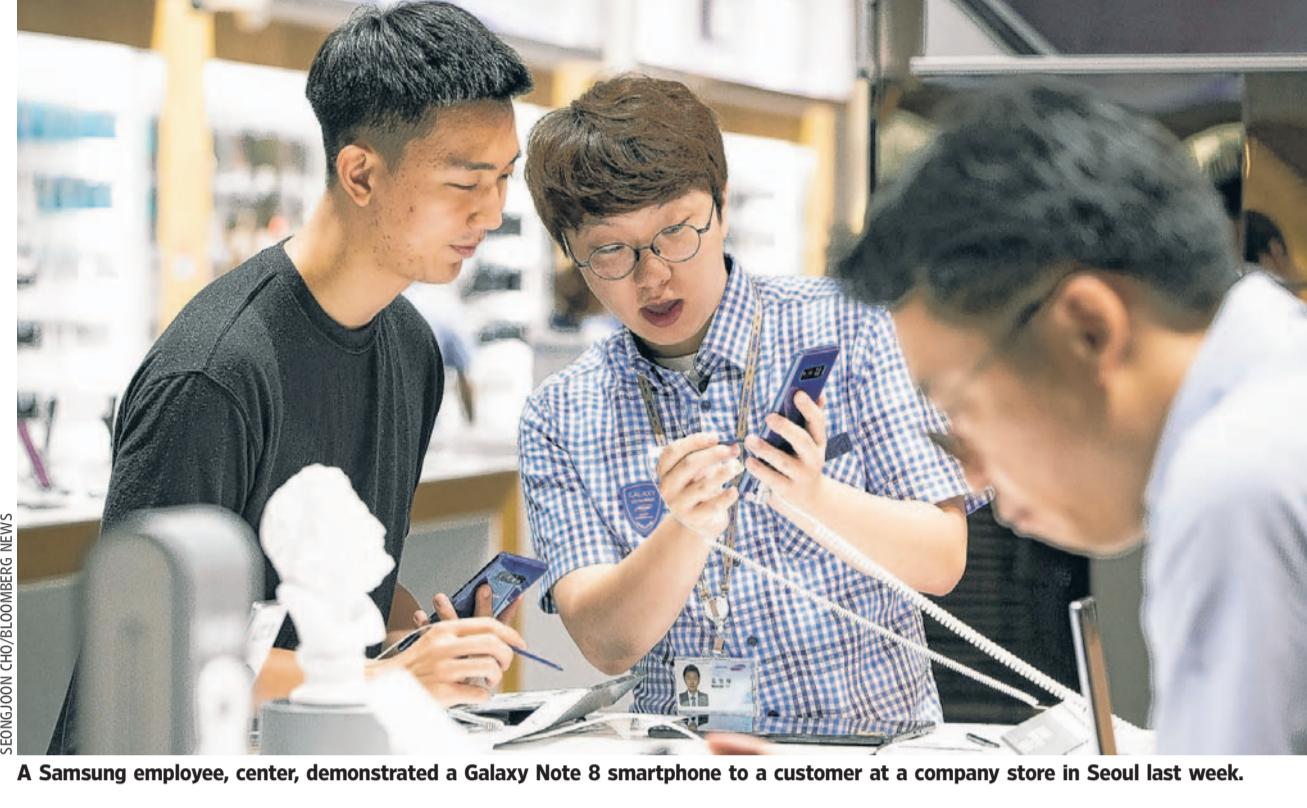
It came just three days after a Seoul court sentenced Lee Jae-yong, the company's vice chairman and the Samsung heir, to five years in prison for bribing South Korea's former president.

The verdict has rocked South Korea, reflecting a new rigor in scrutinizing the traditionally close ties between government and the powerful family-run conglomerates known as *chaebols*.

On Monday, Mr. Lee's lawyers filed an appeal contesting Friday's court verdict.

The brief memo from Mr. Kwon was the first company-wide message since Mr. Lee's conviction.

In the memo, which was posted on the company's internal web bulletin board and reviewed by The Wall Street Journal, Mr. Kwon described Mr. Lee's imprisonment as an



A Samsung employee, center, demonstrated a Galaxy Note 8 smartphone to a customer at a company store in Seoul last week.

"unprecedented challenge" for Samsung and encouraged employees to continue working hard as they wait for "the truth to come to light."

Mr. Kwon seemed to do just that hours later, when Samsung said its management committee had approved a \$2.3 billion investment to boost its NAND memory-chip facilities in Xi'an, China, part of a new, three-year \$7 billion investment plan, according to a filing with regulators. NAND chips are memory chips that dictate the amount of data that can be stored in digital devices.

Mr. Kwon, one of three co-chief executives at Samsung Electronics, has been a steady force behind the scenes since Mr. Lee was detained in February, according to people familiar with the matter.

The company, the world's largest maker of smartphones, memory chips and television sets, has continued to fare well even amid the continuing legal process. Shares in Samsung are trading near a record high after the company recently posted a record quarterly profit.

But Mr. Lee, the 49-year-old only son of Samsung Chairman Lee Kun-hee, is seen as playing a critical role in approving Samsung's biggest investments and deals.

Monday's announcement seemed designed to send a sign that the company will continue to conduct business as usual despite Mr. Lee's absence.

A Samsung spokeswoman declined to comment on Mr. Kwon's internal memo, but said Samsung Electronics, led

by its three co-CEOs, would endeavor to carry out operations without disruptions from the continuing legal matters.

Mr. Lee was found guilty on Friday of offering \$7.9 million

Lee's succession over Samsung. Along with bribery, Mr. Lee was also convicted of embezzlement, hiding assets abroad, concealing criminal profits and perjury.

Ms. Park and Ms. Choi have both denied wrongdoing and are facing charges in a separate trial.

Investors reacted negatively to Mr. Lee's sentencing. Samsung Electronics' shares fell 2% in Monday trading, far steeper than the broader benchmark's 0.3% decline.

Shares in two Samsung affiliates considered to be important pieces of Mr. Lee's planned succession process, de facto holding company **Samsung C&T Corp.** and Samsung Life Insurance Co., fell 3.4% and 2.9% respectively.

—Timothy W. Martin contributed to this article.

BUSINESS NEWS

Stem-Cell Treatment Monitoring To Increase

BY JONATHAN D. ROCKOFF

The Food and Drug Administration is stepping up oversight of fledgling medical treatments that aim to harness the potential of stem cells—as well as some businesses that the agency said were selling unapproved and possibly harmful treatments.

The FDA announced it was crafting rules to govern the development of treatments based on the cells. The FDA also said it was cracking down on a company and three clinics that sold stem-cell treatments the agency said were potentially dangerous.

The moves signaled the FDA planned to extend its authority regulating drugs and medical devices to the field known as regenerative medicine, after spending years effectively watching it emerge.

"Our actions today should also be a warning to others who may be doing similar harm," FDA Commissioner Scott Gottlieb said.

Stem cells develop into many different kinds of cells and naturally replace skin, gut and bone-marrow tissues. Scientists are studying whether stem cells could be used to treat diseases and grow replacement organs.

Though that research is still largely experimental, clinics have popped up, injecting stem cells into people dealing with Lou Gehrig's disease, arthritic knees and other ailments. Often the stem cells are extracted from one part of the patient's body and after purported processing,

The clinics offer injections to people suffering from a wide range of ailments.

injected into a different area.

About 570 clinics in the U.S. were advertising the treatments, the journal Cell Stem Cell reported last year. Most of those clinics aren't selling treatments that have been proven to work, according to Leigh Turner, a bioethicist at the University of Minnesota who co-wrote the journal report.

The proliferating business had triggered a debate, including hearings by the FDA last year, about whether the agency should step in. Clinic operators argue that the agency's oversight of drugs doesn't extend to the use of a patient's own cells.

The FDA said it seized five vials of a smallpox vaccine containing live and dangerous vaccinia virus that belonged to StemImmune Inc. of San Diego, Calif. The agency said the vaccine was used as part of an "unapproved" and potentially harmful procedure at the California Stem Cell Treatment Centers in Beverly Hills, Calif., and Rancho Mirage, Calif.

The FDA said the clinics were combining the vaccine with stem cells derived from body fat and injecting the concoction into the tumors of cancer patients with compromised immune systems, "for whom the vaccine posed a potential harm."

The agency also posted a warning letter to U.S. Stem Cell Clinic of Sunrise, Fla., that the agency alleged was marketing unapproved stem-cell treatments that weren't made according to good manufacturing practices. Three elderly women lost vision after treatment at U.S. Stem Cell Clinic, according to media reports and an article in the New England Journal of Medicine earlier this year.

U.S. Stem Cell Clinic said it followed strict standards to protect the health and safety of its patients and to follow FDA rules.

Dr. Mark Berman, co-founder of the California Stem Cell Treatment Center group that the clinics in Beverly Hills and Rancho Mirage belong to, said the smallpox virus was "legally obtained" from the U.S. government for conducting research on its use in stem-cell treatment. He said the center and its "clinical partner" StemImmune have told the FDA about their research. StemImmune said it is "fully cooperating" with the FDA regarding development of its stem-cell cancer treatment.

Unlimited Vacation Time Is a Lot of Work

Employees are often hesitant to take advantage of company policies; the 'anxiety' of two weeks off



Kyle Bergman, at left, travels to lacrosse tournaments. Indrani Ray-Ghosal no longer has to choose between time at home and visits to see family in India, above.



KYLE BERGMAN (LEFT); INDRANI RAY-GHOSAL

BY FRANCESCA FONTANA

Unlimited vacation time sounds like a great way to encourage employees to take time off—at first.

A small but growing number of companies including Glassdoor Inc., Netflix Inc. and Twitter Inc. offer employees as much paid time off as they want. Employers say they like the policies because they can minimize staff burnout. It doesn't hurt that they can save on costs, as the policies mean they no longer pay employees who leave the company for unused vacation days.

But experts say unlimited vacation time isn't a perfect solution to an overworked workforce. Employees can become more hesitant to take time off when they're allowed to do it any time—and for as long as they desire.

Kyle Bergman, who leads merchandising for men's products at the online beauty subscription company Birch-

box, has balanced his full-time job with a spot on Israel's national lacrosse team. He uses his unlimited vacation time to travel to tournaments, and in July, Mr. Bergman spent 16 days in Finland competing in the European Box Lacrosse Championships.

Still, he says he thought about work often and checked his email regularly. "Stepping out for two weeks can be anxiety-inducing," he says.

That is a common concern and part of the reason American workers don't take all of their allotted vacation time. More than half of workers say their bosses are ambivalent or send mixed messages about taking vacation, according to a 2017 survey of more than 7,000 workers from the U.S. Travel Association's Project: Time Off. Last year, the average American worker earned 22.6 days of vacation, but only used 16.8 days, according to the survey.

"If you're the only one taking every single day you

have, compared to everyone else, it looks like you're not dedicated or slacking off," says Maura Thomas, a workplace productivity trainer. She says giving employees more time off doesn't help. Employees won't take vacation if the company's leadership doesn't take time off or if their manager's response to vacation requests is less than favorable, she says.

For some workers, unlimited time off can be liberating. Before Kronos Inc., a workforce management software firm, switched to an unlimited policy, Indrani Ray-Ghosal had to save up two years' worth of vacation time to enjoy a lengthy visit with her family in India. The strategy meant the corporate communications manager would sacrifice time off with her children during holidays to collect unused days and roll them over to the year she planned to travel abroad.

"It was a balancing act," Ms. Ray-Ghosal says.

Before Kronos changed its policy in 2016, Ms. Ray-Ghosal took about three weeks of vacation. Now she takes 3½ weeks, and doesn't have to choose between time with her children and visits with her in-laws overseas.

While many employees were happy with the change, some were upset that they wouldn't receive a payout for their unused vacation time upon leaving the company, says Dave Almeda, Kronos' chief people officer.

To address those concerns, the company told workers it would use the money it saved on vacation-time payouts to increase maternity leave, introduce paternity and adoption leave, and boost 401(k) contributions.

"We invested in the people who chose to stay rather than those who chose to leave," Mr. Almeda says.

Kronos also found that employees took more time off. Mr. Almeda says the average vacation usage in 2015

was just below three weeks. In 2016, it was a little more than 3½ weeks.

At Birchbox, employees have had unlimited vacation since the company was founded in 2010, but workers wanted more guidance.

Over time, the company developed guidelines, requiring, for instance, two weeks' notice for more than three days of vacation leave. It also asked employees not to plan trips during busy weeks leading up to the holiday season, says Melissa Enbar, vice president of people and culture at Birchbox.

To encourage time off, Birchbox offers all full-time employees a mandatory three-week vacation, called a "tribatival," on the anniversary of their third year at the company. It comes with a stipend of \$750, as a way to reward loyalty to the company. After six years with the company, employees get \$1,500 along with three weeks off.

Finish Line Sets Rights Plan

BY MARIA ARMENTAL

Finish Line Inc. took defensive measures to prevent a possible takeover as the company lowered its annual financial targets and guided that it would earn its smallest profit since 2009 in its current fiscal year.

Shares, already down 45% this year, fell 24% to \$7.95 in after-hours trading Monday as the footwear retailer said it expects sales at stores open at least a year to decline between

3% and 5%, compared with previous guidance of a low single-digit percentage gain.

The Indianapolis company's board approved a shareholders-rights plan aimed at blocking any individual stockholder from owning more than 12.5% of the shares outstanding.

Sports Direct International PLC, the British sporting gear retailer, disclosed last week in a securities filing it owned 7.9% of Finish Line common stock and has an economic interest, but no voting power, in

an additional 20.13% of shares.

BlackRock Fund Advisors was the largest shareholder in Finish Line as of June 30, reporting it held more than 11% of the company's shares outstanding, according to FactSet.

Finish Line didn't identify any shareholders but said the plan was enacted "given the current market conditions and recent share accumulations."

Finish Line's larger peer, **Foot Locker Inc.**, last week reported weaker-than-expected sales in its latest quarter.



Finish Line is expecting its smallest profit since 2009.

BUSINESS WATCH

WILLIAMS COS.

Chandler Is Named New Finance Chief

Pipeline company Williams Cos. on Monday named John Chandler as its new chief financial officer, succeeding Don Chappel, who announced his retirement earlier this year.

Mr. Chandler is slated to start his new role Sept. 5. He will receive a base salary of \$525,000 and an equity award valued at \$500,000. He also will be eligible for other incentive-based awards and benefits.

Mr. Chandler, 47 years old, previously served as finance chief for pipeline operator Magellan Midstream Partners LP. He worked at Magellan entities from 2002 to 2014.

Mr. Chandler also has been a board member at USA Compression Partners LP, Cone Midstream Partners LP, Green Plains Partners LP and Matrix Service Co.

Last year, nearly half of Williams's board members quit after a failed attempt at forcing out the company's chief executive, Alan Armstrong, following the collapse of a merger deal with Energy Transfer Equity LP. Earlier this year, the company added Michael Dunn as chief operating officer.

In July, the company completed the sale of its stake of an olefins plant in Louisiana to Nova Chemicals Corp. for \$2.1 billion as part of its plans to focus on natural gas. During a call

with analysts earlier this month, Mr. Armstrong said the company now stands "at around 97% of our gross margins coming from predictable fee-based sources that are aligned with natural gas volumes."

On the company's new finance chief, Mr. Armstrong said, "John is a deeply experienced chief financial officer who is well-known in the energy markets and within Williams."

—Ezequiel Minaya

ESTÉE LAUDER

Executives Deny Rumors of Sale

Estée Lauder Cos. over the weekend shot down rumors that it is considering a sale.

In a letter to employees, Chief Executive Fabrizio Freda and Executive Chairman William P. Lauder addressed news reports that the beauty giant hired advisers to consider a sale amid interest from consumer-products companies.

The Lauder family owns roughly 40% of Estée Lauder's shares outstanding and holds close to 90% of the shareholders' vote.

"There is no truth to these rumors. The Estée Lauder Companies is not for sale," the executives said. "The Lauder Family and our Board place great value in remaining independent. Our Company is strong and we have excellent momentum going forward."

—Sharon Terlep

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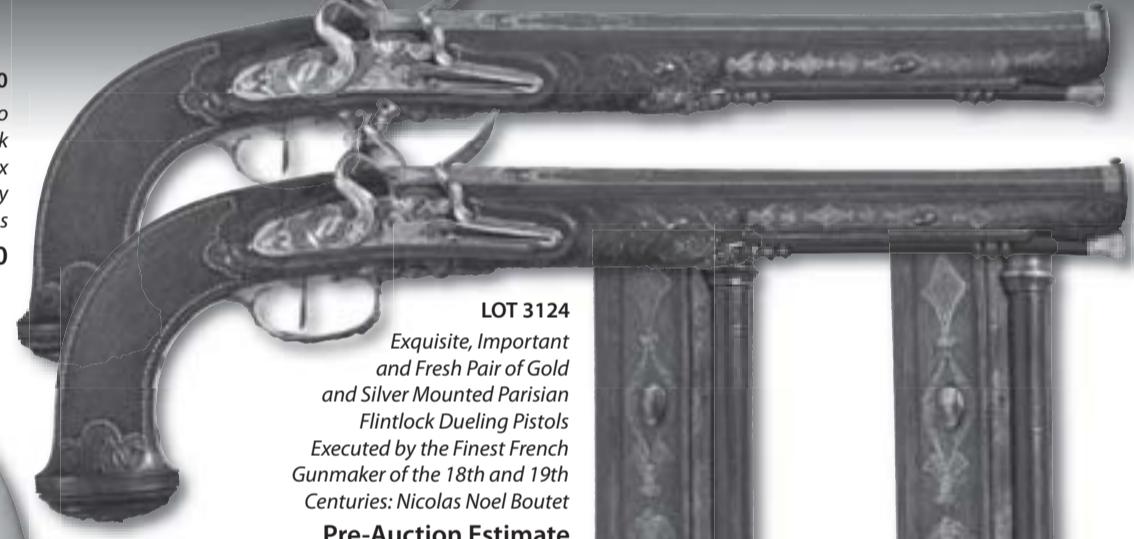
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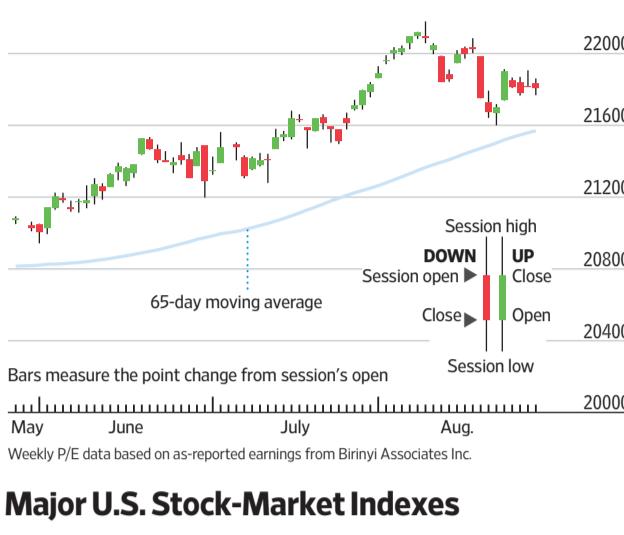


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21808.40 ▼5.27, or 0.02%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2444.24 ▲1.19, or 0.05%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

6283.02 ▲17.37, or 0.28%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21861.49	21767.94	21808.40	-5.27	-0.02	22118.42	17888.28	17.9	10.4	8.5
Transportation Avg	9165.89	9107.86	9156.96	23.21	0.25	9742.76	7755.40	16.5	1.3	2.9
Utility Average	749.39	744.84	748.16	1.68	0.23	748.16	625.44	11.3	13.4	10.1
Total Stock Market	25302.28	25194.86	25251.00	13.57	0.05	25692.25	21514.15	12.0	8.5	6.6
Barron's 400	636.15	633.80	635.25	0.92	0.15	661.93	521.59	14.6	5.6	5.7

Nasdaq Stock Market

Nasdaq Composite	6292.26	6267.85	6283.02	17.37	0.28	6422.75	5046.37	20.1	16.7	11.3
Nasdaq 100	5852.80	5821.87	5838.08	15.55	0.27	5950.73	4660.46	21.9	20.0	12.8

Standard & Poor's

500 Index	2449.12	2439.03	2444.24	1.19	0.05	2480.91	2085.18	12.1	9.2	7.0
MidCap 400	1713.65	1703.43	1707.99	-0.98	-0.06	1791.93	1476.68	8.7	2.9	6.1
SmallCap 600	830.03	825.45	828.14	0.49	0.06	876.06	703.64	9.5	-1.2	7.4

Other Indexes

Russell 2000	1382.53	1377.06	1382.23	4.78	0.35	1450.39	1156.89	11.0	1.8	5.8
NYSE Composite	11836.46	11776.45	11800.22	-11.81	-0.10	12000.02	10289.35	9.1	6.7	2.3
Value Line	511.00	508.24	509.60	-0.13	-0.03	533.62	455.65	4.9	0.7	0.6
NYSE Arca Biotech	4002.09	3974.50	3999.44	115.49	0.29	4075.95	2834.14	21.6	30.1	9.1
NYSE Arca Pharma	522.93	521.37	522.75	2.29	0.44	549.20	463.78	-0.4	8.6	0.1
KBW Bank	94.50	93.36	93.68	-0.52	-0.55	99.33	69.71	30.8	2.1	9.6
PHLX® Gold/Silver	89.18	86.65	89.18	3.36	0.31	101.55	73.03	-8.0	13.1	-4.1
PHLX® Oil Service	122.50	119.16	120.48	-1.50	-1.23	192.66	117.79	-25.1	-34.4	-25.6
PHLX® Semiconductor	1083.94	1077.28	1082.62	2.12	0.20	1138.25	768.37	34.7	19.4	19.1
CBOE Volatility	12.11	11.23	11.32	0.04	0.35	22.51	9.36	-12.5	-19.4	-2.1

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
Van Eck Vectors Gold Miner	GDX	15,340.3	24.50	0.24	0.99	24.62	24.19
SPDR S&P 500	SPY	8,976.3	242.93	-1.64	-0.67	244.76	242.65
Quintiles IMS Holdings	Q	8,044.1	95.25	-0.30	-0.31	95.88	95.25
Intel	INTC	5,057.0	34.48	-0.17	-0.49	34.69	34.48
LendingClub	LC	3,801.1	6.10	0.005	0.08	6.10	6.10
iShares MSCI Emg Markets	EEM	3,716.2	44.26	-0.51	-1.14	44.92	44.15
Van Eck Vectors Jr Gold	GDXJ	3,432.2	35.55	0.31	0.88	35.80	35.03
Microsoft	MSFT	2,794.1	72.30	-0.53	-0.73	72.94	72.15

Percentage gainers...

Catalent	CTLT	428.9	39.90	4.54	12.84	42.00	35.36
ProsharesUltVIXST	UVXY	2,306.8	33.66	3.26	10.72	34.12	30.19
VS 2x VIX Short Term	TVIX	1,605.2	18.35	1.69	10.14	18.60	16.55
ProShares VIX ST Fut	VIXY	46.7	41.49	2.21	5.63	41.69	39.14
Murphy Oil	MUR	89.1	24.00	1.25	5.49	26.39	22.63

...And losers

Finish Line Cl A	FINL	199.3	8.02	-2.40	-23.03	10.42	7.81
Arrowhead Pharmaceuticals	ARWR	9.5	2.56	-0.18	-6.45	2.74	2.56
Kamada Ltd.	KMDA	25.3	4.15	-0.25	-5.68	4.40	4.05
Pinnacle Foods	PF	9.4	55.70	-3.35	-5.67	59.05	55.70
Esperion Therapeutics	ESPR	24.5	46.27	-2.63	-5.38	49.25	46.27

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract				Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb										
Aug 3,0710 3,075 ▲ 3,0655	3,0650	0.0320	257							
Dec 3,0620 3,1095 ▲ 3,0595	3,0860	0.0295	201,365							
Gold (CMX)-100 troy oz.; \$ per troy oz.										
Aug 1293.50 1311.30 ▲ 1293.50	1309.70	17.20	667							
Oct 1294.10 1314.00 ▲ 1294.00	1311.80	17.30	51,833							
Dec 1297.60 1317.80 ▲ 1297.00	1315.30	17.40	405,930							
Feb'18 1301.40 1321.20 ▲ 1301.30	1318.90	17.40	19,333							
June 1310.80 1328.70 ▲ 1310.80	1326.10	17.60	9,494							
Dec 1320.30 1339.20 ▲ 1320.20	1336.90	17.80	7,918							
Palladium (NYM)-50 troy oz.; \$ per troy oz.										
Aug 885.00 885.00 885.00	936.60	3.15	4							
Sept 929.75 939.10 928.00	934.20	3.15	8,116							
Dec 924.85 936.10 923.50	932.35	5.90	26,757							
March'18 920.35 929.45 920.35	928.35	6.55	468							
Platinum (NYM)-50 troy oz.; \$ per troy oz.										
Aug 962.60 965.30 962.60	986.50	10.20	1							
Oct 977.30 993.00 976.80	989.30	10.20	62,439							
Silver (CMX)-5,000 troy oz.; \$ per troy oz.										
Aug 17,055 17,060 17,055	17,431	0.393	70							
Dec 17,100 17,565 17,100	17,529	0.397	131,756							
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.										
Oct 47.89 48.20 46.15	46.57	-1.30	516,590							
Nov 48.23 48.47 46.58	46.96	-1.16	226,911							
Dec 48.38 48.70 46.93	47.27	-1.07	329,931							
Jan'18 48.71 48.91 47.22	47.52	-1.01	159,920							
June 49.18 49.44 47.92	48.20	-0.88	155,151							
Dec 49.40 49.64 48.25	48.51	-0.70	186,937							
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.										
Sept 1,6500 1,6681 1,6256	1,6352	0.0129	25,688							
Oct 1,6427 1,6681 1,6229	1,6309	0.0070	100,330							
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.										
Sept 1,7601 1,7799 1,7036	1,7123	0.0457	23,229							
Oct 1,5830 1,6189 1,5625	1,5713	0.0305	129,760							
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.										
Sept 2,924 2,967 2,849	2,925	.033	16,793							
Oct 2,950 2,998 2,880	2,961	.037	322,030							
Nov 3,023 3,066 2,954	3,030	.033	135,097							
Jan'18 3,247 3,300 3,200	3,269	.029	145,587							
March 3,207 3,252 3,163	3,227	.026	99,806							
April 2,898 2,921 2,869	2,906	.020	114,751							

	Contract	Open	High	Low	Settle	Chg	Open interest
Agriculture Futures							
Corn (CBT) -5,000 bu.; cents per bu.							

Sept 338.75 340.25 ▲ 335.50	336.00	-2.75	157,225				
Oats (CBT) -5,000 bu.; cents per bu.							
Soybeans (CBT) -5,000 bu.; cents per bu.							
Sept 936.00 944.00 ▲ 932.50	935.25	-3.75	26,440				
Soybean Meal (CBT) -100 tons; \$ per ton.							
Sept 296.20 298.40 ▲ 295.50	295.50	-9.90	29,882				
Soybean Oil (CBT) -60,000 lbs.; cents per lb.							
Sept 34.56 34.90 ▲ 34.59	34.59	-0.02	17,216				
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.							
Sept 1240.50 1256.00 ▲ 1232.50	1233.00	-6.50	2,333				
Wheat (CBT) -5,000 bu.; cents per bu.							
Sept 406.25 410.00 ▲ 394.00	396.75	-7.75	21,319				
Wheat (MPLS) -5,000 bu.; cents per bu.							
Sept 649.00 650.00 ▲ 641.00	644.75	-5.75	7,975				
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.							
Sept 142,000 143,100 ▲ 141,900	142,425	-1.05	5,692				
Cattle-Live (CME) -40,000 lbs.; cents per lb.							
Sept 107,800 108,700 ▲ 107,600	108,375	1.450	150,501				
Hogs-Lean (CME) -40,000 lbs.; cents per lb.							
Sept 62,775 63,000 ▲ 61,725	61,625	-1.450	106,810				
Lumber (CME) -110,000 bd. ft.; \$ per 1,000 bd. ft.							
Sept 374.20 382.00 ▲ 374.00	380.10	8.10	1,906				
Milk (CME) -200,000 lbs.; cents per lb.							
Sept 361.20 369.10 ▲ 361.10	366.90	7.50	1,905				
Cocoa (ICE-US) -10 metric tons; \$ per ton.							
Sept 1,937 1,937 ▲ 1,905	2,015	53	255				
Dec 1,905 2,002 ▲ 1,997	2,015	64	146,245				

Cash Prices | WSJ.com/commodities

Monday, August 28, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday	Monday

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BANKING & FINANCE

Auto-Lending Products Under Scrutiny

BY EMILY GLAZER
AND ANNA MARIA ANDRIOTIS

Regulators are reviewing some auto-lending procedures, including those related to borrower refunds, at several banks and other financing businesses in the wake of problems at Wells Fargo & Co., according to people familiar with the matter.

The Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency are examining guaranteed-asset-protection products and the refund processes associated with them at these firms, the people said.

The CFPB is focusing on the refunding process, these people added. It isn't clear whether the regulatory re-

views will lead to any action.

Wells Fargo previously had disclosed that during an internal review it discovered issues relating to the administration of GAP products, particularly customer refunds.

The regulatory reviews are happening as many lenders themselves check up on their internal controls around the GAP products and related refunds.

Capital One Financial Corp., Santander Consumer USA Holdings Inc., and U.S. Bancorp are among banks that are reviewing their GAP product-refund policies given the situation at Wells Fargo, according to people familiar with the matter. While reviews occur on a continuing basis, the banks are taking a closer look

at procedures meant to ensure borrowers who are entitled to refunds receive them, the people said.

GM Financial, Nissan Motor Acceptance Corp., Infiniti Financial Services and Ford Motor Credit Co. are among captive-finance companies checking their internal controls and refunding processes as well, people familiar with the firms said. It isn't clear whether the firms will make changes or what those will be.

GAP coverage is typically sold to consumers through car dealerships. The products offer consumers additional protection beyond standard auto-insurance policies and are often financed as part of the customer's loan.

For instance, if a customer

has an accident and the vehicle is totaled, GAP waivers could help pay off the loan balance that isn't covered by the customer's primary insurance. Laws in nine states require

Many lenders themselves are checking up on their internal controls.

that customers receive refunds for unused coverage periods, and the holder of the contract—the lender—often ensures this is done properly.

Some lenders use a third-party provider to oversee the

refunding process. Some of those providers, including World Omni Financial Corp., have received questions from lenders following news of Wells Fargo's problems, people familiar with the matter said.

Kenneth Rojc, a lawyer at Chicago-based Nisen & Elliott LLC who manages the law firm's automotive-finance group, said some of his clients are examining whether they have the right procedures in place to implement GAP refunds. That could include how the process works, who provides the refund and whether that firm is doing so in a timely manner, he added. "Every single one of our auto-finance managers here are saying 'What are we doing? Is this something we should be con-

cerned about?'" Mr. Rojc said.

Auto lenders have reason to be cautious. After Wells Fargo cited the problems in a recent quarterly securities filing, The Wall Street Journal and others reported the Federal Reserve Bank of San Francisco made an inquiry about control breakdowns related to GAP refunds. The OCC is also probing Wells Fargo's practices.

Wells Fargo spokeswoman Catherine Pulley said at the time: "During an internal review, we discovered issues related to a lack of oversight and controls surrounding the administration of guaranteed asset protection...products." Ms. Pulley added the bank is working to make the customer refund process "more consistent for customers."

Fitch Downgrades Qatar's Debt by a Notch

BY NICOLAS PARASIE

DUBAI—Confidence in Qatar's creditworthiness took another hit, as Fitch Ratings downgraded the country's debt, citing concerns that the economic blockade imposed by Arab neighbors was unlikely to be lifted soon.

The move on Monday was the latest sign of worry from credit-rating firms that a diplomatic dispute between Doha and a Saudi Arabia-led bloc of countries has taken a toll on Qatar's economy and that the situation could continue to deteriorate.

Fitch lowered the energy-rich Persian Gulf nation's long-term issuer rating by one notch, to AA-minus from AA, noting that the negotiating positions between Qatar and its adversaries "remain far apart" as international efforts to resolve the diplomatic standoff make little progress.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt accuse Qatar of promoting extremist groups and meddling in their domestic affairs, charges Doha denies. Qatar's adversaries also issued a list of 13 demands, including shutting down news broadcaster Al Jazeera and curbing ties with Tehran.

Doha has refused to agree to the demands. Last week, tensions rose further when Qatar restored full diplomatic relations with Iran. Majority Shiite Muslim Iran is Sunni Saudi Arabia's main rival for power in the Middle East.

Qatar's policy amounts to "crisis management of burning



Anwar Gargash, the U.A.E.'s minister of state for foreign affairs, says Qatar's policies amount to 'crisis management of burning bridges.'

bridges," the U.A.E.'s minister of state for foreign affairs, Anwar Gargash, said following that move. "The wisdom we wished for is completely absent."

Fitch and the other ratings firms Moody's Investors Service and Standard & Poor's worry that the conflict will pressure Doha's finances.

Lower credit ratings could push up Qatar's borrowing costs.

Monday's downgrade underlines the mounting costs

for Qatar since the diplomatic crisis erupted in June, when the Saudi-led bloc severed diplomatic ties and closed all air, land and sea borders shared with Qatar. A flurry of diplomatic efforts has failed to break the impasse between the countries, all of which are U.S. allies in the region.

S&P said Sunday that the boycott will slow down Qatar's economy, keeping its AA-minus rating and negative outlook on the country's long-term prospects despite

removing Qatar from negative CreditWatch. Moody's last month lowered its Qatar rating outlook to negative.

Until now, Qatar has weathered the initial impact of the blockade by tapping its vast reserves, accumulated in large part due to the export of natural gas. Doha also sought to establish new sea and air routes through Iran and countries including Oman.

But there are signs of the toll it has taken on Qatar's economy. Food prices have

risen, and domestic banks have been hit by two successive months of deposit outflows. Fitch said it expects those outflows to continue but at a slower pace.

For this year, Fitch predicts Qatar's gross domestic product will expand at 2% and at 1.3% in 2018 and 2019, compared with 2.2% in 2016.

Tourism and transport are likely to be the worst-hit sectors, it said, estimating Qatar's national airline has lost 10% of its passengers since June.

Securities Linked To Wanda Take a Hit

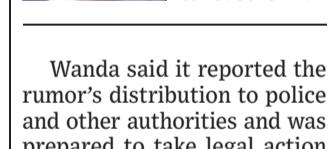
BY SHEN HONG

SHANGHAI—Hong Kong-listed shares and bonds of Chinese billionaire Wang Jianlin's **Dalian Wanda Group** Co. plunged for the second time in two months, following what the company called rumors about its leader being barred from leaving the country.

Shares of **Wanda Hotel Development** Co., the Chinese real-estate and entertainment company's hotel and commercial-property arm, fell as much as 11% on Monday before closing down 8.1% at 1.59 Hong Kong dollars (20 U.S. cents) after Wanda Group issued a statement denying that an overseas travel ban on Mr. Wang was in place.

The company was responding to reports on Chinese social media that Mr. Wang was detained by police at Tianjin's airport on Aug. 25 and barred from taking a private jet to the U.K. The reports said Mr. Wang was released but was told not to leave China.

"Some people with malicious intent have been spreading vicious rumors about Chairman Wang Jianlin," Wanda Group said Monday. "These rumors are out of thin air, and we hope that people don't believe in them and don't circulate them either."



Rumors on social media say Wang Jianlin was told by authorities not to leave China.

Saudi Arabia, Russia Press for Oil-Cut Extension

BY SUMMER SAID
AND BENOIT FAUCON

Saudi Arabia and Russia are pushing to extend a deal to limit crude-oil output for an additional three months, which would leave the agreement between OPEC and non-OPEC producers in place through the end of June, people familiar with the matter said.

Saudi Arabia's energy minister, Khalid al-Falih, discussed the proposal with his Russian counterpart, Alexander Novak, in July at a meeting in St. Petersburg about compliance with the production cap, according to two of the people familiar with the matter.

The two ministers, who are the most powerful figures among the producing countries participating in the cut, have been lobbying for support from other countries since the St. Petersburg meet-

ing, the people said.

Neither minister responded to a request for comment.

The Organization of the Petroleum Exporting Countries joined forces with 11 non-OPEC nations late last year to reach a production deal aimed at ending a global glut that has weighed on oil prices and shaken the economies of countries dependent on crude.

So far, the pact has failed to lift oil prices to levels desired by OPEC, in part because American shale producers ramped up output. The deal also has been undermined by relatively low compliance by some producers.

An OPEC official confirmed that a three-month extension was discussed at the St. Petersburg meeting and is being considered by OPEC leaders.

OPEC and other major oil-producing nations agreed to withhold about 1.8 million barrels

a day, or about 2% of global daily output. On Monday, oil for October delivery dropped 2.7%, to \$46.57 a barrel, on the New York Mercan-

tile Exchange as Tropical Storm Harvey knocked out refineries along the Texas coast, which is expected to reduce refining capacity and

hit U.S. crude demand. Brent crude, the global benchmark, fell 1%, to \$51.89.

The original output deal was renewed at the end of May and is in place through the end of March.

Efforts to extend the deal now are aimed at ensuring that there isn't another precipitous price drop.

"There are concerns that if OPEC and non-OPEC producers exit the market in March, traders will react quite negatively to it and behave as if the market is in a free fall," one senior Saudi oil official said. "This also ensures that producers won't pump full tilt and push prices down."

Venezuelan Oil Minister Eugenio del Pino is scheduled to visit Russia and Saudi Arabia ahead of a planned Sept. 22

meeting in Vienna to discuss compliance and a possible extension of the deal, according to the official.

The proposal to extend the deal also was discussed with other Persian Gulf producers that are part of OPEC, according to that official and another person familiar with the matter.

Messrs. Falih and Novak previously had said they would "do whatever it takes" to reduce the inventory overhang, using a phrase coined by European Central Bank President Mario Draghi five years ago in his successful bid to defend the euro.

"Mr. Falih in particular remains very committed to this promise and for now he thinks what it takes now is more commitment from the producers and an extension to the deal," said a senior oil official from one of the non-OPEC producers participating in the deal.

Wanda said it reported the rumor's distribution to police and other authorities and was prepared to take legal action to protect itself.

A U.S.-dollar-denominated bond that matures in 2024 issued by **Wanda Properties International** Co. also fell as much as 2.7% early Monday; it was down about 1.7% by mid-afternoon.

Monday's stock selloff was the second to hit Wanda since late June, when Beijing launched a probe into overseas investments and financing by Wanda Group and other companies, including Anbang Insurance Group Co., HNA Group Co. and **Fosun International Ltd.**

The Chinese government has been trying to get a grip on high corporate debt and stem an outflow of capital. One of the deals called into question was Wanda's \$3.5 billion acquisition of Hollywood production company Legendary Entertainment in 2016.

The Wall Street Journal reported last month that China President Xi Jinping approved measures barring state-owned banks from making new loans to Wanda to help fuel its foreign expansion. Trading in shares of **Wanda Film Holding** Co., which is listed on the mainland, has been suspended since July 4 after the company said it had major acquisitions to disclose. Prices of Wanda Group's various domestically traded bonds are steady and appear little affected by the losses in the Hong Kong market.



Workers at an oil derrick in Russia. The output deal has failed to lift crude prices to desired levels.

Dividend Changes

Dividend announcements from August 28.

Company Symbol Amount Payable/ Record

Increased

BancFirst BANF .17 .21/19 Q Oct13/Sep29

Harris Corp HRS .19 .57/.53 Q Sep22/Sep08

Northrim Bancorp NRM .30 .22/.21 Q Sep15/Sep07

Pacific Coast Oil Trust ROYT 7.7 .0093/.00266 M Sep15/Sep05

Saratoga Investment SAR .90 .48/.47 Q Sep26/Sep15

Funds and investment companies

Alliance CA Municipal AKP .41 .04724 M Sep15/Sep08

AllianceBernstein Glbl AWF .65 .0699 M Sep15/Sep08

AllianceBrnsh NtMlnr AFB .44 .05205 M Sep15/Sep08

Bancroft Fund BCV .46 .25 Q Sep22/Sep15

CWA Income ETF CWAI 2.7 .05671 M Aug31/Aug30

Stocks

Synologic SYBX 1:7 /Aug28

Foreign

CNOOC ADR CEO 4.2 .255666 SA Oct19/Sep07

RenaissanceRe Hldgs 6.08% RNRPr 5.9 .38 Q Sep01/Aug31

RenaissanceRe Pfld. E RNRPe 5.2 .33594 Q Sep01/Aug31

Smith & Nephew ADR SNN 14 .246 SA Nov01/Oct06

Sociedad Quimica ADR SQM 16 .38432 SA Sep25/Sep08

Special

MSB Financial MSBF .425 Sep20/Sep07

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual;

S2: stock split and ratio; SO: spin-off.

MARKETS

Treasurys Get Lift From Note Auction

By SAM GOLDFARB

U.S. government bonds extended recent gains, as strong demand for new five-year notes carried over into the broader market.

In a fairly un-

CREDIT usual develop-

MARKETS ment, auctions

of two-year

Treasury notes and five-year Treasury notes were both held Monday. Though investor appetite was muted for the two-year notes, it picked up for the five-year notes, with bids totaling more than 2.5 times the \$34 billion being auctioned.

Subsequent demand for Treasurys caused the yield on the 10-year note to settle at 2.15%, down from 2.17% just before the second auction and 2.16% Friday. Yields fall when bond prices rise.

Sales of Treasury notes can sometimes weigh on prices of outstanding bonds as the market is forced to absorb the new debt.

After Monday, traders still need to deal with a \$28 billion auction of seven-year notes on Tuesday.

But the fact of "two-thirds of this week's supply being over with" was enough to prompt a "little bit of a relief rally," said Daniel Mulholland, head of U.S. Treasury trading at Crédit Agricole.

Treasurys came into this week with momentum.

Before Friday, investors and analysts had thought there was a small chance Federal Reserve Chairwoman Janet Yellen, in a speech at Jackson Hole, Wyo., could challenge the prevailing view that the Fed is unlikely to raise interest rates for a third time this year. Instead, she focused on financial regulation, removing what had been one of the few clear risks to the market.

Floor Traders Make a Last Stand

An era is ending in Hong Kong as exchange operator shuts once-busy hall

By STEVEN RUSSOLILLO

HONG KONG—The Hong Kong stock exchange's 31-year-old trading hall is set to close this fall, but not without some pushback from its remaining tenants.

Stock-exchange operator Hong Kong Exchanges & Clearing Ltd. said this month that it would shut the trading floor, one of the few remaining such venues in major global markets, in October. It plans to convert the venue into an exhibition area.

Only about 30 people now work in the trading hall on a normal day, according to HKEx, compared with nearly 1,000 during its heyday in the 1980s and 1990s. Almost all trading there is conducted electronically, the same way brokers buy and sell stocks from an external location.

Yet many brokers are struggling to accept the decision. In a letter sent to Hong Kong's government this month, reviewed by The Wall Street Journal, a group of 30 remaining floor traders bemoaned the closure, as well as the long-term difficulties faced by independent brokers.

"As Hong Kong's economy took off, the HKEX also became one of the world's most famous securities exchanges, and we all felt proud for being a member of it," a translation of the letter said.

"There are still a group of observant and conscientious people who aspire to reignite the lights here. Why can't we be of one mind and make concerted efforts to rekindle the past glory?" it said.

The rise of electronic trading since the 1990s has led to the steady demise of traditional floor trading globally, making obsolete big, open spaces where shouting and hand signals were typically used to make trades. Better



Nearly a thousand people worked in the trading hall, shown in 1992, in its heyday. Only about 30 work there on a normal day now.

technology has made trading far cheaper, allowing big players to lower the commissions they charge to clients, in turn hurting smaller brokers who are unable to withstand lower margins.

The trading floor at the New York Stock Exchange remains a rare holdout, although it has significantly pared down the number of active traders there in recent years.

"There are very few trading floors left around the world where there are substantial amounts of volume done," said Andy Nybo, a director at Burton-Taylor International Consulting. "The vast majority of cash equity trading is done electronically."

Hong Kong's stock exchange played host to 906 trading booths at its peak, with each able to accommodate two traders. Today, there are only 62 active desks: In two trips to the exchange last week, there were only about a dozen people on the floor

each time, with the ambience more akin to a library than a loud, energetic trading floor.

In the letter, the group of floor traders lamented what they see as a lack of support they have received to counter the long-term decline in brokerage fees and commissions, their main source of revenue, in the face of stiff competition from larger banks and brokerages.

"The Hong Kong exchange and the Hong Kong government have been turning a blind eye to our plight...using the excuse that 'Hong Kong is a free market' to get rid of any responsibilities," the letter said. "The reason that there are fewer and fewer floor traders at the exchange was caused by the existing malignant system, and all of their contribution has been obliterated and sacrificed."

In response, HKEx said it had been working hard with market practitioners to strengthen the competitiveness of the Hong Kong finan-

cial market. "Local brokers and other participants are important to us and we appreciate their contribution to the market," the exchange said.

Christopher Cheung Wah-fung, chief executive of Christfund Securities, which has a trading desk at the exchange, said he is sad about the exchange closing its trading hall but understands the reasoning.

"We always told ourselves that one day this would end," he said. "We are not surprised, but we have deep feelings about this place and hope that it can still exist....Every day, we sat together and the mood was very infectious. But that feeling of solidarity is lost if we were scattered and trade from different places."

His one final wish: to get as many traders as possible back together in red jackets for a final group picture the night before the trading hall closes.

—Yifan Xie
contributed to this article.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$118,235,774,700	\$112,595,677,600
Accepted bids	\$39,000,554,700	\$33,000,254,600
*noncomp	\$537,189,700	\$397,380,300
foreign noncomp	\$200,000,000	\$1,000,000,000
Auction price (rate)	99.742167	99.436306
(1.020%)	(1.115%)	(1.115%)
Coupon equivalent	1.037%	1.137%
Bids at clearing yield accepted	17.48%	38.58%
Cusip number	912796M66	912796LN7

Both issues are dated Aug. 31, 2017. The 13-week bills mature on Nov. 30, 2017; the 26-week bills mature on March 1, 2018.

TWO-YEAR NOTES

	13-Week	26-Week
Applications	\$175,080,634,800	\$26,814,999,800
Accepted bids	\$111,428,700	\$111,428,700
*noncompetitively	\$100,000,000	\$100,000,000
Auction price (rate)	99.313152	(1.34%)
Interest rate	1.250%	1.69%
Bids at clearing yield accepted	17.48%	38.58%
Cusip number	912828276	912828276

The notes, dated Aug. 31, 2017, mature on Aug. 31, 2019.

FIVE-YEAR NOTES

	13-Week	26-Week
Applications	\$88,841,291,200	\$88,841,291,200
Accepted bids	\$35,065,701,200	\$35,065,701,200
*noncompetitively	\$91,965,200	\$0
foreign noncompetitively	\$0	\$0
Auction price (rate)	99.42075	(1.742%)
Interest rate	1.625%	18.98%
Bids at clearing yield accepted	17.48%	38.58%
Cusip number	912828258	912828258

The notes, dated Aug. 31, 2017, mature on Aug. 31, 2022.

Storm Drives Up Refiners' Stocks

By ALISON SIDER

Shares of companies that churn crude into fuel rallied, as Tropical Storm Harvey inundated the Texas Gulf Coast with punishing rains.

Refining capacity totaling

EQUITIES more than two

million barrels a

day has been taken offline,

causing prices of gasoline and

diesel fuel to jump on concerns

supplies will be tight with

fewer refineries able to churn

out fuel. That reduced demand

weighed on oil prices.

As a result, companies with

plants that are still up and running—especially those with

plants nowhere near the

storm—stand to benefit from

surging refining margins. Shares of

PBF Energy Inc., which has

refineries in Delaware, New

Jersey, Ohio, California and Louisiana, rose 8.3% on Monday. Hol-

lyFrontier Corp., largely

concentrated in the Midwest,

gained 6.5%. Andeavor, with refi-

naries in California, Utah and

Washington, added 3.2%.

Even companies that have

been affected by Harvey

gained, including Valero En-

ergy Corp., Marathon Petroleum Corp. and Phillips 66. Refiners tend to benefit from disruptions that lift fuel margins. In prior Gulf Coast hurricanes, refining shares have outperformed major indexes by as much as 19% in the days following landfall, says Wells Fargo analyst Roger Read.

"Overall, each refining company will tend to benefit (at least from a margin, earnings, and stock price perspective)

from periods of disruption like this, even if they have assets affected," Raymond James analysts wrote in research note.

Adding to investors' optimism is that there have been few reports that plants in the storm's path have been damaged. Several refineries in Texas have stopped making fuel or slowed down, but many reported that the move was a precautionary measure, or a necessary response to logistical

issues with pipelines and ports.

Valero has said its Corpus Christi-area refineries are relatively unscathed and it is looking at ways to restart them.

Citgo Petroleum Corp. said it is "assessing the refinery" but didn't provide a restart date.

"At this stage, most of the refining outages are reported as preventive, with only a few comments on minor flooding.

However, the slow moving nature of the storm will likely lead to these shutdowns continuing in coming days," analysts at Goldman Sachs wrote

Monday. They said another 850,000 barrels a day of refining

capacity could be hobbled if the storm moves further east.

And the worst may not be

over for plants in Houston,

where the storm is expected to

make landfall again on

Wednesday, and flooding is ex-

pected to worsen. Flooding can

ruin the electric pumps that

send crude through a refinery's complex network of piping,

and an influx of brackish water can lead to corrosion.

Repairs for serious issues can

take weeks or even months.

—Dan Molinski contributed to this article.

Among the big decliners were Axis Capital Holdings Ltd. and Aspen Insurance Holdings Ltd., which both fell 3.2% Monday, and XL Group Ltd., down 2.7%. All three are Bermuda-based companies that sell specialty insurance and reinsurance.

Car insurer Progressive Corp. fell 2.3%. Progressive has about 9% of the auto-insurance market in Texas, according to data provider SNL Financial.

Insurers that sell significant amounts of home insurance, such as Allstate Corp., fell less. The worst and most widespread damage from the storm is expected to be caused by flooding, which largely isn't covered by homeowners' policies.

Allstate, which fell 1.5%, is the second-largest home insurer in Texas, with a market share of about 13%, according to SNL. State Farm is larger but isn't publicly traded. They are also the first and second-

largest car insurers in the state.

For more than a decade, home insurers have been boosting premiums and reducing the amount of coverage they sell in hurricane-prone areas so major

storms do less damage to their balance sheets. The property-and-casualty insurance industry had a surplus of \$709 billion in the first quarter, a record, according to trade group Insurance Information Institute.

Past catastrophes sapped enough capital from the industry that

MARKETS

Harvey Hammers Energy, Insurer Stocks

Investors try to gauge tropical storm's impact as they await new economic data

By AKANE OTANI

The Dow Jones Industrial Average inched lower, weighed down by declines in shares of energy and insurance companies.

MONDAY'S MARKETS The blue-chip index wobbled in a narrow range for much of the session, extending a recent pattern of quiet trading.

Investors and analysts have attributed the lull to the scarcity of major economic data and the winding down of the second-quarter earnings season.

Activity is expected to pick up in coming days, as investors look toward the latest estimates for second-quarter gross domestic product, personal-consumption expenditures and monthly employment.

So far this year, the data have largely suggested the global economy is on steady footing, which should help stocks keep climbing as corporate profits grow, investors say.

"It feels like we're in a sweet spot for financial assets, where you have a synchronized global expansion while inflation remains low," said David Donabedian, chief investment officer at CIBC Atlantic Trust Private Wealth Management. "There's a lot of focus on Washington, but we shouldn't forget that the strong economic backdrop is always the single most important backdrop for equity markets."

The Dow industrials fell 5.27 points, or less than 0.1%, to 21808.40 on Monday, led by a decline in insurer **Travelers Cos.** Travelers fell \$3.24, or 2.6%, to \$123.23 amid a broad decline in shares of property-insurance companies following

Tropical Storm Harvey.

The S&P 500 rose 1.19 points, or less than 0.1%, to 2444.24 and the Nasdaq Composite added 17.37 points, or 0.3%, to 6283.02.

Energy stocks in the S&P 500 fell along with oil prices as investors struggled to gauge the fallout from the storm, which has disrupted operations at major refineries in Texas.

The S&P 500 energy sector fell 0.5%. **Chesapeake Energy** declined 14 cents, or 3.7%, to 3.65. **Range Resources** shed 58 cents, or 3.2%, to 17.59, and **Helmerich & Payne** lost 1.29, or 2.9%, to 43.49. The sector is on course for its worst month since at least 2015, even after a number of oil companies reported stabilizing earnings.

Gasoline futures surged, with the contract for September delivery rising 2.7% to \$1.7123 a gallon, on the potential for a shortage in gasoline supply. Reduced refining capacity is also expected to hit U.S. crude demand. U.S. crude for October delivery fell 2.7% to \$46.57 a barrel, its lowest settlement since July 24.

Elsewhere, **Gilead Sciences** rose 90 cents, or 1.2%, to 74.69 after the biotechnology company agreed to pay about \$1 billion for Kite Pharma.

Shares of health-care companies in the S&P 500 jumped 0.6%, leading advances among the broad index's 11 sectors.

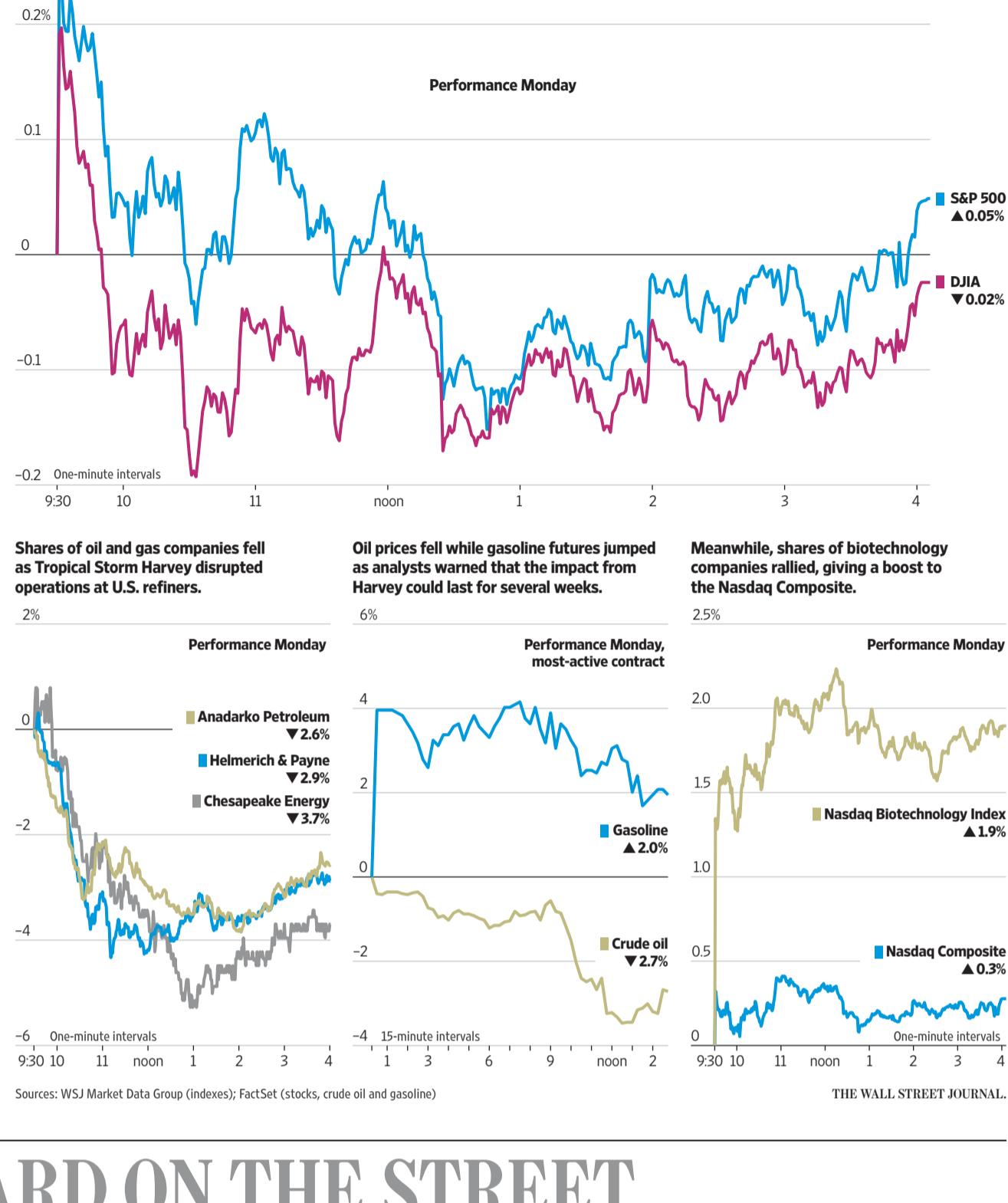
The Stoxx Europe 600 shed 0.5%, logging its sixth decline in eight trading sessions.

Early Tuesday, Japan's Nikkei Stock Average was down 0.6% after North Korea launched a ballistic missile over Japan. The yen strengthened against the U.S. dollar as investors sought havens like the yen and gold. The dollar was trading at ¥108.67, compared with ¥109.26 late Monday in New York. Meanwhile, gold traded at \$1,323 a troy ounce early Tuesday, up from the \$1,309.70 settlement Monday.

The Dow industrials fell 5.27 points, or less than 0.1%, to 21808.40 on Monday, led by a decline in insurer **Travelers Cos.** Travelers fell \$3.24, or 2.6%, to \$123.23 amid a broad decline in shares of property-insurance companies following

Stalling

Declines in shares of energy companies pressured the S&P 500 and Dow Jones Industrial Average.



THE WALL STREET JOURNAL.

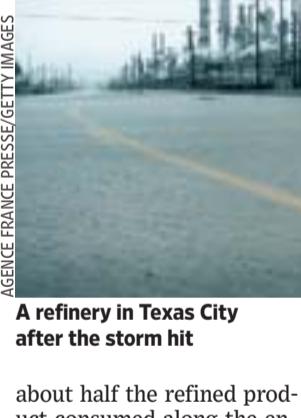
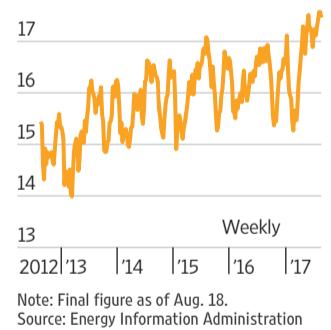
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Hurricane's Lessons for U.S. Oil



A refinery in Texas City after the storm hit

about 90% on average over the past 12 months. The heaviest concentration is along the Gulf Coast, where the industry has deep roots. Harvey, now downgraded to a tropical storm, has temporarily knocked out about 15% of U.S. refining capacity.

Harvey's hitting the Gulf Coast of Texas highlighted another potentially significant change. The U.S. relies on fewer facilities, run closer to their physical limits, to turn that crude into fuel and get it to consumers.

The U.S. has 141 operable oil refineries today, which is 79 fewer than 30 years ago. Those refineries have nearly 30% more capacity and are used much more heavily,

the Gulf Coast. Prices hit a high a few months later, in December 2005, and supplies weren't back to normal until six months after the storm.

There is good news, too.

Greater trade in oil, motor fuels and natural gas means that the market can respond more quickly to disruptions.

European and Asian refiners already are scrambling to take advantage of northeastern U.S. gasoline price spikes.

Meanwhile, vulnerable offshore facilities produce a much smaller share of American oil and natural gas than a decade ago, as a result of the fracking revolution.

Yet these are all happy side effects of market and geological developments, not by design. The profit motive mostly means that, in the interest of efficiency, more energy passes through fewer, busier pieces of infrastructure. Building more redundancy into the system might be costly, but failing to do so will seem foolish if a truly epic catastrophe leaves America with empty tanks and in the dark.

—Spencer Jakab

about half the refined product consumed along the entire East Coast. Last year saw severe disruptions to gasoline supply in the Southeast due to construction accidents along one of its sections.

Natural gas, America's main heating and power-generation fuel, is prone to disruption, too. In the aftermath of hurricanes Rita and Katrina, it was discovered that storm surges had damaged treatment plants along

OVERHEARD

Company executives who complain about short sellers should think before they speak. Biotech company **aTyr Pharma** announced a \$45.8 million equity financing on Monday at an 81% discount to its 2015 initial public offering price.

The company raised cash at such a dismal price just over a month after senior finance executive **John Blake** testified to Congress about investors who bet against shares of biotech companies.

"We strongly believe that the current lack of transparency related to short positions is enabling trading behaviors that unfairly harm growing companies, long-term investors and, most importantly, patients," he said on July 19.

The causes of the decline were more likely repeated clinical disappointments at **aTyr**, and very high initial valuation, not short sellers.

In fact, Mr. Blake's testimony was a good sell signal; shares are down about 20% from that day's closing price.

Gilead Has Shown What It Can Do

When taking a big chance, it helps to have a good track record. Such is the case at **Gilead Sciences**.

The biotech company said it would acquire **Kite Pharma**, a biotech firm focused on personalized cancer treatments, for \$11 billion.

Gilead is paying a 29% premium to Friday's closing price, and Kite's shares had more than doubled over the past six months. Gilead's shares closed 1.2% higher on Monday.

Kite's main treatment, axel, is commercially unproven and faces significant competition.

But for CEO John Milligan, standing pat was no longer a realistic option. Gilead's once-booming hepatitis C franchise is in retreat.

Then there was the matter of its bulging war chest. Gilead had \$36.6 billion in cash and securities on its balance sheet recently. Analyst questions about a new acquisition had become incessant.

There is little doubt that this management team has earned investors' trust as a savvy buyer. Gilead's acquisition in 2011 of Pharmasset came at a 90% premium to Pharmasset's market price and sparked worry that Gilead had overpaid, but it turned out to be one of the most successful biotech deals ever.

It is unrealistic for investors to expect similarly great results with the Kite acquisition. The hepatitis C business still generates significant cash flow, and Gilead is well-positioned to make other deals.

A bright future isn't priced into Gilead's stock. Taking the other side of that trade is a worthy idea.

—Charley Grant

New Uber Chief Appears to Have the Goods for Next Step



Source: WSJ Market Data Group (weekly)

For Uber, Mr. Khosrowshahi brings expertise in

both travel and technology. He revamped Expedia's platform, making it more nimble, better able to join with other brands and easier for consumers to use. Mr. Khosrowshahi may even be able to help the ride-hailing company expand deeper into the travel business.

Mr. Khosrowshahi also has shown himself to be a tough negotiator. Expedia at one point used a tactic called "dimming" to deliberately minimize a hotel's appearance or ranking on its platform.

"He's got a little bit of Travis in him," said Perry Gold, an analyst with MofettNathanson, referring to

Uber's former CEO, Travis Kalanick. "But he's also a lot more buttoned up than Travis. He's a professional."

Like Uber, Expedia is a complex, global organization. It also has prioritized long-term investment. Mr. Khosrowshahi's awareness of what it takes for a technology company to compete may have set him apart from other candidates.

At the same time, his background at IAC, where financial acumen is a key part of the DNA, suggests he is savvy about the metrics and practices that appeal to investors. In addition to completing numerous acquisitions, a spinoff of

TripAdvisor in 2011 and the IPO of **Trivago** in December 2016, Expedia pays a dividend and consistently buys back stock.

Another skill that may have been valued by Uber's board was Mr. Khosrowshahi's ability to get along with Barry Diller, Expedia's demanding chairman. Mr. Kalanick, Uber's ousted CEO, remains a member of the ride-hailing company's deeply divided board.

Mr. Khosrowshahi faces serious challenges to get Uber ready for public life. His history says he has a good chance of overcoming them.

—Miriam Gottfried