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DJIA 21783.40 ▼ 0.13%

NASDAQ 6271.33 ▼ 0.11%

NIKKEI 19353.77 ▼ 0.42%

STOXX 600 374.51 ▲ 0.16%

BRENT 52.04 ▼ 1.01%

GOLD 1286.60 ▼ 0.18%

EURO 1.1805 ▼ 0.03%

What's News

Business & Finance

Tesla has moved rapidly in the race to develop autonomous cars, but the effort has caused the company's autopilot team to clash over deadlines and lose many engineers. A1

◆ Great Wall Motor's possible bid for Fiat's Jeep division has retrained the spotlight on the challenges facing the company. A1

◆ Shares in the Swiss National Bank have surged as of late, with help from the euro strengthening against the franc. B1

◆ A string of scandals in the venture capital industry have prompted women founders to speak out against sexism. B1

◆ Amazon announced the first changes it will make to Whole Foods, saying prices of staple products at the grocer will be slashed. B1

◆ Wells Fargo and U.S. Bancorp have signed deals with startup Blend Labs to move more of their loan applications online. B5

◆ A South Korean court will rule on whether to convict Samsung heir Lee Jae-yong of corruption. B4

◆ Meg Whitman repeated that she won't be the next CEO of Uber after news that the board is considering her again. B3

◆ Invesco is preparing to buy Guggenheim's ETF business for \$1 billion. B5

◆ A group of Silicon Valley entrepreneurs plans to launch an alternative route to public ownership. B5

World-Wide

◆ Trump blamed the congressional GOP leadership for what he called the "mess" awaiting lawmakers as they look to raise the U.S. borrowing limit. A1

◆ Qatar announced it is sending its ambassador back to Tehran, defying a crucial demand by a bloc of Arab nations. A2

◆ EU leaders are looking to protect European firms from U.S. sanctions as the EU and U.S. differ on foreign policy. A3

◆ Brexit has stalled investment plans and decreased the amount of workers available to British businesses. A3

◆ German politicians are turning their backs on car makers now that voters have soured on the scandal-ridden industry. A4

◆ The White House is expected to send guidance to the Pentagon on implementing a new ban on transgender people in the military. A5

◆ U.S. Defense Secretary Mattis pledged U.S. support to Ukraine, but made no promise of arms. A3

◆ India's top court said citizens have a fundamental right to privacy, a ruling that may restrict Modi's plans for an ID program. A4

◆ France saw an increase in July to the number of citizens seeking work. A4

◆ The prospect of a second term for Yellen will loom over the Fed's Jackson Hole meeting. A5

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Yemenis Turn Out En Masse in Support of Ex-Leader



CROWDED SCENE: Hundreds of thousands of Yemenis rallied in San'a to back ex-President Ali Abdullah Saleh amid tensions with rebels. A4

INTERNAL CONFLICTS DOG TESLA

Autopilot engineers clash over deadlines and design; team recently lost four top managers

By IANTHE JEANNE DUGAN AND MIKE SPECTOR

PALO ALTO, Calif.—Tesla Inc. Chief Executive Elon Musk jolted the automotive world last year when he announced the company's new vehicles would come with a hardware upgrade that would eventually allow them to drive themselves.

He also jolted his own engineering ranks.

Members of the company's Autopilot team hadn't yet designed a product they believed would safely and reliably control a car without human intervention, according to people familiar with the matter.

In a meeting after the announcement, someone asked Autopilot director Sterling Anderson how Tesla could brand the product "Full Self-Driving," several employees recall. "This was Elon's decision," they said he responded. Two months later, Mr. Anderson resigned.

In the race to develop autonomous vehicles, few companies have moved faster than Tesla, an electric-car pioneer that this year surpassed General Motors Co. as the nation's most-valuable auto maker.

Behind the scenes, the Autopilot team has clashed over deadlines and design and marketing decisions, according to more than a dozen people

who worked on the project and documents reviewed by The Wall Street Journal. In recent months, the team has lost at least 10 engineers and four top managers—including Mr. Anderson's successor, who lasted less than six months before leaving in June.

Tesla said the vehicle hardware unveiled in October will enable "full self-driving in almost all circumstances, at what we believe will be a probability of safety at least twice as good as the average human driver." The self-driving feature is subject to software development and regulatory approval, and "it is not possible to know exactly when

Please see TESLA page A6

Worries About Stocks Trigger a Gold Rush

By IRA JOSEBASHVILI AND AMRITH RAMKUMAR

Gold is on track to outperform stocks for the first time since 2011, highlighting the uncertainty that has accompanied this year's stock-market gains.

While a season of strong corporate earnings has powered stocks to records, investors are focusing on a cluster of issues that threaten to derail the rally.

Many are worried about coming negotiations to raise the U.S. debt ceiling, an event that has roiled markets in previous years. A failure to raise

the U.S. debt limit in a timely manner would prompt a review of the country's credit rating, which now stands at the highest possible level, Fitch Ratings said Wednesday.

Others are nervous over a monthslong run of uneven U.S. economic data, which some are concerned could eventually drag down corporate earnings. Recent reports have shown some metrics, such as employment, holding strong while manufacturing falters and auto demand posts steep declines.

A stock-market rally that hasn't included a significant pullback in 19 months has am-

plified concerns that any correction could be swift and sharp, especially with valuations for many sectors near historic highs.

The worries have boosted prices for gold, a favorite destination for jittery investors who believe the metal will hold its value better than other assets when markets turn rocky.

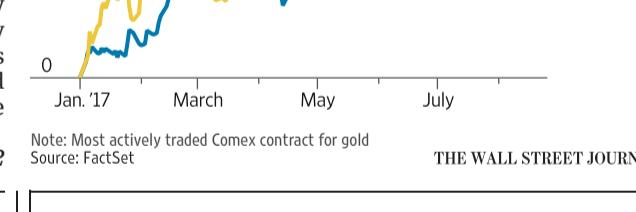
Gold for August delivery fell 0.2%, to \$1,286.60 a troy ounce, on Thursday and has risen 12% this year, compared with a roughly 9% gain for the S&P 500.

Please see GOLD page A2

Gold Bugs Perk Up

Gold has outgained the S&P 500 so far this year.

15%



Note: Most actively traded Comex contract for gold

Source: FactSet

THE WALL STREET JOURNAL.

PROPER DRINKS MINUS THE BOOZE

OFF DUTY, WI

THE NEW GATED COMMUNITY

MANSION, W7

INSIDE



WSJ.
MAGAZINE

WOMEN'S STYLE

Jeep Sale Is No Quick Fix For Fiat's Also-Ran Status

By CHESTER DAWSON

A Chinese auto maker's possible bid for Fiat Chrysler Automobiles NV's Jeep division has given a boost to the Italian-U.S. car company's stock price, but it has yet to arrive on the desk of Sergio Marchionne.

Fiat Chrysler's boss, the longest-tenured of Detroit's chief executives, doesn't have much time to wait around.

Mr. Marchionne, 65 years old, is planning to step down in early 2019. He is scrambling to

closed early next year—for an auto maker that is at its most profitable point since Chrysler emerged from a 2009 bankruptcy but doesn't have the resources to develop electric cars or keep up in the autonomous-vehicle race.

Mr. Marchionne has been pessimistic about traditional car makers' ability to survive the transition to fully electric and autonomously driven vehicles. He has been looking for a larger rival to acquire Fiat Chrysler, and in recent months has taken steps to adapt to the

rapid pace of change facing the industry, including joining a BMW AG-led consortium on self-driving cars.

If Mr. Marchionne's survival plan fails, analysts say the company and its biggest shareholder—a Netherlands-based holding company for Italy's wealthy Agnelli family called Exor—might be forced to break FCA into pieces. In a note on Wednesday, Jefferies Group said exiting the mass-market auto segment should be "a strategic priority for Exor."

Please see FIAT page A6

Germans Have Discovered a Cure For Insomnia: Their Election

* * *

Merkel's big lead, tepid speeches drain drama from vote for chancellor

By BERTRAND BENOIT

BERLIN—How dull is Germany's election? The hashtag for Angela Merkel's Christian Democrat campaign is #fedid-wugl. Roughly translated, the underlying slogan means "for a Germany in which we live well and happily."

It does not fit on a baseball cap.

For weeks, Ms. Merkel's CDU party has towered over the race, leading its closest contender by around 15 points in many polls. On the trail she has shunned controversy, giving mundane speeches in rural towns far from the capital.

The highlight of Ms. Merkel's campaign so far came during a live interview last week with four German YouTube stars. One, a 21-year-old beauty video blogger, confessed she had never interviewed anyone before. The main takeaway: Ms. Merkel's favorite emoji is

the smiley face.

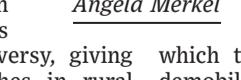
"More like the downward smiley by the look of it," said Lukasz Batruch, a 41-year-old civil servant and Green Party member. He has found the campaign "very tired already."

Ms. Merkel has deliberately avoided electoral pugilism in the run up to the Sept. 24 vote. The worst she has had to say about her biggest rival, Martin Schulz, is "I appreciate my opponent."

Political scientists have coined a term for the chancellor's tactical restraint, which they call asymmetric demobilization, or the art of disarming competitors by refusing to spar with them. Though with low unemployment and rising wages, there is little of the economic-fueled anger that colored last year's U.S. presidential campaign.

"Stability is boring," said Henning Wehn, a stand-up comedian.

Please see BORING page A4



Angela Merkel

WORLD NEWS

Pakistan's Mistrust of India Fuels Afghan War



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

The success of American efforts in Afghanistan has always hinged on a critical variable—whether neighboring Pakistan abandons its strategic hedging and comes full-bore against the Afghan Taliban.

That hasn't happened in the past 16 years despite exhortations by successive American administrations.

Such a shift appears just as unlikely now, even after President Donald Trump's forceful appeal on Monday "for Pakistan to demonstrate its commitment to civilization, order and peace."

While providing logistical support to the U.S.-led coalition in Afghanistan, Pakistan's security establishment—despite official denials—has also long nurtured elements of the Afghan Taliban, particularly the Haqqani network. To many of Pakistan's generals and spies, the Afghan Taliban, as distasteful as they may be, remain a useful tool against an existential enemy that already dismembered their country once—India.

It's this doctrine of Af-



U.S. soldiers watched the Pakistan border from an outpost in Afghanistan a day after the Taliban fired rockets at it in 2006.

JOHN MOORE/GETTY IMAGES

ghanistan as "strategic depth" versus India that has prompted Pakistani intelligence to back the rise of the Afghan Taliban all the way since the 1990s. Even now,

the fear that India may use Afghanistan as a backdoor to destabilize Pakistan remains a key factor in Islamabad's geopolitical calculations.

Already, Pakistani officials blame Indian saboteurs out of Afghanistan for fanning the separatist insurgency in Pakistan's Baluchistan province, an allegation denied by New Delhi. Afghanistan has long refused to recognize its border with Pakistan, and many Pakistani officials worry a

stable Afghan government allied with India could aggressively pursue those territorial claims.

In this context, Mr. Trump's parallel appeal in his Monday speech for India to play a larger role in Afghanistan is all but guaranteed to fuel Pakistan's sense of paranoia—making any meaningful cooperation with American goals politically fraught and therefore less likely.

"If you want to get the best possible out of Pakistan, you have to go about it with some recognition of what they are after and try to meet your interests and theirs. Obviously, embracing India and asking India to get involved in Afghanistan in a larger way

is the opposite of that," said Jarrett Blanc, former acting U.S. Special Representative for Afghanistan and Pakistan who is now a senior fellow at the Carnegie Endowment for International Peace.

In the past, the U.S. had tried to restrain India's Afghanistan presence as a way of soothing Pakistan's fears and securing cooperation against the Taliban. That approach has ended in failure as far as U.S. interests are concerned, spurring Mr. Trump to choose a more confrontational tack, said Husain Haqqani, Pakistan's former ambassador to Washington who is now director for South and Central Asia at the Hudson Institute, a Washington

think tank.

"What President Trump is trying to say to Pakistan is that your policies will result in your nightmare coming true—a U.S.-India tie-up which may not be in your interests," Mr. Haqqani said.

Pakistan's government reacted cautiously to Mr. Trump's speech, pointing out the sacrifices made by Pakistan itself against Islamic extremists and rejecting the notion that it harbors militants. Yet it is clear that the relationship between Washington and Islamabad will come under strain in coming months.

Cross-border U.S. military action in pursuit of the Taliban and intensified U.S. drone strikes inside Pakistan, if they

occur, are likely to become a major issue, especially in the context of the power struggle that has developed after last month's forced dismissal of Prime Minister Nawaz Sharif.

Mr. Sharif's key rival, former cricket star Imran Khan, led protests against the U.S., shutting down supply routes to the American-led troops in Afghanistan, back in 2011.

"We must reject being made scapegoats for the policy failures of the U.S. and India," Mr. Khan tweeted after Mr. Trump's speech.

There is only so much that the U.S. can do to force Pakistan's hand. Pakistan provides an indispensable land and air corridor to American troops in landlocked Afghanistan.

A nuclear power in its own right, Pakistan has also heavily invested in forging an "all-weather" friendship with China, another strategic rival of India. Pakistan also maintains friendly ties with Iran, refusing to join the Saudi-led "Sunni axis" against Tehran.

And, as of late, it has greatly improved its relationship with Russia.

"The countries of the region see the U.S. military presence in Afghanistan as a threat to them and not as a credible counterterrorism force," said Barnett Rubin, a former State Department adviser on Afghanistan and a senior fellow at the Center on International Cooperation at New York University. "Pakistan is not isolated. They now have alternatives: China and Russia."

Qatar Defiantly Restores Iran Envoy



A coastline in Doha. Qatar's decision to send its envoy back to Iran risks angering its neighbors.

DUBAI—Qatar said Thursday it is sending its ambassador back to Iran, defying a crucial demand by a bloc of Arab nations that it reduce its ties with Tehran.

By Nicolas Parasie
in Dubai and
Felicia Schwartz
in Washington

The move risks inflaming the Gulf nation's diplomatic standoff with its Arab neighbors, which severed ties with Doha in early June to protest its close relations with Iran. It could also antagonize Washington, where President Donald Trump has been more critical of the Iranian government than his predecessor Barack Obama. Saudi Arabia had no immediate comment on Qatar's decision to return its envoy to Tehran, but an official in the United Arab Emirates, which has joined the kingdom in leading the regional push against Qatar, said it showed Doha hadn't altered course.

Qatar's Foreign Ministry said the step reflected its desire to "strengthen bilateral relations with the Islamic Republic of Iran in all fields." It gave no other details.

Doha recalled its ambassador to Iran in early 2016, after Saudi Arabia's execution of a Saudi Shiite cleric triggered

attacks on two Saudi diplomatic compounds in Iran.

Thursday's move is the latest setback in the Saudi and Emirati-led campaign to isolate Qatar. The two Gulf powerhouses, together with Egypt and Bahrain, have issued 13 demands for lifting their economic and diplomatic sanctions on the gas-rich country, demands that include shutting the Doha-based Al Jazeera television network along with curbing relations with Iran.

Qatar, which shares control of the world's largest offshore natural gas field with Iran, hasn't relented. The closing of all Qatar's air, land and sea borders by its Arab neighbors appears to have had the opposite of its intended effect, forcing Doha to rely more on Iranian food imports and to use Iranian airspace to bypass the air blockade.

The get-tough campaign also contrasts with Saudi Arabia's approach to Iraq. Riyadh is re-

sorting to engagement, not confrontation, in an effort to draw Baghdad from Tehran's orbit.

Officials in the region and beyond have stepped up diplomatic efforts to resolve the crisis, including offering their governments' intelligence services to address allegations that Qatar foments extremism and sponsors terrorism in the Middle East, allegations it denies.

So far, however, the officials have failed to forge a compromise between the two

sides and schisms between Qatar and its neighbors—and between Doha and Washington—continue to deepen, said the director of Cornerstone Global Associates, a London-based political risk consultancy firm.

"What we're seeing in Qatar is an increasing divergence from the Arab states and also the U.S.," Ghanem Nuseibeh said. "It makes a resolution to the crisis more complicated now."

To help resolve the Gulf dispute, the U.S. faces dilemmas.

March 8, 2017: Furthering the thaw in relations, Iranian Foreign Minister Javad Zarif holds talks in Doha with Qatar's emir and foreign minister.

May 27: Qatari emir Sheikh Tamim bin Hamad Al-Thani has a phone call with Iranian President Hassan Rouhani and expresses support for dialogue with Iran, according to Qatar.

June 5: Saudi Arabia, the United Arab Emirates, Bahrain and Egypt sever ties with Qatar, alleging it nurtures extremists and has close ties with their enemy—Iran. Qatar denies holding extremists.

June 29: Qatar's foreign ministry releases a statement declaring that because Iran is a neighboring country, "we must have constructive relations with it, something that cannot be achieved without communicating with Tehran."

Thursday: Qatar announces the return of its envoy to Tehran.

While Mr. Trump has criticized Qatar and tilted U.S. Mideast policy more in favor of Saudi Arabia, the U.S. has a base in Qatar, where it oversees the international military campaign against Islamic State.

Mr. Trump also has continued his criticism of the 2015 nuclear deal between Iran and six world powers, including the U.S. At the same time, his administration has continued to certify that Iran has complied with the accord's terms.

GOLD

Continued from Page One

Other indicators of investor anxiety, such as the Japanese yen, Swiss franc and CBOE Volatility Index, have also risen in recent weeks.

"You get a sense that beneath the veneer of the major averages, a certain level of anxiety is entering the market at large," said David Rosenberg, chief economist at Gluskin Sheff & Associates Inc.

Speculative interest in gold has become more positive in recent weeks. Net bets by hedge funds and other speculative investors on a higher gold price stood at 179,537 contracts for the week ended Aug. 15, the highest level since the week ended Oct. 4, 2016, according to Commodity Futures Trading Commission data.

A good portion of that buying has come from investors who believe the Federal Reserve is unlikely to raise interest rates a third time this year, especially as hopes fade for the White House to push through pledged fiscal-stimulus programs such as a

tax overhaul and infrastructure spending soon.

Expectations of lower rates are a boon to gold, which struggles to compete with yield-bearing investments when borrowing costs rise.

"There is a perception that without fiscal reform in the U.S. there will be very real limits on how far the Fed can tighten," said Peter Hug, global trading director at Kitco Metals.

A weaker dollar has also boosted gold, which is denominated in the U.S. currency and becomes more affordable to foreign investors when the dollar declines.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, is down more than 7% this year.

Gold outgaining stocks isn't itself an unusual phenomenon.

New York Mercantile Exchange gold futures have risen more, or fallen less, than stocks in 13 of the 27 years dating back to 1990, according to the WSJ Market Data Group.

But a faster rise in gold has become rare during the bull market that started in 2009. That reflects both the steady rise in U.S. stock indexes and the large annual gains that gold posted in the run-up to the financial crisis and its aftermath.

Those gains left gold prices vulnerable to declines as economic growth picked up.

Gold last outgained U.S. stocks in 2011, as the S&P was flat in a year marked by the U.S. credit-rating downgrade in August and the beginning of the acute stage of the euro crisis. Gold rose 10% that year.

That year ended up being an anxious one for investors. Just two years after the financial crisis ended, Europe struggled with intensifying concerns about many nations' growth prospects and debt positions.

Meanwhile, investors were confronted with once-unthinkable concerns about whether the world's richest nation would default on its borrow-

12%

The rise in gold prices this year versus about 9% for S&P 500

ings in the midst of a dispute over raising the debt limit.

Those concerns echo now, with Treasury Secretary Steven Mnuchin saying Monday that his "magic super Treasury powers," which allow the government to conserve cash and avoid issuing new debt, will run out at the end of

September.

But other years of large gains in both stocks and gold haven't necessarily foretold ill market tidings. The S&P rose 26% and gold 20% in 2003, in the midst of the recovery from the 2001 recession. The S&P rose 14% and gold 23% in 2006, the year before the

financial crisis started brewing.

Stocks gained 23% and gold 24% in the crisis-recovery year of 2009, and 2010 told a similar story, with stocks up 13% and gold up 30%.

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NEED ASSISTANCE WITH YOUR BUSINESS?

For the portrait of Ruth Rogers with an article about the chef in the September Women's Style issue of WSJ Magazine, hairstyling was by Gianni Scumaci and makeup was by Clare Read. These credits were omitted.

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

CORRECTIONS & AMPLIFICATIONS

Venezuela's ousted Attorney General Luisa Ortega said documents in her possession prove President Nicolás Maduro and other officials participated in corruption schemes, and that \$100 million was paid to Diosdado Cabello, the powerful No. 2 of the ruling Socialist Party. A World Watch article on Thursday about Ms. Ortega's claims incorrectly said at least \$100 million was deposited irregularly into accounts tied to Mr. Maduro and other officials.

Malaysian search teams this week found an unidentified

body in waters near the site of a collision between the USS John S. McCain and a merchant ship. The U.S. Navy later in the week said the body wasn't a U.S. sailor. A photo caption with a World News article Wednesday about the collision incorrectly said the body was that of a missing U.S. sailor.

For the portrait of Ruth Rogers with an article about the chef in the September Women's Style issue of WSJ Magazine, hairstyling was by Gianni Scumaci and makeup was by Clare Read. These credits were omitted.

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WORLD NEWS

Brexit Raises U.K. Economy's Supply Fear

BOE shows concern about production as businesses struggle to find workers, invest

By PAUL HANNON

Since the financial crash, central banks around the world have taken extraordinary measures to buoy demand and ease a slump. At the Bank of England, officials are growing increasingly concerned about the other side of the equation: supply.

They worry the U.K. economy is being held back not just by weak demand, but also by fresh limits on its capacity to produce more goods and services.

An important part of the reason: Brexit. The U.K.'s plan to leave the European Union has lowered the numbers of workers available to British businesses and stalled their investment plans.

That could mean the British economy's speed limit—how fast it can grow without overheating and spurring higher inflation—is lower than they previously thought. That would force the bank to increase interest rates sooner than they otherwise would.

There are signs that the June 2016 vote to leave the EU has weakened growth. Figures released on Thursday showed



People walked on a busy London street on Thursday, the day figures were released showing U.K. economic growth remains sluggish.

been affected by Brexit. Of those, practically all said the impact had been negative.

While the BOE has highlighted the threat to potential growth from weaker investment, it could also be lowered by a reduced supply of workers.

Over recent decades, British businesses have been able to recruit from migrants when local workers are in short supply, a strategy that dates back to the 1950s.

But there are signs the U.K.'s attraction for European job seekers is waning. In industries as diverse as agriculture, health care and manufacturing, executives are growing anxious about labor shortages that they fear could crimp expansion plans and restrain the British economy.

Immigration to the U.K. by citizens of other EU countries declined 7% in the year through March, compared with the previous year, to 122,000, while the number of EU citizens leaving jumped by more than a third.

Brexit advocates say that scarcity has a silver lining: Labor shortages could help boost Britain's lagging productivity if firms respond by investing in new machinery and training. But the sluggishness of investment suggests that isn't yet happening even as unemployment has fallen to 4.4%, its lowest level since 1975.

the economy grew by 0.3% in the three months through June, making it the second straight quarter in which the U.K. was the most sluggish of Europe's four large economies.

This month, even as the BOE lowered its forecasts for growth this year and next, it

warned that it may have to raise its key interest rate.

The BOE cited a shortfall in investment by businesses as one reason for the lower speed limit.

It now expects the level of investment in 2020 to be 20% below the level projected just

before the Brexit referendum in June 2016. Figures on Thursday showed business investment made no contribution to second-quarter growth.

As the clock ticks toward Britain's exit from the EU, evidence is mounting that companies are postponing invest-

ments because they are unsure about the nature of their future access to the bloc's markets.

In a recent survey of nearly 360 businesses, conducted by the Confederation of British Industry, 40% of them said their investment decisions had

BRUSSELS BEAT | By Laurence Norman

EU Looks to Guard Firms From U.S. Sanctions

Foreign-policy differences between the European Union and the U.S. are widening, forcing EU leaders to again ponder how to stop American sanctions from targeting European companies.

The EU has for decades opposed U.S. sanctions that it considers extraterritorial—laws allowing Washington to penalize foreign companies for doing business with third countries such as Russia, Cuba or Iran.

The issue re-emerged this summer when the EU threatened—then retreated from—retaliation against U.S. sanctions on Russia. The U.S. legislation included possible action against European energy companies doing business with Moscow.

While the EU has largely been in line with the U.S. on punishing these countries—the bloc has imposed its own sanctions on Russia, for example—the EU's rules apply only to member states.

Also worrying Europeans: the growing fragility of the 2015 Iranian nuclear deal, which President Donald Trump has repeatedly criticized. The deal led the U.S. to suspend most sanctions targeting foreign banks and companies doing business with Tehran. If the deal collapses and sanctions return, European firms could pay the heaviest price.

The EU's few options for countering U.S. pressure have limited effectiveness

and entail risks, so EU governments want fresh ideas.

"We need to adapt our national mechanisms and update European mechanisms" against U.S. extraterritorial sanctions, the French foreign ministry said recently.

The fight over U.S. sanctions began in the mid-1990s when the Clinton administration, pushed by a Republican-controlled Congress, passed the 1996 Helms-Burton act, which forced foreign firms to choose between trading with the U.S. or Cuba.

In recent years, sanctions tensions faded as the U.S. and Europe increasingly coordinated responses to Iran's nuclear program, the violence in Syria and Russia's Ukraine intervention.

That has changed since Mr. Trump took office. Foreign-policy coordination between Washington and Brussels has weakened. Sanctions decisions diverged.

The summer standoff over Russia sanctions ended when Mr. Trump issued a statement while signing the bill, saying it shouldn't be used to undermine cooperation with European allies and should avoid "unintended consequences" for businesses.

Before that, EU officials discussed two legal options.

One was to apply the EU's "blocking statute," which the bloc adopted following Helms-Burton. The statute orders EU companies not to obey specific U.S. sanctions decisions and offers compensation for U.S. penalties.

He law was effective in protecting Europe's few

T economic links with Cuba in the 1990s, but it would be far less effective protecting business with Russia, said a German official close to the issue.

Richard Nephew, a former top sanctions official at the U.S. State Department, said as the U.S. was ramping up Iran sanctions from 2005 onward, Washington was fairly relaxed about the blocking statute.

Where U.S. officials had greater concerns, he said, was an EU challenge to U.S. extraterritorial sanctions at the World Trade Organization. The EU took the U.S. to

the WTO over Helms-Burton but dropped the case after President Clinton used waivers to prevent European companies being sued.

"The most obvious EU and WTO measures available are pretty blunt tools," said Andrew Hood, Senior Director at law firm Dechert LLP and a former U.K. government sanctions expert. "Any countermeasures should only be considered once all other avenues have been explored and then can only be...limited to ending the U.S. measures."

With the U.S. market dwarfing most others, European officials will surely tread carefully.

—Emre Peker
and Anton Troianovski
contributed to this article.

How Roger Federer Got His Groove Back

Already one of the most successful tennis players in history, he reconstructed his game, and the results have been remarkable

By TOM PERROTTA

Roger Federer's miracle season began with an unplanned vacation.

Injured and disappointed midway through a rocky year, Federer last summer said he would skip the Olympics and U.S. Open and take a long break to let his knee recover from a surgery that hadn't quite mended. He sulked for a few days and tried to figure out what to do with his time.

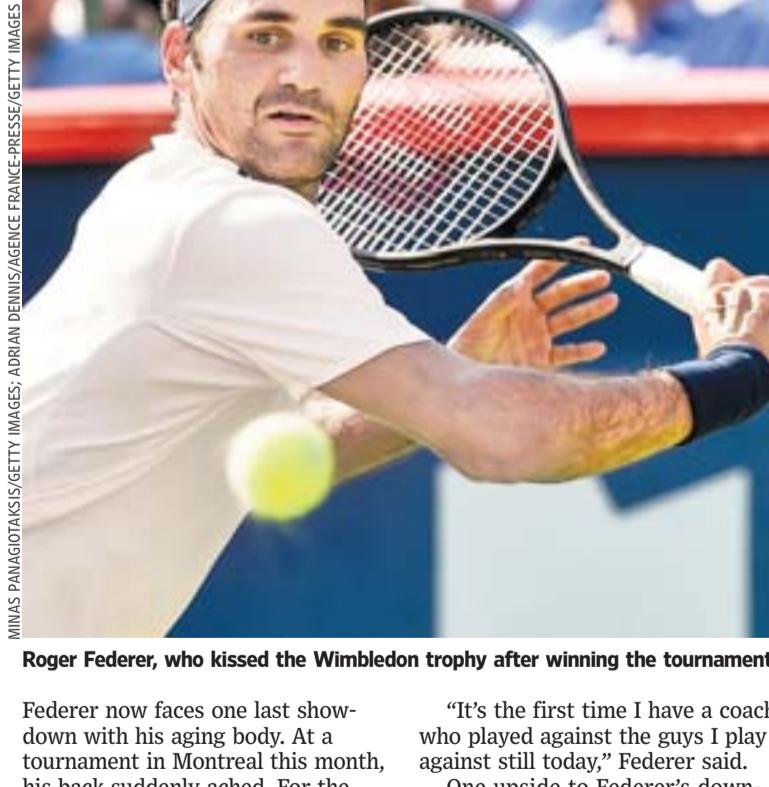
"I started making a list," Federer said in an interview this summer in Montreal. "What could I do? Where can I go for hikes? Where can we do rehab? Where does [Federer's wife] Mirka want to go? Where do you want to take the kids?"

When all that was done, one of the most successful players in the sport's history went back to work with his coach in Dubai—and reconstructed nearly everything about his game.

Federer had changed his tennis racket years before, but still had to master it—and so he experimented, especially with his backhand. He built confidence in his forehand and retooled his positioning on the court. He decided to rest more, skipping tournaments he couldn't win to prepare for the ones he could. And while away from competition, he went on a diet.

The results have been remarkable. At 36, Federer has defied age to win the Australian Open, Wimbledon and three other tournaments in 2017, piling up a record of 35-3. No one is more surprised than Federer himself. "I never thought it was going to pay off this way," he said. "Maybe what took was this moment of rejuvenation last year, of stepping away, then stepping back into the light."

To cap this storybook season,



Roger Federer, who kissed the Wimbledon trophy after winning the tournament in July, is set for the U.S. Open next week.

Federer now faces one last showdown with his aging body. At a tournament in Montreal this month, his back suddenly ached. For the first time this year, he felt his age.

The question now is: Can he recover in time for the U.S. Open, which begins in New York next week?

Guiding Federer on his road back to greatness was Ivan Ljubicic, his coach since late 2015. A wily former player with a beautiful one-handed backhand and crisp serve, Ljubicic played Federer 16 times as professionals. Federer, who won 13 of those meetings, says Ljubicic knows his abilities inside out.

"It's the first time I have a coach who played against the guys I play against still today," Federer said.

One upside to Federer's downtime was that he could spend more time mastering his racket.

In 2014, Federer switched for good to a new version of his signature racket, the Wilson Pro Staff RF97. It is 7% larger than his previous Wilson, which required more accuracy and had little forgiveness. The larger size made it easier for Federer to hit a ball that bounces high, because he doesn't have to hit it with the same precision as he did with his smaller frame.

The Swiss Maestro

A look at Roger Federer's recent record compared with his best season in 2006.

| SEASON | W-L (PCT.) | SLAM TITLES | TOTAL TITLES |
|--------|---------------|-------------|--------------|
| 2017 | 35-3 (92.1%) | 2 | 5 |
| 2016 | 21-7 (75%) | 0 | 0 |
| 2015 | 63-11 (85.1%) | 0 | 6 |
| 2014 | 73-12 (85.9%) | 0 | 5 |
| 2013 | 45-17 (72.6%) | 0 | 1 |
| 2012 | 71-12 (85.5%) | 1 | 6 |
| 2006 | 92-5 (94.8%) | 3 | 12 |

Source: ATP World Tour WSJ



The new racket has helped me a lot on the backhand drive and on the serve, just getting more consistency, easier power," Federer said. "I enjoy my tennis more because I can dictate play more, I can come to the net, I'm in charge, I can be creative."

Mastering the racket allowed Federer to refine his strokes. He began hitting his backhand with more topspin, speed and depth, rather than slicing it low and slowly.

In the process, he transformed what used to be a backup shot into a new weapon.

Now, Federer attacks his backhands sooner and stays more in the middle of the court with less stress. During serves, he often drills backhands right down the middle, at the server's feet. That leaves opponents with little time and no angles to hit winners.

"It was more of a setup shot, the backhand," he said. "Today I think I attack the ball more. I go meet the ball earlier."

His forehand has remained roughly the same, but he attacks it sooner and harder by standing closer to the baseline.

"I've gone one step further by just really hugging the baseline, saying, I'm not moving back," Federer said. "Because of that, now the rallies are played in a very aggressive way."

The sum of all the changes to Federer's game is impressive. Federer is in control when he dictates points. That always has been simple to do on his serve, but this year his accuracy—and powerful strokes—have put him at his best.

On his return of serve, he has won 40% of the points, more in line with his highs 10 and 11 years ago than his recent periods in his 30s. Federer has won 80% of his first serve points this season and 60% of his second serve, compared with 56% of second serves last year.

If Federer is healthy enough to win the U.S. Open, he will have won three Grand Slam titles in a year for the first time since 2007, one of his finest seasons that ended at age 26. Federer has won the Open five times but none since 2008. A tense back or not, Federer will do anything he can to get on court.

"It's my favorite part of the year almost, the end, the back end," he said. "It's where historically I've played so well."

WORLD NEWS

Ruling Damps India ID Plan

By NIHARIKA MANDHANA

NEW DELHI—India's top court said citizens have a fundamental right to privacy, a ruling that could restrict Prime Minister Narendra Modi's ambitious plans for a biometric identification program.

A nine-judge bench of the Supreme Court on Thursday ruled that privacy was an intrinsic part of the constitutionally guaranteed right to life and liberty.

The verdict is expected to shape the outcome of a pending lawsuit filed in 2012 concerning the validity and scope of the identity-card system, the largest in the world.

Under the initiative, known as Aadhaar, or foundation in Hindi, the government has collected iris scans and digital fingerprints of a vast majority

of India's 1.2 billion people and provided them with IDs that are being widely used to distribute government benefits.

The program, hailed by some as a potential game-changer in solving governance problems and stemming graft in the world's largest democracy, raised concerns among others about data protection, surveillance and privacy infringement.

Mr. Modi's government argued in court that, while some aspects of privacy were protected, giving it the status of an all-encompassing fundamental right would impede efforts to improve social welfare and poverty eradication through the ID program.

Casting privacy as an elitist construct, the government said the broad demands of activists from the field couldn't prevail "in a developing coun-

try where millions of people are devoid of the basic necessities of life."

The Supreme Court didn't uphold those arguments. It said, however, that like all other rights, privacy too was subject to "reasonable restrictions," say for national security, criminal investigations or securing welfare benefits, that involve the "balance between individual interests and legitimate concerns of the state."

The Modi administration said it welcomed the court decision and expressed confidence the ID program would prevail in the current case examining its validity. The government is likely to argue Aadhaar restricts privacy to serve legitimate state interests and includes safeguards to prevent its misuse.

Law Minister Ravi Shankar

Prasad said citizens' data was secure and defended the government's efforts to make India a "robust digital power."

The biometric-enabled identification program was conceived in 2009 as a tool for better delivery of government services, such as subsidized food and cooking fuel, that for decades had suffered from large-scale corruption and leakages.

Since then, the government has moved to make once-voluntary enrollment in the initiative mandatory for access to certain services. Mr. Modi also has sought to expand its use to a widening range of activities, from getting driver's licenses and using bank accounts to filing taxes and booking railway tickets.

Big plans for the initiative include the use of the database by technology firms, health-



RAJAT GUPTA/REX/SHUTTERSTOCK/EPA

care providers and app developers to facilitate the transfer of signatures and documents that citizens need to get jobs, make financial transactions or access government services.

Under the "India Stack" initiative, companies already were looking for ways to incorporate government identification records in their commer-

cial websites and apps. The steps—which were supposed to save time and cost by reducing paperwork and bureaucracy—were hailed by tech visionaries such as Bill Gates.

But critics fear a centralized database linked to a growing number of services risks creating a surveillance state.

In a U-Turn, Merkel Criticizes Car Makers on Campaign Trail

By WILLIAM BOSTON

BERLIN—After decades of cozying up to car makers, German politicians are turning their backs on a scandal-ridden industry many voters now see as an embarrassment rather than a source of national pride.

In the first public speech of her campaign to win a fourth term in next month's election, Chancellor Angela Merkel lambasted the country's leading auto makers and their top management this month for their response to a now two-year-old diesel-emission scandal.

The comments came a day after her main rival, Social Democratic Party chairman Martin Schulz, pledged to implement a mandatory quota for electric vehicles—a technology German manufacturers have been slow to embrace—on new car sales if elected.

The criticism is a departure

for a political class that, for years, was happy to advance the interests of some of the country's best-known manufacturers, whose coveted products stood for engineering excellence, design flair and economic might.

But when the diesel emissions scandal broke out with Volkswagen AG's 2015 admission of having rigged millions of cars to cheat environmental regulators—a scandal that later engulfed other German manufacturers—the once-admired corporate giants turned into political liabilities.

A recent poll published by ARD public television showed that two-thirds of German voters thought the government was too lenient with car makers and nearly 60% of those polled said they had lost confidence in the auto industry, a sharp rise from two years ago. The same poll showed that Ms. Merkel's approval ratings plunged 10

points in a single month to a still-robust 59% in August.

Also this month, the European Union confirmed a preliminary investigation of German auto makers on suspicion of acting as a cartel to control costs of diesel-emissions equipment and other technology.

Broad sections of the automotive industry have gambled and lost incredible public trust, and only the industry can win it back," she told a rally of party members in Dortmund to kick off her re-election campaign on Aug. 12. "And when I say the industry, I mean primarily the corporate management."

While she rejected Mr. Schulz's proposed electric-car quota, she devoted nearly half the more than one-hour speech to discussing the state of the industry, demanding more responsibility from top car executives and standing up for Germany's 800,000 auto workers.



AXEL SCHMIDT/AFP/GETTY IMAGES

purchases if owners traded in old, dirty diesels.

Ms. Merkel said those actions were "the least" the industry could do and announced she would hold a second diesel summit in the fall to discuss further measures if she won September's vote.

Car maker Daimler AG, which owns Mercedes-Benz, declined to comment on Ms. Merkel's comments. Volkswagen didn't respond to requests for comment. A spokesman for BMW AG said the company denies manipulating its diesel vehicles and sees diesel as a key technology to fight greenhouse-gas emissions.

Analysts said it was unlikely the diesel scandal would become the decisive issue in an election. Ms. Merkel looks set to win. In fact, by tearing into the car makers now, Ms. Merkel was "trying to neutralize the issue by addressing it early on in

order to erase any differences between her and her political opponent," said Jürgen Falter, a professor of political science at the University of Mainz.

Still, both Berlin and the industry will remain under pressure after the election. The European Commission, the EU's executive, is threatening to take German cities to the European Court of Justice for allegedly violating treaties by routinely exceeding EU air-pollution limits, largely as a result of Germany's high number of diesel-powered vehicles.

That prospect is prompting some mayors to consider banning diesel vehicles from city traffic altogether.

While the government isn't about to drop all support to the car industry, experts say it likely won't lend manufacturers as friendly an ear without more concessions on advancing alternative-energy vehicles.

BORING

Continued from Page One
median and self-appointed German Comedy Ambassador to the U.K.

Some candidates are trying to shake the torpor with puzzling slogans, handmade three-dimensional signs and interactive exhibitions.

Yet even the antiestablishment AfD, or Alternative for Germany, party is taking a laid-back approach to its anti-immigration message. Its posters show scantily clad beachgoers and the slogan: "Burkas? We prefer bikinis."

With a Merkel victory seemingly assured—baring a Russian hack or other unpredictable event—the hottest issue among pundits has become which of the smaller political parties will end up in third place, possibly clinching a junior role in her coalition government.

"I think it's a good thing that we're having a boring election campaign," an aide to Ms. Merkel said, pointing to the recent U.S. political season—and the frenzy that emanated from it—as a phenomenon Germany may not want to emulate.

While there are still a few weeks for the race to heat up, the low-energy campaign is raising alarms among political commentators who have been left to dissect the lameness of the contest instead of issues such as terrorism and the fate of the eurozone because those topics aren't getting much attention from the candidates.

HR Info, a public news radio station in Southern Germany, ran a 24-minute segment earlier this month titled "The Boring Campaign." "This can't be happening. Another non-campaign," said Christoph Käppeler, a radio commentator. "Dull, dull, dull."

This was not supposed to happen.

Late last year when Ms. Merkel's once-stellar ratings were depressed amid an unsolved refugee crisis, she announced that she would seek a fourth term and predicted the toughest campaign since Germany's 1990 reunification.

Weeks later, former European Parliament President Mr. Schulz said he would lead the Social Democratic Party, Ms. Merkel's center-left rivals, promising "a riveting cam-



FABRIZIO BENSCH/REUTERS

German Chancellor Angela Merkel's Christian Democrats are squaring off against the Social Democrats, led by Martin Schulz.

paign". The electrified SPD soared in the polls, briefly overtaking Ms. Merkel's CDU.

But Mr. Schulz's focus on social justice and wealth redistribution, paired with his professorial delivery, ultimately proved a voter turnout. The veteran politician's party has erased all its gains.

"Look at the haircut, the beard, the glasses," said Michael Frost-Adams, a 40-year old CDU member from Berlin and former parliamentary assistant. "He's straight out of the 1980s."

SPD officials have said in the past the fact that Mr. Schulz looked like an average person rather than a standard politician was a strength, not a weakness.

There is only so much the two biggest political parties can savage each other after ruling together in a "grand coalition" for the past four years. The same goes for most smaller parties, which hope to join a larger one in the next governing coalition.

Those candidates are trying to grab voters' attention in sly ways. For its posters, the pro-business Free Democratic Party invited celebrity photographer Olaf Heine to turn chairman Christian Lindner, 38, into something of a Hugo Boss model, complete with three-day beard, open shirt and, in one image, earphones.

The party paired the arty shots with deliberately perplexing slogans. "Impatience is also a virtue," says one.

"School satchels change the world, not briefcases," says another.

"It's a little sophisticated," said Andreas Mengel, director and head of strategy at Heimat, the advertising agency behind the campaign. "But we don't need to convince 80% of voters. If only 8

or 9% understand it, we're good."

A spokeswoman for Ms. Merkel's CDU declined to comment on the campaign's lack of liveliness but suggested a visit to the "walkable election platform," an interactive experience the party opened in a former Berlin department store this week to bring its manifesto to life.

The pop-up display—the first interactive electoral program in the world, according to the CDU—includes a giant human heart meant to illustrate "the pulse of German business," and the "mirror of the future," a video installation where visitors can express their state of mind through emojis.

One tiny party is trying—and failing—to inject some controversy into the campaign. Martin Sonneborn, chairman of Die Partei, a semi-serious satirical party that polled 0.1% in the most-recent election and holds a seat in the European Parliament, has pledged to run a "pure sex campaign" that will be unmatched in its crudeness and primitivity."

Its slogan, "Politics you can touch," is scrawled on cartoonish, crude 3-D posters, which the Pankow district arm of the party plastered across Berlin. The oversize fliers have become popular to steal.

Pollsters say such stunts will have little bearing on the race and may well backfire.

"Only intellectuals think a campaign should be loud and controversial," said Manfred GÜLLNER, chairman of the Berlin-based Forsa polling group. "Most voters are consensus oriented. They just prefer it that way."

—Anton Troianovski
in Berlin contributed to this article.

FRANCE

Number of People Seeking Work Rises

The number of job seekers in France increased in July, more than reversing the decline in June and raising the stakes for President Emmanuel Macron as he prepares to push through contentious labor law changes.

The number of category A job seekers—people registered as fully unemployed—rose 1% on the month to 3,518,100, the labor ministry said. That figure represented a 0.1% increase from August 2016.

The monthly count of job seekers is closely watched in France where unemployment is 9.5%, above the EU average and more than twice the rate in Germany.

Mr. Macron is hoping to tackle unemployment by loosening labor laws and reducing financial and legal risks of layoffs that business leaders say discourage them from hiring. The president plans to make the changes by decree in mid-September.

Some labor union leaders plan to protest the changes they say would reduce job security for workers and encourage companies to make layoffs.

—William Horobin

SPAIN

Second Suspect Freed in Terror Probe

A second suspect among the four men arrested for the attacks in Spain last week was freed on Thursday after a judge ruled there wasn't enough evidence to

tie him to the terror cell that killed 15 people.

The move was expected after Judge Fernando Andreu said this week that he planned to hold Salih El Karib for at most three days while police finished gathering evidence at the internet cafe where he works in Ripoll, the Catalan town where most of the alleged terrorists have lived.

Mr. Karib bought an airline ticket several days before the attack for one of the suspects, Driss Oukabir, to fly to Morocco and return the next day. He also purchased a ticket to Belgium in October for Abdelbaki Es Satty, a former imam in Ripoll who investigators believe led the cell that killed 14 in Barcelona and one in the Catalan town of Cambrils.

Judge Andreu said Mr. El Karib, who runs the internet cafe, received cash to buy the airline ticket but appeared to have no relationship beyond that with them.

Another suspect, Mohamed Aalla, was freed this week due to a lack of evidence linking him to the terror cell.

—Jeannette Neumann

ANGOLA

Lourenço Heads For Election Victory

The ruling party in Angola claimed victory in a national election after preliminary results were announced Thursday, setting the stage for João Lourenço to become the country's first new president in 38 years.

The preliminary count was disputed by the two largest opposition parties who said their

tally showed different results.

The ruling People's Movement for the Liberation of Angola won 64.6% of the vote in Wednesday's elections, the electoral commission said. The result is a tangible drop for the MPLA, which in the last elections in 2012 won 72% of the vote.

The opposition National Union for the Total Independence of Angola, or UNITA, received 24.04% of the vote in Wednesday's elections, while the Broad Convergence for the Salvation of Angola—Electoral Coalition, or CASA-CE, got 8.6%, the commission said.

—Neanda Salvaterra and Gabriele Steinhauser

YEMEN

Saleh Supporters Hold Large Rally

Hundreds of thousands of Yemenis rallied in Sana'a in a show of support for a former president amid tension between his loyalists and Shiite Houthi rebels, components of the alliance fighting a Saudi-led coalition in the country.

Thursday's rally brought together some 300,000 Yemenis to the capital to celebrate the 35th anniversary of the founding of the Popular Conference Party of former President Ali Abdullah Saleh.

A power struggle between the two factions threatens to undermine their alliance against the coalition seeking to dislodge them from the capital and restore to power the internationally recognized President Abed Rabbo Mansour Hadi.

—Associated Press



ROMA EVICTION: Police using water cannon and batons clashed with mainly Ethiopian and Eritrean refugees who had occupied a square near Rome's main train station to protest an order to leave a building where they had been squatting. Above, a policeman comforts one of the refugees.

ANGELO CARCONI/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

U.S. NEWS

Trump Sets Military Transgender Ban

Policy to allow Mattis to weigh 'deployability' in deciding whether to oust a service member

By GORDON LUBOLD

WASHINGTON—The White House is expected to send guidance to the Pentagon in coming days on how to implement a new administration ban on transgender people in the military, issuing a policy that will allow Defense Secretary Jim Mattis to consider service members' ability to deploy in deciding whether to kick them out of the military.

The White House memo also directs the Pentagon to deny admittance to transgender individuals and to stop spending on medical treatment regimens for those currently serving, according to U.S. officials familiar with the document.

The 2½-page memo gives Mr. Mattis six months to prepare to fully implement the new ban, according to these officials. Mr. Mattis under the new policy is expected to consider "deployability"—the ability to serve in a war zone, participate in exercises or live for

months on a ship—as the primary legal means to decide whether to separate service members from the military, the officials said.

The policy was announced by President Donald Trump in a series of tweets on July 26, which effectively reinstated a ban on open transgender service that had been lifted the year before, under former president Barack Obama, in a move that also provided for military medical care for the condition known as gender dysphoria.

Gender dysphoria is a condition that many professional associations have said requires medical treatment. For instance, gender dysphoria is recognized by the American Psychiatric Association as a medical issue. When diagnosed by a medical professional, transition therapy and reassignment surgery is considered by some insurers and states as a medically necessary treatment.

Employing the criteria of deployability to remove service members is bound to be greeted with deep opposition.

"Transgender people are just as deployable as other service members," said Sue Fulton, the former president of Sparta, a



The policy will give Defense Secretary Jim Mattis six months to prepare to fully implement the new ban.

PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

military organization for lesbian, gay, bisexual and transgender people that advocates for open service. "Other service members may undergo procedures when they are at home base, just as other service members schedule shoulder surgery or gall bladder surgery."

Ms. Fulton said there are no

"ongoing treatments" for transgender service members that would render them non-deployable. "Thus there's no difference between the deployability of transgender service members" and others, she said.

Pentagon officials have been awaiting policy guidance from the White House since Mr.

Trump's July tweets. The move by Mr. Obama was among a series of steps toward opening the military to larger segments of the U.S. population. Other steps included rescinding the "don't ask, don't tell" prohibition against gays serving openly and opening most combat jobs to women.

In moving to end the transgender ban, however, the Obama administration left some ambiguity. While currently serving transgender personnel were allowed to immediately begin to serve openly, the change set July 1, 2017, as the start of new enlistments by openly transgender people.

Confronted with the enlistment deadline, Mr. Trump agreed over the summer with conservative lawmakers who wanted to backtrack on the policy.

Estimates of how many transgender service members are openly serving in the military range from 1,320 to 6,600, according to a Rand Corp. study commissioned last year by the Pentagon. Not all of them seek treatment for gender dysphoria, the study said.

Advocacy groups believe there are as many as 7,000 transgender service members on active duty and 11,000 total, across all military services and components.

The Rand report concluded that the cost of treating transgender service members would be between \$2.4 million and \$8.4 million a year. Total military health-care expenditures were \$6.27 billion in 2014.

Fed Chief's Future Hangs Over Jackson Hole Meeting

By NICK TIMIRAO

The prospect of a second term for Federal Reserve Chairwoman Janet Yellen won't be on the agenda at the central bank's annual retreat this week at Grand Teton National Park, but the question of whether she could be asked to stay on—and whether she would accept—will be hanging over the confab.

Ms. Yellen hasn't said whether she would want a second term if it were offered. Still, some friends and former colleagues said her long record of public service and her devotion to the Fed are clues that she would be disposed to accept a nomination.

The Fed has outlined plans to begin slowly shrinking its \$4.2 trillion holdings of mortgage and Treasury securities this fall and to raise rates one more time this year after that. Policy decisions beyond December are clouded by the succession question, and that uncertainty could increasingly weigh on markets, especially because President Donald Trump has indicated he is considering a wide range of potential candidates.

Ms. Yellen's term as chairwoman expires in early Febru-

ary. Mr. Trump has said he is considering asking her to serve a second term, though he may not announce his nominee until late this year.

Mr. Trump has said his economic policy director, Gary Cohn, is also in the running for the Fed job. The GOP president has declined to name other possible candidates, but they are likely to fall into two camps—conservative economists such as John Taylor of Stanford University, or nonacademics with a business background, such as Fed governor Jerome Powell or former Fed governor Kevin Warsh.

Ms. Yellen sidestepped questions about the matter when asked by lawmakers recently. "I really haven't had to give further thought at this point to this question," she said at a July congressional hearing. She declined an interview request for this article.

People who know Ms. Yellen said even if she were ready to retire when her term as chairwoman ends, her long record of public service suggests she could be persuaded to stay.

Given the additional turnover coming among top Fed officials, "it would be a leadership challenge like she'd never had before, but my own instinct



Janet Yellen's term as Fed chairwoman expires in early February.

goals of maximum, sustainable employment and stable prices warrants a second term. The Fed has raised rates twice this year after lifting them once in each of the prior two years.

Ms. Yellen also has guided Fed officials toward consensus on plans to reduce its portfolio—so far without sparking the market upheaval triggered in 2013 when her predecessor, Ben Bernanke, signaled the Fed's intention to slow down bond purchases.

In recent weeks, Mr. Trump has boasted about a range of economic benchmarks, which helps explain why he would seriously consider asking Ms. Yellen to stay on. Stocks have hit new highs this summer despite the risk of less Fed-induced stimulus. The U.S. economy is growing, and job growth has pushed the unemployment rate down to 4.3%.

Several political strategists, however, are skeptical Mr. Trump would pick Ms. Yellen because some Republicans might fume at her reappointment.

Many GOP lawmakers opposed the Fed's campaign to keep interest rates low, in part because it lowered the costs of new debt amassed during the Obama administration, and they view Ms. Yellen as too

closely wedded to postcrisis banking regulation. Ms. Yellen is set to speak about financial stability at Jackson Hole, Wyo., on Friday morning.

Some officials in Mr. Trump's administration believe the Fed kept interest rates too low for too long and took too heavy a hand to regulate financial institutions after the crisis.

During his campaign, Mr. Trump said he didn't plan to nominate her to a second term, in part because she wasn't a Republican. He accused her of keeping rates low to help Democrats, which she denied. But Mr. Trump told The Wall Street Journal last month that he thinks Ms. Yellen has done well.

Every president since Ronald Reagan has asked the standing Fed leader to stay in the job at the start of his presidency. If Mr. Trump doesn't follow that pattern, Ms. Yellen would be just the third Fed leader since 1934 to serve only one term.

One complication for Mr. Trump's selection is that there isn't a ready-made list of experienced candidates with broad appeal to conservatives that also could reliably satisfy Mr. Trump's stated preference for low interest rates.

Stolen Copy of Letter From Columbus Found

By JOE PALAZZOLO

U.S. authorities have recovered a centuries-old copy of a letter Christopher Columbus wrote about his first voyage to the New World that was stolen from the Vatican Library and replaced with a forgery.

Investigators at the U.S. Department of Homeland Security, acting on a tip, tracked the letter to the private collection of an Atlanta attorney, Robert Parsons, who purchased it from a rare book dealer for \$875,000 in 2004, according to documents filed in federal court this week. Mr. Parsons, a collector of old travel writing, died in 2014. His widow agreed to return the letter to the Vatican, the documents show.

The document is a copy of an account Columbus wrote for his Spanish patrons after he returned to Europe in 1493, and tells of lands with "large flowing rivers" and "trees of endless varieties," and of timid natives who "are so unsuspecting and so generous with what they possess, that no one who had not seen it would believe it," according to a translation of the letter from the Independence Hall Association, which runs ushistory.org, an educational website that focuses on Revolutionary and Colonial eras of American history.

European printers converted the letter into pamphlets that spread the news of

DEBT

Continued from Page One
he predicted Congress would raise the debt ceiling. "I know we will get this done," he said on CNBC. "I'm really not that worried about this, we have plenty of options ahead of us."

A spokesman for Mr. McConnell declined to comment.

Treasury officials have said Congress must raise the government's borrowing limit at some point near the end of September. If Congress doesn't raise the debt ceiling to allow new borrowing, the U.S. could default on its debt or miss payments for benefits and salaries.

Republicans were considering earlier in the summer tying an increase in the federal debt limit to a bill extending funding for a program that lets military veterans get medical care outside of Department of Veterans Affairs facilities, people familiar with the idea said.

Mr. McConnell had mentioned the option to senators, and lawmakers were the ones who suggested the pairing to the White House, in contrast to Mr. Trump's tweet Thursday, according to a Republican familiar with the discussions. The White House didn't respond to a request for comment.

Republicans spent much of the summer on their ultimately unsuccessful effort to pass legislation to roll back and repeal the Affordable Care Act. They weren't able to tackle the debt limit before they left for their August break. The president signed



President Donald Trump blamed House Speaker Paul Ryan, left, and Senate Majority Leader Mitch McConnell for debt-ceiling woes.

JIM LO SCALZO/EPA/SHUTTERSTOCK

the veterans bill into law on Wednesday.

Mr. Trump has rarely mentioned the debt limit in public and has until now been pushing Republicans to remain focused on the health-care push.

House Republicans said this week that they have yet to hear any plans from GOP leaders about how to lift the debt limit. "It's an ugly vote," Rep. Mario Diaz-Balart (R., Fla.) said this week. "It's something that no one wants to vote for, but it's a realization that it has to get done."

One major question this year is whether GOP leaders will combine the debt-limit vote with legislation touching on any of the other issues that have to be tackled this fall, including the expiration of the government's current funding on Oct. 1 or controversial payments to insurers set up by the Affordable Care Act.

In addition, other bills on veterans' issues could also be added to any kind of spending and debt-limit package to

sweeten it for Republicans.

Democrats are expected to resist the addition of any major conservative policy measures to the mix and Treasury officials have called for a "clean" increase that would raise the debt limit without any conditions.

"With the White House, House and Senate under one-party control, the American people expect and deserve a plan from Republicans to avert a catastrophic default and ensure the full faith and credit of the United States," Rep. Nancy Pelosi of California, the House Democratic leader, said Thursday. "Republicans need to stop the chaos and sort themselves out in a hurry."

Mr. Trump also complicated lawmakers' return from their August recess this week by threatening to shut down the government to secure funding for a wall along the southwest border, one of his key campaign pledges.

"We're going to get our wall," Mr. Trump said at a

rally in Phoenix on Tuesday. "If we have to close down our government, we're building that wall."

Mr. Ryan said Wednesday: "I don't think anyone's interested in having a shutdown."

Democrats, meanwhile, swiftly rejected the president's demand for border-wall funding and said they would be willing to let Republicans shut down the government over the issue.

Many GOP lawmakers worry a shutdown or a failure to raise the government's borrowing limit could harm their chances of retaining the House majority in next year's midterm elections.

Mr. Trump's tweets on Thursday also marked his latest criticism of members of his own party. At the Tuesday rally, he noted the Republican-controlled Senate fell one vote shy of passing a bill that would have rolled back the 2010 Affordable Care Act, appearing to blame Sen. John McCain (R., Ariz.), who voted against the bill, without naming him.

He also has issued a stream of tweets in recent weeks criticizing Mr. McConnell. On Wednesday, White House press secretary Sarah Huckabee Sanders issued a statement saying the president and Mr. McConnell "remain united on many shared priorities."

On Thursday the president wrote on Twitter: "The only problem I have with Mitch McConnell is that, after hearing Repeal & Replace for 7 years, he failed! That should NEVER have happened!"

—Natalie Andrews, Richard Rubin and Nick Timiraos contributed reporting to this article.

—Francis X. Rocca contributed reporting to this article.

IN DEPTH

TESLA

Continued from Page One
each element of the functionality described" will be available, Tesla noted.

A Tesla spokeswoman attributed the turnover in the Autopilot group—which has more than 100 people developing hardware and software—to fierce competition for talent at large tech firms, conventional auto makers and startups. Tesla has hired more than 35 people to join its Autopilot group so far this year, and brought on more than 50 in 2016.

In an email, Mr. Musk said he was unhappy with previous Journal articles on the company. "While it is possible that this article could be an exception, that is extremely unlikely, which is why I declined to comment," he wrote.

The hurdles to putting self-driving cars on the road on a mass scale are huge, but so are the potential rewards. Advocates say autonomous cars will help minimize congestion and pollution—and would likely make automobile travel much safer. Human error causes 94% of crashes, according to government statistics.

Companies working on self-driving technology are dealing with a tricky balance. If they make their technology too proficient, drivers may be tempted to stop paying attention or take their hands off the wheel. Automobiles that drive themselves under all circumstances face more testing and government review. Most companies are initially releasing either semi-automated vehicles that require engaged drivers or autonomous cars that operate under restricted conditions.

Tesla decided to introduce semiautonomous technology rather than wait because "when used correctly, it is already significantly safer than a person driving by themselves and it would therefore be morally reprehensible to delay release simply for fear of bad press or some mercantile calculation of legal liability," Mr. Musk said last year.

Mr. Musk has positioned himself as a disruptive force across industries. The South African-born engineer, who made more than \$100 million on an early investment in PayPal Inc., is chief executive of Space Exploration Technologies Corp., or SpaceX, which aims to colonize Mars. He said he is building a "Hyperloop" that will whisk commuters from New York to Washington in 29 minutes. In July, Mr. Musk announced Tesla is building the world's largest lithium-ion battery storage project in Australia.

"Elon's world is a tough world, and that's fine with me," said Ross Gerber, CEO at Gerber Kawasaki Wealth & Investment Management in Santa Monica, Calif. "They're hard-charging, trying to change the world. That's why I invest in them."

Tesla's board includes James Murdoch, CEO of 21st Century Fox, which shares common ownership with Wall Street Journal parent News Corp.

Mr. Musk, who is 46 years old, became CEO of Tesla in 2008, the year the startup produced its first electric sports car, the Roadster. He gained a reputation for working around the clock, sometimes spending the night on the factory floor.

In October 2014, Tesla introduced Autopilot hardware and later added software updates that enabled capabilities such as automatic emergency braking and a collision-warning system—features some rivals

The Six Stages of Automation

Tesla and other companies are working on automated-driving systems that would eventually allow cars to drive themselves.

Level 0: No Automation



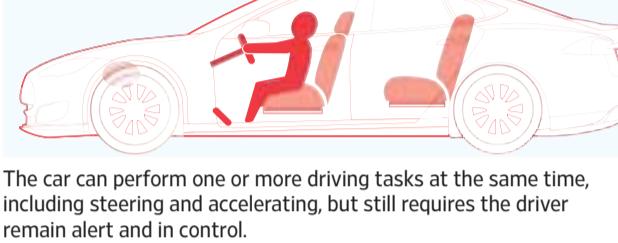
A human controls all the critical driving functions.

Level 1: Driver Assistance



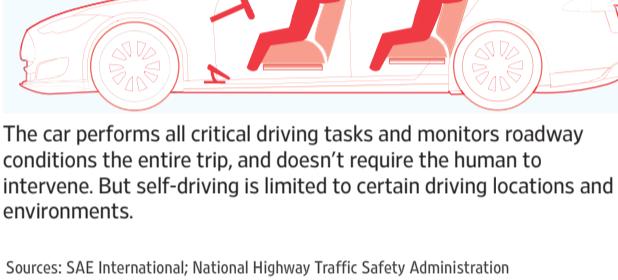
The vehicle can perform some driving functions, often with a single feature such as cruise control. The driver maintains control of the vehicle.

Level 2: Partial Automation



The car can perform one or more driving tasks at the same time, including steering and accelerating, but still requires the driver to remain alert and in control.

Level 4: High Automation



The car performs all critical driving tasks and monitors roadway conditions the entire trip, and doesn't require the human to intervene. But self-driving is limited to certain driving locations and environments.

Under Development

Level 3: Conditional Automation



The car drives itself under certain conditions but requires the human to intervene upon request with sufficient time to respond. Here, the driver isn't expected to constantly remain alert.

Level 5: Full Automation



The Holy Grail. The car drives itself from departure to destination. The human is out of the loop. The car is as good or better than a human and steering wheels and pedals are potentially unnecessary.

THE WALL STREET JOURNAL.

Sources: SAE International; National Highway Traffic Safety Administration

had also begun incorporating.

Tesla engineers were already hard at work on a breakthrough intended to propel the company closer to the industrywide Holy Grail: putting a driverless car on the road. Tesla dubbed its project "Autopilot," after the technology that aids airplane pilots. In 2015, Tesla hired Robert Rose, a former software engineer at SpaceX, to run the Autopilot group.

The pressure was high to get testing done and develop the product. In a 2015 email, Mr. Rose urged engineers to get started on validating the technology "RTFN"—right the f—now. Some engineers and suppliers pushed back. Issues they debated included the amount of time a driver would be given to retake the wheel if a car's autonomous driving features stopped working; mechanisms to keep drivers engaged; and whether the technology should be allowed on all roads.

Weeks before the October 2015 release of Autopilot, an engineer who had worked on safety features warned Tesla that the product wasn't ready, according to a resignation letter circulated to other employees and reviewed by the Journal.

Autopilot's development was based on "reckless decision making that has potentially put customer lives at risk," the engineer, Evan Nakano, wrote.

Tesla declined to comment specifically on Mr. Nakano. "We actively encourage development teams and suppliers to highlight concerns and issues so that they can be comprehensively addressed during development," a spokeswoman said.

Tesla said it based its design on millions of miles driven by employees and other early testers, followed by per-

formance validation over millions of additional miles. It said Autopilot has been tested over more than 1 billion miles.

At least one early test drive was harrowing. In May 2015, Eric Meadows, then a Tesla engineer, engaged Autopilot on a drive in a Model S from San Francisco to Los Angeles. Cruising along Highway 1, the car jerked left toward oncoming traffic. He yelled and steered back on course, according to his account and a video of the incident.

On the same trip, he said police pulled him over for suspected drunken driving. He said he was sober and shot an email warning colleagues, "Do not use Autopilot this weekend."

Mr. Meadows said he was later dismissed for what he was told were "performance issues." Tesla declined to comment on Mr. Meadows but noted that the incident happened months before the release of the technology, giving the company plenty of time to work out problems that had been discovered during test drives.

As the team ironed out the technology, some enlisted the help of suppliers to settle disagreements. One engineer contacted Mobileye NV, the Israeli-based company that made Autopilot's cameras, and expressed fear that the equipment could be unsafe if used by drivers who weren't fully engaged, according to people familiar with the matter.

Mobileye Chairman Amnon Shashua contacted Tesla in May 2015 and was reassured that the technology would be deployed safely, according to a Mobileye securities filing.

As the release approached in October 2015, however, a Tesla engineer reported to Mobileye that the product was being released in a way that

would allow the car to drive itself without hands on the wheel. Mr. Shashua flew to California and suggested precautions, a person familiar with the matter said.

Mr. Musk said "activation of Autopilot would be 'hands-on,'" Mobileye said in the securities filing. "Despite this confirmation, Autopilot was rolled out in late 2015 with a hands-free activation mode."

Tesla said drivers were "responsible for, and ultimately in control of, the car," when it rolled out Autopilot.

Tesla owners' manuals describe Autopilot as a collection of "driver assistance features" and note that motorists are responsible for staying alert, maintaining control of the vehicle and driving safely. The initial version of Autopilot warned drivers to retake the wheel if their hands weren't detected.

Debates raged industrywide, as car makers and tech companies balanced technological advances that boost safety with the potential for dangerous misuse by drivers.

"This is the worst subject in the world to be adventurous with," said Scott Keogh, Audi AG's top U.S. executive, in an interview. The luxury auto maker plans to roll out fully self-driving cars in 2020.

Alphabet's Waymo decided its autonomous system should be free from human interaction partly after its own employees using automated-driving technology became overconfident, engaging in dangerous behaviors such as taking their eyes off the road and reaching for briefcases.

"They were just human," said John Krafcik, Waymo's chief executive, speaking at a January automotive conference in Detroit. "They began to trust

Mobileye and Tesla parted ways and Mobileye made public its concerns. Tesla said Mobileye had promoted the technology until Tesla began building competing equipment in-house, an account Mobileye disputes. Intel Corp. reached a \$15.3 billion deal to buy Mobileye earlier this year, joining the driverless car race.

In January, U.S. traffic safety regulators closed their investigation into the May 2016 fatal crash, noting: "A safety-related defect trend has not been identified at this time and further examination of this issue does not appear to be warranted." The probe found the truck should have been visible to Mr. Brown for at least seven seconds before the collision, and that Tesla made an effort during the design process to prevent drivers from misusing Autopilot. The investigation also found the rate of Tesla vehicles crashing had fallen nearly 40% since the company installed its automatic steering feature.

Still, regulators expressed worries about how automated-driving technologies are being marketed. "We are concerned about drivers operating these vehicles having a good understanding of the capabilities and limitations of the systems," then-NHTSA spokesman Bryan Thomas said at the time. "It's not enough to put it in an owner's manual and hope that drivers will read that and follow it."

In October 2016, Tesla announced an upgrade of Autopilot. All new vehicles were being built with eight cameras that provide 360-degree visibility at up to 820 feet of distance. Tesla vehicles previously featured just one forward-looking camera, as well as a forward radar and 12 long-range ultrasonic sensors positioned to see 16 feet around the car in every direction.

The new cars still come with just one radar sensor, but it has enhanced processing to provide additional data about the driver's surroundings. The radar can see through heavy rain, fog, dust, and even a car in front of it, according to Tesla.

Tesla also said it updated the car's 12 ultrasonic sensors to improve the distance at which they can detect hard and soft objects.

For \$5,000, Tesla customers can buy an option called "Enhanced Autopilot." That, Tesla said, would give them access to four of the car's eight cameras as well as the radar, 12 sensors, and the new onboard computing system.

In May 2016, Joshua Brown, a former Navy SEAL, activated the Autopilot system in his Tesla Model S while driving on a Florida highway. Autopilot didn't see an 18-wheel truck crossing the road against a brightly lit sky, Tesla said. The vehicles collided and Mr. Brown was killed.

The following month, U.S.

National Highway Traffic

Administration officials

alerted Tesla that they were

about to publicly disclose they

were investigating Autopilot.

During a conference call, Mr. Musk complained they were

unfairly singling out Tesla for

one incident when traffic fatalities claimed tens of thousands of lives annually in other companies' vehicles, said people familiar with the exchange.

In September 2016, Tesla

upgraded the system. It dis-

abled automatic steering,

pre-

venting reactivation until

the vehicle is parked if a driver ig-

nores repeated warnings to

keep hands on the wheel.

Mr. Musk said the update's en-

hanced radar likely would

have prevented the crash.

The announcement shook up some engineers because they believed that the product that was released wasn't designed to be self-driving, according to several people interviewed.

The marketing was a factor in the decision by Mr. Anderson and at least two other engineers to leave the company, according to people familiar with the matter.

Mr. Anderson in December launched his own company, Aurora Innovation, with Chris Urmson, the former head of Google's autonomous driving team. In a blog post, Mr. Anderson said the new company is developing self-driving technology "the right way."

In August, Tesla confirmed a new upgrade to its latest Autopilot hardware. By the end of this year, Mr. Musk plans to demonstrate a car driving itself from Los Angeles to New York.

FIAT

Continued from Page One
which holds 42.6% of Fiat Chrysler's voting rights.

Through a spokesman, Exor said it isn't pushing for an exit. "FCA has the means and is investing in developing its future," a strategy that Exor supports, he said.

Goldman Sachs Group Inc. estimates the "equity value" of Fiat Chrysler's sprawling business units, which include Maserati and an auto-parts division, is almost three times higher than its current market capitalization, which is valued at \$22 billion by shareholders holding publicly available stock. Mr. Marchionne spun off Ferrari NV last year, and said last month that other units—including Maserati or Alfa Romeo—could conceivably be lopped off.

Great Wall Motor Co., a

Chinese maker of sport-utility vehicles, said Monday that it is considering an offer for Jeep. Fiat Chrysler's stock is up sharply since, but the disclosure retrained the spotlight on the challenges facing the company. Selling Jeep, however, would mean shedding Fiat Chrysler's most-lucrative division, which along with the Ram truck unit delivers the bulk of the company's €6.1 billion (\$7.2 billion) in annual operating profit.

Great Wall is one of several Chinese auto makers that analysts say may ultimately bid for some or all of Fiat Chrysler. "The Chinese are hungry for global brands," said Michael Dunne, president of Dunne Automotive, an advisory firm.

Mr. Marchionne has long preferred a marriage for the bulk of Fiat Chrysler rather than a breakup. The company declined to make him available for an interview.

An outspoken executive, Mr.

Marchionne outlined in recent years a plan to be absorbed by a bigger partner with deeper pockets. He publicly courted General Motors Co. to form a company with enough scale and capital to outrun industry rivals and Silicon Valley tech giants, but was spurned by the larger rival. For the smallest of the Detroit Big Three auto makers, the appeal was enormous: A combined GM and FCA would sell far more vehicles than Toyota Motor Co. or Volkswagen AG, and have more than 50% share of the U.S. pickup-truck market.

Volkswagen also has been considered a potential suitor by analysts, and the German company's CEO didn't rule out an eventual merger when asked about it in March.

Fiat and Volkswagen have held talks over joint production of some light-duty vehicles, according to people familiar with the situation. Volkswagen isn't considering a takeover bid

for Fiat, the people said. They said Volkswagen believes a take-over of Fiat would be complicated and difficult to complete while the German auto maker is still embroiled in a diesel emissions-cheating scandal that has cost it nearly \$25 billion.

Having come up empty-handed, Mr. Marchionne has begun retooling the product portfolio to boost profit, moved toward offering more electric-engine options, and forged partnerships with companies to accelerate self-driving car efforts. He is now working on a new five-year business plan for release early next year, and he aims to eliminate Fiat Chrysler's hulking debt load before leaving the company to an as-yet unnamed successor.

Even with a healthier balance sheet and revised targets, analysts doubt Fiat Chrysler has a big-enough war chest to pay the tens of billions needed to update its lineup to meet the technological and regulatory changes expected within the next decade. Asset sales, including a deal with Great Wall, could help, but also won't bridge the gap.

"The incoming cash would help, but we still believe the group has to step up investments to meet forthcoming

[emissions] targets," Citigroup said Wednesday. It said Fiat Chrysler and Great Wall rank among the worst in fuel-economy ratings, creating the potential for substantial financial penalties on top of the investment needed to catch up to the industry.

Fiat Chrysler is likely to first boost cash on hand by selling noncore business, such as components divisions Magneti Marelli or Comau, which Mr. Marchionne recently told analysts were more valuable as stand-alone units than as part of Fiat Chrysler. As for spinning off Maserati, a niche maker of luxury vehicles, or Alfa Romeo, he left the door open.

"There are no structural, industrial or engineering restrictions for the separation of Alfa and Maserati," he said last month. But, he said, "we do not worry about the stump that's left behind."

—William Boston contributed to this article.



CIRYL ZINGARO/ASSOCIATED PRESS

Sergio Marchionne is looking to exit Fiat Chrysler in early 2019.

BOOKS

'God tells me how the music should sound, but you stand in the way.' —Arturo Toscanini

The Lesson of the Maestro

Toscanini: Musician of Conscience

By Harvey Sachs

Liveright, 923 pages, £29.99

BY LLOYD SCHWARTZ

I'VE JUST BEEN listening to Arturo Toscanini conducting Verdi's "Un Ballo in Maschera" ("A Masked Ball"), the conductor's last complete opera performance, recorded at Carnegie Hall in 1954. Harvey Sachs, in his comprehensive new biography, "Toscanini: Musician of Conscience," describes in detail the process of rehearsal, live performance and postconcert "patching sessions" to correct minor slips in the recordings. The nearly 87-year-old conductor was not in prime health, and there were signs that his phenomenal photographic memory was beginning to fail him.

Mr. Sachs finds weaknesses in this performance, as he does in many of Toscanini's later recordings with the NBC Symphony, the recordings from which modern listeners know him. The performances of this period, the final couple of decades of the maestro's long life (1867-1957), were often less spacious than his earlier ones—maybe a little rushed to fit broadcast time-frames and vexed by the dry acoustics of NBC's notorious Studio 8H. "This version of *Ballo*," Mr. Sachs writes, "must not be taken as holy writ."

And yet listening to it, especially after reading Mr. Sachs' compelling chronicle, I'm once again swept away by Toscanini's forward momentum, in which incisive, brilliant attack and a flowing, singing line are, for a change, complementary and not contradictory.

It's that singing line that Toscanini's detractors usually neglect to mention. In a remarkable recording made during a 1946 orchestra rehearsal for Verdi's "La Traviata," the conductor croaks all the vocal parts. It's heartbreaking how much he wants to sing. If he had a beautiful voice, maybe he would have become a singer. But how wonderfully, from the very beginning of his astonishing career, he made the orchestra sing.

One of Toscanini's most remarkable abilities was conducting from memory, for which he is still being imitated. When, in Preston Sturges's 1948 comedy "Unfaithfully Yours," an interviewer asks the Rex Harrison character, a preening conductor, why he conducts from a score, he replies: "It's because I can read music"—both indirectly condescending to Toscanini and defending himself against the fad of memorization inspired by Toscanini.

The Harrison character might be surprised to discover Toscanini's serious studies of Bruckner—two of whose massive symphonies he led though never recorded. No question about Toscanini's phenomenal ability to read a score.

He began as a cellist and, at the age of 20, was in the orchestra for the 1887 premiere of Verdi's late masterpiece, "Otello." He had already made his debut as a conductor the year before, when, on tour with an Italian opera company in Brazil, he became a sudden replacement for an inadequate conductor and led a performance of "Aida" from memory. He completed the tour leading 25 more performances of 12 different operas. Mr. Sachs reports that Toscanini later said he had "thought about becoming a conductor at twenty-seven or twenty-eight, but not at nineteen."

His rise was meteoric. By 1898, he was principal conductor of La Scala, Italy's major opera house, having already conducted the premieres of such classics as Leoncavallo's "Pagliacci" and Puccini's "La Bohème" and "Turandot." Later, as co-director (with Mahler) of the Metropolitan Opera in New York, he led the premiere of Puccini's "La Fanciulla del West" ("The Girl of the Golden West").

Toscanini's later detractors, especially the German philosopher and musicologist Theodor Adorno, attacked him for ignoring avant-garde contemporary music, especially the 12-tone compositions of the second Viennese school (Schoenberg, Berg, Webern). But as Mr. Sachs notes, when Toscanini started out, much of the music he conducted was by composers still living or only recently deceased. He gave the first Italian performances of such daring works as Debussy's "Pelléas et Mélisande" and Strauss's "Salomé."



AGITATO Toscanini, ca. 1943.

GETTY IMAGES

From early on, he was devoted to the music of that German firebrand Richard Wagner, whose music, both operatic and symphonic, became a cornerstone of Toscanini's repertoire. Only a dozen years after Wagner's death, he led the first Italian performance of "Götterdämmerung" and, in 1930, became the first non-German-school conductor to be invited to perform at the Bayreuth Festival, the sanctum sanctorum of Wagnerian opera. By the end of his life, he had conducted a repertoire of more than 600 works.

Toscanini became famous for eliminating fat: keeping to the tempo markings indicated by the composer, not transposing keys and eliminating other excrescences of "tradition" (cuts in scores, or unwritten high notes or encores for singers). He returned to the old seating plan of dividing first and second violins antiphonally—that is, positioned across from each other rather than side by side—so that one could hear the dialogue going on between these sections. (James Levine at the Met has been much praised for carrying this forward.) He even had to fight to turn the house lights off during an opera.

Each performance entailed a passionate new confrontation with the score. Few conductors were ever less on automatic pilot—which explains the intensity of Toscanini's rehearsals. "Put your blood!" he notoriously screamed at his players. "I put my blood!"

His photographic memory gave him an especially important edge as an opera conductor, because he could look at what was happening onstage. And what happened onstage—how accurately the action reflected both the music and the words—was one of his primary concerns.

When he brought the La Scala company to Vienna in 1929, 21-year-old Herbert von Karajan wrote: "For the first time I grasped what 'direction' means.... The agreement between the music and the stage performance was something totally inconceivable.... Everything had its place and its purpose."

Despite Toscanini's outbursts of temper and occasional insults, most of his musicians loved him for his commitment to how the music should go. No wonder he was so admired by his most "serious" contemporaries—Igor Stravinsky (whose music he played only rarely), Otto Klemperer, Fritz and Adolf Busch, Bruno Walter, violinist Joseph Szigeti, pianist Mieczyslaw Horszowski, even his polar opposite, Wilhelm Furtwängler, with whom, Mr. Sachs

demonstrates, he had a competitive and uncomfortable relationship.

Toscanini's passion, as Mr. Sachs vividly demonstrates, was not only directed at music. Drawing on Toscanini's letters (in 2002, Mr. Sachs edited a volume of them), he allows us to follow not only Toscanini's career but his sex life. He married in

1897 and would never leave his wife, but he had long and intense extramarital affairs with some of his leading ladies—the sparkling Rosina Storchio, Puccini's first Cio-Cio San, with whom he had a child; the glamorous Metropolitan Opera diva Geraldine Farrar; the great German soprano Lotte Lehmann—and many other women, relationships documented in his graphic love letters.

agonist. He profoundly regretted supporting Mussolini in the leader's early socialist phase, given what he turned into. He got into trouble—and was even beaten up—for refusing to play the fascist anthem. He was so widely loved that even Mussolini was forced to return his passport after he had it confiscated.

Toscanini stopped performing at Bayreuth after Hitler came to power and refused Hitler's personal request to perform, in the process alienating Wagner's daughter-in-law, Winifred Wagner, who essentially took over Bayreuth when her husband died.

The idea of anti-Semitism, in a world of so many great Jewish musicians, was particularly loathsome to him—and incomprehensible.

"Put your blood!" the conductor screamed at the orchestra's musicians. "I put my blood!"

His home life was unfulfilling. Constant traveling was a torment. His sense of guilt was another torment. Yet well into his last years he couldn't stop his more-than-flirtations.

In 1978, Mr. Sachs published an excellent biography of Toscanini, but this entirely new one—not a revision—draws extensively on newly available archival material, especially Toscanini's own letters, and offers a portrait that even more fully humanizes the Great Man. Toscanini, Mr. Sachs shows, was modest almost to a fault, continuing into his 80s his rigorous studies of music and feeling mostly dissatisfied with even some of his greatest performances (although, on rare occasions, he knew when he had done especially well).

He was shy about the tremendous ovations he received and angry when he felt they were undeserved. He could be petty but was more often inordinately generous—supporting people in need, especially musicians, with money and personal recommendations.

Has anyone in the arts ever performed more fundraising events or done more benefit concerts without accepting a fee? "What emerges most clearly... in all of Toscanini's correspondence with lovers, friends, or family," Mr. Sachs writes, "is his seemingly limitless capacity for experiencing a whole panoply of emotions and states of mind as if they were raw, fresh, new."

And as Mr. Sachs's subtitle, "Musician of Conscience," suggests, Toscanini was more than just a famous conductor. He was a true hero of democracy. From the earliest days of fascism, he was an outspoken ant-

Mr. Sachs is a lucid informant, providing all sorts of interesting details, down to which ships Toscanini took on his numerous Atlantic crossings. I confess that I find the list, in itself, an irresistibly colorful image of a certain aspect of 20th-century life: the Perseus, the Champlain, the Brazil, the Uruguay, the Conte di Savoia, the Vulcania, the Normandie, the Queen Mary, the Constitution, the Saturnia. A last-minute change in plans saved the maestro from boarding the doomed Lusitania.

More important, Mr. Sachs rises to each climactic turning point, creating moving narratives about Toscanini's first conducting in Rio; his rising from the music directorship of Turin's Regio to Milan's La Scala, then to the Met and the New York Philharmonic; appearing at Bayreuth; performing with the BBC Symphony; returning to Italy for the gala reopening of La Scala after the war; and especially playing a crucial role in the formation of the Palestine Orchestra (now the Israel Philharmonic) when so many Jewish musicians were being forced out of Europe and out of work.

One of the most complex stories comes near the end, with the creation of the NBC Symphony—the period during which Toscanini reached his largest audience and for which he has been most criticized. In 1937, David Sarnoff, the head of NBC and RCA, offered the 70-year old conductor the chance to form his own orchestra and give public concerts that would be recorded and broadcast on the air (and later on television). Toscanini accepted the offer and continued at the post for 17 years.

The broadcasts and recordings are how most of us know Toscanini, and even if some of them are not on the level of his earlier work with the New York Philharmonic and the BBC Symphony, they include much that is valuable, including his overwhelming recordings of Verdi—especially "Otello" and "Falstaff" (his favorite opera and the one he led most frequently).

Among the other highlights are incomparable versions of the last act of "Rigoletto" and of the rapturous, almost-forgotten final trio from "I Lombardi"; complete sets of Beethoven and Brahms symphonies; a rhythmically electric Schumann "Rhenish" Symphony; major Wagner recordings (with Wagnerian greats Helen Traubel and Lauritz Melchior); Berlioz's "Harold in Italy" and "Roméo et Juliette" (has any other conductor so completely captured the Berlioz melodic line?); Brahms's delicately lilting "Liebeslieder-Walzer"; Debussy's surging "La Mer"; and Tchaikovsky's "Romeo and Juliet Fantasy Overture" (surely the least schmaltzy but most heartfelt and soaring performance ever recorded of that familiar love theme). He even "put his blood" into perfecting such trivia as Ponchielli's twinkling "Dance of the Hours" in a performance of such delicious buoyancy that I never want to stop listening to it.

Of course popular doesn't always—or even usually—mean better, and Adorno hated the idea of Toscanini making classical music popular (and even worse, corporate), especially since he ignored the more challenging moderns. As Edward Said wrote in a New York Times review of Joseph Horowitz's 1987 book critical of the Toscanini phenomenon: "Although [Toscanini] died too early to benefit from the great recent advances in audio technology, his legacy as the man who stripped phony traditionalism and sentimental sloppiness from musical performances will endure."

If you listen to the recordings freshly, with an open mind and an open heart (and in better sound now than when they were first released), you can't help discovering one of the world's greatest musical voices. Mr. Sachs's necessary, authoritative biography reinforces that impression with a portrait of a complex, flawed, but noble human being and a towering artist.

Mr. Schwartz, a professor of English at the University of Massachusetts Boston, is the classical music critic for NPR's "Fresh Air."

BOOKS

'How dreadful knowledge of the truth can be / When there's no help in truth.' —Sophocles

FICTION CHRONICLE: SAM SACKS

Oedipus in Istanbul

 THE NOVELS of Turkish Nobel laureate Orhan Pamuk are well known for synthesizing the literary traditions of East and West. But Mr. Pamuk is also a writer who bridges the influences of two different centuries. On one hand he is a weaver of tales par excellence, with an unmatched sense for the ways that social change affect individual psychology and a restrained, genteel prose style that disguises the unruly passions just below the surface. In this mode he most resembles Ivan Turgenev, the great portraitist of 19th-century Russia.

But Mr. Pamuk is also a dedicated postmodernist who loves to collapse the artifice of storytelling upon the stories themselves. He blends fantasy with realism. He swaps the identities of characters. He turns his books into *matryoshka* dolls of nested fictions.

Both sides of the author are on uneasy display in **"The Red-Haired Woman"** (Faber, 253 pages, £16.99), which, in the manner of Turgenev, explores "the enigma of fathers and sons." It tells of a summer in the youth of Cem Çelik, the teenage apprentice to a well digger named Master Mahmut. Because Cem's real father, a leftist imprisoned by the Turkish government, has rarely been in his life, he finds a paternal figure in the well digger, a tireless old laborer who relies on instinct to unearth reserves of groundwater. This is in the 1980s, before soil probes rendered people like Mahmut obsolete, and Mr. Pamuk (in the English of translator Ekin Oklap) gorgeously evokes this lost trade in which, as though from a kind of sorcery, "water could spring up from the earth at the most unexpected moments, catching you by surprise."

In the evenings, after toiling away at a stubbornly dry hole in a town outside Istanbul called Öngören, Cem has a tryst with a beguiling married woman—she of the red hair—who is performing with a theater troupe. One day, distracted and weary after a sleepless night, Cem drops a bucket of dirt on Mahmut in the bottom of the darkened well. He flees in fear, leaving the man injured or dead, he doesn't know which.

This is the first half of the novel, and it's allusive, enchanting and perfectly controlled. Mr. Pamuk then follows Cem into middle age, when, still harboring the secret of his crime, he becomes a wealthy devel-



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oper in Istanbul. And as the book traces Turkey's breakneck modernization it begins to adopt the techniques of a more recent era. Haunted by his past, Cem grows obsessed with ancient tales of patricide and filicide, particularly "Oedipus Rex" and the tragedy of Rostam and Sohrab from the Persian epic the "Shahnameh." Whole chapters are devoted to reconnoiter scholarly investigations, à la Umberto Eco, to unpack the hidden meanings of these texts. When a real estate opportunity returns Cem to Öngören, Mr. Pamuk forces an inevitable reckoning with the red-haired woman and others who know what he did at the well, contriving events so that they mirror those of the famous stories. This, combined with a late-occurring narrative switcheroo, makes it impossible to discern what in the story has been the result of Cem's actions and what has "been dictated by myth and history."

An enticing book cedes, in the end, to storytelling at its most pointlessly rococo, the kind that invariably seems more fun to dream up than to read. Mr. Pamuk's postmodern tricks may make him appear contemporary, but it's when he's being old-fashioned that his writing is most vital and alive.

Bernard MacLaverty—the author of "Cal" (1983), the finest work of fiction about Northern Ireland's Troubles—makes a welcome return to novel writing after a 16-year hiatus with **"Midwinter Break"** (Jonathan Cape, 243 pages, £14.99), his wrenchingly intimate depiction of a couple in the chilly, hibernating years of their marriage. Gerry and Stella have been husband and wife for over four decades, most of that time exiled in Scotland after Stella survived a Belfast terror attack. Gerry, a retired professor of architecture, has planned a holiday to Amsterdam with his wife, where he will study

the buildings, see some sights and drink whiskey on the sly, continuing his absurd daily contortions to conceal his alcoholism. Stella has different plans. She's tired of presiding over an empty nest and watching her husband pretend not to drink, and she's using the trip to ponder a different future for herself, even one that doesn't include Gerry.

The story is simplicity itself. It recounts the minutes of their vacation, describing not just the museumgoing but meals, ablutions, sleep and even what Stella calls "Ailment Hour"—the period they allot to treating their illnesses. Mr. MacLaverty's telescopic observational powers imbue these routines with rare and unexpected beauty. He notices the "stretch marks" of foam on a half-quaffed Guinness pint and an airport shuttle cart whose alarm sounds like a corncrake. The Amsterdam canals darken "here and there under the wind, like a finger across suede."

Stella, who yearns to bring more religious devotion into her life, wonderfully characterizes prayer as "a summoned intensity."

Spliced into these prayer-like scenes are glancing flashbacks to the attack in Belfast. "Midwinter Break" gradually expands to reveal a couple both scarred and soldered together by near tragedy. Even as Gerry and Stella float apart, their shared memories are like cords that keep returning them to one another.

A Turkish well digger, his young apprentice and a red-haired actress re-enact an ancient tragedy.

Each year since 2012 a new installment of Karl Ove Knausgaard's trendsetting autobiographical novel "My Struggle" has appeared in the U.S. to rapturous acclaim. By that schedule we should now be seeing the arrival of the series' sixth and final volume. Instead, this capstone has been postponed to 2018 and in its place we have **"Autumn"** (Harvill Secker, 224 pages, £16.99), the first book of an announced "four seasons" quartet. It's an impressively cynical hustle, a publishing Ponzi scheme designed to attract interest to a new series in the narrowing interval that the Norwegian's star is in ascendance.

In fairness, something as thin as "Autumn" requires such machinations. The book, translated by Ingvild Burkey, consists of diary entries about everyday objects and phenomena, from apples to changing leaves to toilet bowls. Mr. Knausgaard dedicates his observations to his unborn daughter, and his aim is to look at the "astounding things" around him with the wonder and curiosity of a child.

The author has always been an heir to the Romantics, but here he has dropped the bad-boy Byronic posturing of "My Struggle" in favor of gaseous Wordsworthian odes. The entries are either maudlin (to see porpoises swim is to feel that "they are touching you, as if you have thereby been chosen") or jejune (churches, you will be amazed to read, "represented another level of reality, the divine"). The project becomes somewhat touching if you imagine yourself as Mr. Knausgaard's daughter. Though I doubt she'll have to pay \$27 to read it.

When Bystanders Are Not Innocent

The Crime of Complicity

By Amos N. Guiora
American Bar Assoc., 220 pages, £22.99

BY JEREMY RABKIN

THE ORNATE AND IMPOSING Peace Palace in the Hague, now home to the International Court of Justice, was completed in 1913. It is a monument to the optimism of a bygone era. Across the street is a more modest and somber monument, this one devoted to the local victims of World War II. There were, it records, 2,000 deaths attributable to wartime

Witnesses to crimes rarely face a penalty for failing to intervene. The events of wartime Europe show how costly such passivity can be.

bombing and 2,000 to the effects of food shortages in the last months of the war, as well as 16,000 deaths among Jews deported to death camps—"all mourned without distinction," as a plaque explains in Dutch. So people who were deliberately hunted down by Dutch officials and shipped to their doom by Dutch transport workers are remembered in the same category as inadvertent casualties of war.

In "The Crime of Complicity," Amos Guiora doesn't mention this notable example of moral evasion. But his book is a kind of mediation

on such self-protective detachment. Mr. Guiora is not interested here in the perpetrators of evil but in those who avert their gaze—even from shocking scenes that take place in front of them, as in the city streets and train stations where, in the 1930s and 1940s, grandmothers and children were herded to their fate by pitiless guards. To help him understand the bystander, Mr. Guiora visited the sites of such places in the Netherlands, Germany and Hungary, seeking out people who had memories or family stories of what had happened in that time or had taken it upon themselves to study the history of the era.

Mr. Guiora, a law professor at the University of Utah, continually returns to episodes of passive acquiescence during the Holocaust. But he also invokes episodes he sees as contemporary analogues. Just within the past few years, he tells us, a young man as-

saulted and then murdered a 7-year-old girl at a restroom in a Nevada resort while a friend of his peeked at the assault and then walked away. A football player at Vanderbilt videotaped himself and teammates raping a drugged young woman while his roommate pretended to remain asleep in the same room. These witnesses didn't even call the police and suffered no legal penalty for declining to intervene. Mr. Guiora urges that we fix criminal liability on such

people. In so doing, he says, we would embrace "a primary lesson learned from the Holocaust: silence and nonaction kill."

His own models for reform do not seem likely to make a great difference, however. Mr. Guiora commends statutes in Minnesota and Wisconsin that (in contrast to the law in other

states) do require bystanders to "provide assistance" to crime victims "exposed to bodily harm." But the liability provisions still exempt bystanders when rendering assistance would pose "danger or peril to self or others." And even where the liability would apply, lawmakers declined to impose severe punishment, probably recognizing the difficulty of judging intentions and capacities in most cases. Minnesota's law characterizes the failure to as-

sist as a "petty misdemeanor," the lowest level of criminal offense.

A law of this kind, in any case, would not have made a difference in wartime Europe, where bystanders had much more to more fear than subsequent misdemeanor charges. To confine liability within reasonable limits, Mr. Guiora stipulates that the obligation to intervene be limited to those in immediate physical proximity to a crime. In Europe under the Nazis, though, mounting an effective rescue usually required advance planning and coordination, so it depended on people who were not in the immediate vicinity of a particular atrocity. They were people with exceptional courage and foresight—heroes.

But legal reform is not really central to "The Crime of Complicity." As Mr. Guiora acknowledges in his last chapter, "what started out as a book examining a particular legal question became, over the course of time, something very different... when it transitioned from the abstract to the personal." Instead, we learn of how his parents managed to survive in wartime Hungary, though his grandparents did not. He reports his father's experience when victims on a death march were taunted by villagers even in the last months of the war. He also describes the agonizing choices made by householders in Dutch towns who agreed to hide persecuted Jews but only for one night



DEATH MARCH A memorial to the prison inmates of Dachau.

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Some readers will find such personal accounts moving, others may regard them as distracting or self-absorbed. But the book does highlight some painful general patterns. In the Netherlands (an example Mr. Guiora dwells on), collaboration and passivity resulted in the death of the overwhelming majority of Jews, while in France and Italy volunteer networks helped save the overwhelming majority. Circumstances differed—but also, it seems, the readiness of individuals to take risks and act outside normal routines. "We are not a brave people," a former Dutch justice minister explained to Mr. Guiora.

The challenge still resonates. When a terrorist tried to take control of a train heading from Amsterdam to Paris in 2015, three young Americans (assisted by a 62-year-old English businessman) leapt into action and managed to disarm him. The other passengers remained passive. Two of the three Americans were servicemen and surely helped by their military training. Taking the initiative requires self-confidence as well as concern. But it also requires a strong sense of what's right—a sense of responsibility.

Inspiring a culture of responsibility can't be achieved by a three-point government program or a new criminal statute. But it may help to celebrate true heroes—and to remind people, as "The Crime of Complicity" surely does, of what happens when a whole society sinks into passivity.

Mr. Rabkin is a professor at Antonin Scalia Law School, George Mason University.

BOOKS

'The model is not to be copied, but to be realized.' —Robert Henri

Gilded-Age Emblems

Sargent's Women

By Donna M. Lucey

Norton, 311 pages, \$29.95

BY JANE KAMENSKY

IN JUNE 1890, Lippincott's Monthly Magazine published "The Picture of Dorian Gray," Oscar Wilde's gothic tale of a love triangle between a painter, a patron, and a portrait. The editors had expunged key passages of the novella, whose homoerotic decadence risked the censors. Over a century later, the story's sexual overtones seem tame, while Gray's "monstrous" hope—"that he himself might remain young, and the portrait grow old"—retains the force of fable. The portrait ages, grotesquely, as the young decadent steals the frozen moment that belongs to his likeness. When the dream dissolves, Gray withers and decays in an instant, and the painting recovers its simulacrum of "exquisite youth and beauty." *Ars longa, vita brevis*, even in the Gilded Age.

The American-born painter John Singer Sargent, Wilde's near contemporary and London neighbor, well knew the fraught relationship between life and image that so vexed poor Dorian Gray. "Portrait painting, don't you know, is very close quarters—a dangerous thing," Sargent was heard to say, just months after the novella appeared. The eavesdropper, the little sister of one of his sitters, copied the artist's words into her diary, which was carefully preserved by her family: her own little "Picture of Dorian Gray."

"Sargent's Women," Donna Lucey's lyrical meditation on life, love, and art in the Gilded Age, sketches the biographies of a quartet of Sargent's patrons, "lives behind the canvas," as her subtitle holds. All four of Ms. Lucey's subjects inhabited the world of "Dorian Gray," and could well have met Wilde himself on their way to visit Sargent at his studio on Tite Street, which the notorious author could see from the window of his library. Certainly the protagonists of Ms. Lucey's loosely braided essays knew the power of portraits, even if they scarcely knew one another. Denizens of "the glittering world of the wandering rich," they lived barely two degrees of separation apart. Their fathers and husbands were American titans eager to varnish their money with taste; having their daughters and wives painted by the most acclaimed portraitist of the age certainly qualified.

These particular Sargent women—one still a girl—sat for their portraits during the same narrow sliver of time, between 1888 and 1893: a

golden moment before the roller-coaster boom of the post-Civil War era collapsed in panic, and before the heady whiff of scandal that trailed Sargent in the wake of "Madame X," his scandalous portrait of (American-born) Madame Pierre Gautreau, dissipated to mere respectability. Sargent painted Elsie Palmer, Elizabeth Chanler and Isabella Stewart Gardner in England, where the families of men with money from railroads and real estate rented medieval manors and swooned over Wagner. The fourth, Sally Fairchild, he captured on the north shore of Massachusetts, following a stint in the Cotswolds, where robust young Sally had befriended Sargent's frail sister, the shrinking Violet. The sitters' families belonged to the mushroom gentry of the ever-expanding United States. They courted hard-up British aristocrats, and vice versa. Henry James, the master stylist of such plots, wandered into all four of these women's biographies. "Why can't these American women stay in their own country?" asks a crusty old peer in "Dorian Gray," despising the waltz between pedigree and fortune that had grown essential to the survival of his breed.

"Sargent's Women" abounds with dazzling characters in atmospheric settings. Yet because it lacks a natural arc, much less a plot, its success owes entirely to the skills of the author. A dogged sleuth, a confident stylist and a clever narrative architect, Ms. Lucey arranges the four essays according to what might be called life-course chronology: in the order of the age at which each sitter was painted.

Elsie Palmer, whose portrait Sargent began the day after her 17th birthday, comes first; Belle Gardner, depicted in pulchritudinous middle age, serves as the quartet's vigorous last movement. ("It looks like hell but it looks just like you," Gardner's husband reportedly said of the buxom, defiant likeness.) This arrangement means that each of Ms. Lucey's subjects had a bit more life behind her when Sargent readied his palette. Elsie Palmer's womanhood began, in effect, with her portrait, which falls at the beginning of the first chapter. Chanler and Gardner, by contrast, carried a lot of life experience into Sargent's presence, and a good deal of backstory precedes their portrayal. Taken together, the four essays ring changes on a common female arc of life, shaped by the fluctuating fortunes of fathers and by the choices and chances of marriage, in sickness and in health.

No matter where along the journey Sargent painted her, each of Ms. Lucey's characters fashioned herself



COLORADO SPRINGS FINE ARTS CENTER

ROCKY MOUNTAIN OREAD Colorado heiress Elsie Palmer (1872-1955), painted in Kent, England, in 1889-90.

within the possibilities and the confines of their shared world. Painted early, Palmer married late and badly, dressed in a brown shroud beaded with little bronze animals, more like a "coat of mail" than a bridal gown. Chanler married for love after a long, secret passion, only to nurse her husband through crippling depressions. Fairchild lived a long, wan, single life, much of it consecrated to the care of her mother, and eclipsed by the sister whom Ms. Lucey speculates would have made a more fitting Sargent sitter. Only Belle Gardner, the oldest and boldest of the sitters, managed to bend the bars of her gilded cage, and then at considerable personal cost.

The author selected her paintings well and her archives better. The likenesses of Chanler, now at the Smithsonian American Art Museum, and Gardner, permanently installed in the brazen Belle's eponymous museum in Boston, are readily seen, but the other two are rarities. The strangest among them, "Lady With a

Blue Veil (Sally Fairchild)," remains in private hands; "Elsie Palmer," the most challenging and arguably also the loveliest, is housed in the Colorado Springs Fine Arts Center. All four retain an ability to startle that the celebrity of other Sargent canvases has leached away.

As rich as these portraits are, the textual evidence in which Ms. Lucey ensnares them is finer still. She pans for gold in enormous collections of family papers in far-flung libraries and, in the case of Elizabeth Chanler, in a mountain of "letters squirrelled away for decades in boxes and stored willy-nilly" in "any spare corner" of Rokeby, the Chanler family's "ancestral home," and still in private hands. Ms. Lucey mined that astonishing collection in her 2006 best seller, "Archie and Amelie: Love and Madness in the Gilded Age." The literary remains of John Armstrong "Archie" Chanler must have introduced the biographer to Archie's sister Elizabeth, and so began the serpentine journey of "Sargent's Women."

Sargent's handling of paint sets a high standard for those who would write about his work, and Ms. Lucey's prose often rises to the challenge. Chanler lost both her parents before the age of 12, and the author memorably depicts the family's feral, motherless children at Rokeby, amid a menagerie of dogs, raccoons, and the odd goat wandering into their formal dining room. The author travels in the footfalls of her subjects, offering vivid impressions of milky light filtering through leaded-glass windows in the

Four American ladies immortalized in youth, maturity and middle age.

Tudor-era chapel at Ightham Mote, where Elsie Palmer lived, or of Bonchurch, the village on the Isle of Wight where young Elizabeth Chanler languished in a bleak boarding school when she learned she had been orphaned an ocean away. Like Sargent, Ms. Lucey sometimes over-gilds her lilies, and the narrative can take on the tone of a Merchant-Ivory film, long on sealing wax and steamer trunks and shorter on analytical depth.

For all its surface delights, "Sargent's Women" fails to plumb "the horrible sympathy" that binds portraits and their sitters, as Wilde put it in "Dorian Gray." Once varnished and dried, the paintings do little to advance Ms. Lucey's story, nor does she probe the roles the portraits played in the lives of their sitters. Her descriptions of the portraits sometimes verge on cliché, imagining, for example, "fiery passions bubbling" beneath the surface of the placid painted visage of Elsie Palmer. Sargent's likenesses are made to serve either as faithful mirrors or as mysterious velvet curtains concealing a world of romance and intrigue, flattened either way.

Wilde, and doubtless Sargent, knew better. Portraits act, taking on lives of their own, telling stories that escape the control of painter and sitter alike, becoming repositories of the uncanny and the existential. Which may be one reason Sargent himself came to loathe the genre. "Ask me to paint your gates, your fences, your barns, which I should gladly do, but NOT THE HUMAN FACE," he joked near the end of his life. "Sargent's Women" makes clear how very fortunate we are that he so long resisted his own counsel.

Ms. Kamensky is the author, most recently, of "A Revolution in Color: The World of John Singleton Copley."

Postscript to Revolution

Unshackling America

By Willard Sterne Randall

St. Martin's, 452 pages, £23.30

BY ALLEGRA DI BONAVENTURA

AMERICA'S HEROIC MYTHOLOGY of the War of 1812 has a life of its own. It endures in the final words of mortally wounded naval commander James Lawrence ("Don't give up the ship!") and in Commodore Oliver Hazard Perry's crisp dispatch after his unlikely victory over the Royal Navy at Lake Erie: "We have met the enemy and they are ours." It even

The U.S. conflict with Britain in 1812-15 was both a minor theater of the Napoleonic Wars and a divisive clash among North Americans.

lives on in the ungainly lyrics of our national anthem, evoking a triumphal David and Goliath national story that echoes the victory of the American Revolution. But for most of us, the complexities of the War of 1812, which involve multiple nation-states, international trade and sovereignty rights, remain at some distance.

During the past half century, studies of the War of 1812 have flourished, yielding a new understanding of the conflict as a multilayered military, political and social struggle—at once a minor arena of the Napoleonic

wars and a divisive internal clash among North Americans who embraced an array of ethnic and national identities. With "Unshackling America," Willard Sterne Randall, a biographer of such early American figures as Hamilton, Washington and Jefferson, offers a contribution to this rich field, drawing on preceding scholarship to create a lush, readable account of the war in all its complexity. Admirers of Mr. Randall's biographies will not be disappointed with the intertwined tale the author weaves in "Unshackling America": The events of the war unfold in an accessible, chronological narrative, peppered with lively vignettes from the front lines of battle, the drawing rooms of Washington and Europe, and the everyday experiences of ordinary noncombatants.

For Mr. Randall, American maritime freedom is the central issue of the conflict. Describing a fledgling United States at the dawn of the 19th century, he finds a country buffeted between the great nations of France and Britain, then engaged in the all-out conflict of the Napoleonic Wars. Despite American efforts to maintain maritime neutrality as the largest neutral trading power, "the two bellicose powers competed with each other in . . . how much American shipping they could seize," taking nearly 1,500 American ships between them from 1803 to 1812.

While the American economy reeled from resulting trade losses, Britain persisted in a parallel policy of impressment, addressing manpower shortages in the Royal Navy by com-

pelling sailors into forced service. American ships, manned in part by Royal Navy deserters who were sometimes naturalized American citizens, were ready targets. Both impressment and the seizure of ships were a challenge to American sovereignty, less than a generation after the War of Independence, and led to American calls for "Free Trade and Sailors' Rights."



Tecumseh. Readers seeking engaging renditions of the conflict's most popular anecdotes will find them here: Dolley Madison's frantic efforts to rescue the Declaration of Independence and White House valuables from an advancing British army in August 1814 receives its due, as does the uneasy night, a month later, of Francis Scott Key, who amid the bombardment of Baltimore Harbor "watched anxiously all night as the Congreve rockets [of the British] glared red" before waking to the sight of "the immense new garrison flag . . . rising and unfurling."

At times, a stirring narrative like Mr. Randall's may appear at one with 1812 mythology that applauds American successes grasped out of the clutches of unpreparedness, ineptitude and insufficiency. But Mr. Randall endeavors to mitigate any tendency toward American exceptionalism, dubbing the war "a costly stalemate" and intermixing episodes of American martial suffering and glory with the wartime experiences of indigenous people, women and non-elite whites—cameos that serve his broader political-military narrative even if they do not amount to a granular social history of the war. We learn how Laura Ingersoll Secord lost her Queenston, Ontario, home—and nearly her husband—to American forces but then exacted her revenge by delivering vital intelligence about American attack plans to the British-allied Mohawk. The devastating effect of the war's travails on the Secord family, though, remain unspoken.

The pan-Indian spiritual and political movement led by the Shawnee leader

brothers Tecumseh and the "Prophet" Tenskwatawa, which advocated Native American unity and resistance to U.S. expansion, warrants particular attention from Mr. Randall, who highlights its strategic role through military alliance with the British. Though ultimately crushed at the Battle of the Thames, in Ontario, in 1813, "Tecumseh had forged a confederacy that put some 5,000 warriors at his command." Britain's scuttling of the interests of indigenous allies during the peace negotiations at Ghent meant that Native Americans would be "cleared out of the way for American expansion," according to Mr. Randall, becoming just one of the war's "unintended consequences." Other historians might have elaborated on how the war was as much an indigenous civil war as a transnational struggle. In such a context, free trade could be internal and westward-looking, as well as international.

The war's legacy, for Mr. Randall, is predominantly economic: The nation "emerged from a half-century-long trade war as a major maritime power, a sovereign nation with worldwide commercial networks." But the costs of war topped \$158 million, according to some estimates, leaving the country saddled with debt and on "the brink of economic collapse." As the dust and disarray of war settled in 1815, the road forward—still fresh and unpaved—promised to be bumpy.

Ms. di Bonaventura is the associate director of graduate programs at Yale Law School and the author of "For Adam's Sake: A Family Saga in Colonial New England."

OPINION

REVIEW & OUTLOOK

New York's Natural-Gas Blockade

The U.S. shale boom has lowered energy prices and created hundreds of thousands of jobs across the country. But those living in upstate New York and New England have been left in the cold by New York Gov. Andrew Cuomo, whose shale-gas blockade could instigate an energy crisis in the Northeast.

Progressives once hailed natural gas as a "transition fuel" to renewables like solar and wind, but now they are waging a campaign to "keep it in the ground." New York is ground zero. First, Mr. Cuomo banned hydraulic fracturing (i.e., fracking), and now he's blocking natural gas pumped in other states from reaching Northeast markets.

The Empire State's southern tier overlays the rich Marcellus and Utica Shale formations, among the most productive drilling regions in the country. Shale fracking has been an economic boon for Appalachia—and could have lifted upstate New York. Since 2010 natural gas production has surged 520% in West Virginia, 920% in Pennsylvania and 1880% in Ohio. (See chart nearby.)

Mr. Cuomo's predecessor, David Paterson, imposed a moratorium on fracking in 2010. After winning re-election in 2014, Mr. Cuomo started laying the ground for a White House bid and made the ban permanent. Between 2010 and 2015, New York's natural-gas production plunged by half—which has translated into fewer jobs as well as less royalties for landowners and less revenue for local governments.

Last year the Governor compounded the economic damage by blocking the 120-mile Constitution pipeline transporting natural gas from Pennsylvania to upstate New York and New England. Although the Federal Energy Regulatory Commission (FERC) approved the pipeline in 2014, Mr. Cuomo's Environmental Conservation Department conducted a separate review and denied a water-quality permit putatively because the developers hadn't provided sufficient information.

Constitution's developers challenged the denial in federal court. While the Clean Water Act lets states perform their own environmental reviews, New York appears to have abused its discretion. Last week the Second Circuit Court of Appeals deferred to state regulators while leaving a door open for the pipeline companies to challenge the timeliness of the state review in the D.C. Circuit Court of Appeals.

While Constitution isn't dead, environmentalists say the appellate-court decision will give New York and other states more latitude to block pipelines, which is no idle threat. Two major pipelines in the Northeast under development will need state approvals, and developers pulled two others in the past two years amid regulatory obstacles in New England.

Beating His Own Head Against the Wall

Donald Trump is sore at Senate Majority Leader Mitch McConnell for saying recently that the President sometimes has "excessive expectations" for Congress. But Mr. Trump proved Mr. McConnell right Tuesday when he told a rally in Phoenix that he's willing to shut down the federal government this autumn to get funding for his border wall with Mexico.

"We're going to get our wall," Mr. Trump said. "If we have to close down our government, we're building that wall."

The crowd loved it, but this is the political equivalent of holding a gun to his own head and saying that if Congress doesn't do what he wants Mr. Trump will shoot himself. Don't expect Senate Democratic leader Chuck Schumer to try to talk Mr. Trump out of it. As the minority party, Democrats will be only too happy to test Mr. Trump's

Trump threatens to do exactly what Chuck Schumer wants.

dare since voters will blame a shutdown on Republicans who run both ends of Pennsylvania Avenue. Senate Democrats are vowing not to spend a dime on the wall and Mr. Trump will need 60 Senate votes to pass a funding bill.

GOP leaders on Capitol Hill know they'll take the political blame for a shutdown, so they don't want to press wall funding too far. All the more so because the border wall isn't all that popular even with Republican voters, who have higher priorities like tax reform and a more robust military.

With an approval rating well under 40%, Mr. Trump isn't in a strong political position to win a fight with Congress unless he is pressing for something that is already popular. It's never clear with Mr. Trump how much of his rhetoric is real or bluster, but the shutdown over the wall is one threat he'd be wise to abandon.

Nisman and the Iranians

Argentine federal criminal prosecutor Ricardo Sáenz announced Monday that a new toxicology analysis on the body of the late Argentine prosecutor Alberto Nisman has discovered the drug ketamine, an anesthetic mostly used on animals. It is highly unlikely Nisman would have voluntarily ingested such a drug. He had been investigating Iran's role in the 1994 bombing of a Buenos Aires Jewish community center when he was found dead in his apartment with a gunshot wound to the head in January 2015.

"There is a mountain of evidence in the case that indicates that it is a homicide; this would be one more," said Mr. Sáenz, who worked to get the case moved to federal court last year so he could take over the probe.

In 2006 Nisman indicted seven Iranians and one Lebanese-born member of Hezbollah for the bombing, which killed 85. At the time of

Did the Islamic Republic poison an Argentine prosecutor?

his death Nisman was a day away from testifying before the Argentine Congress about his more recent findings. He alleged that then-President Cristina Kirchner and her foreign minister Héctor Timerman had made a deal with Tehran to bury the matter in return for Iranian oil and Iranian purchases of Argentine grain.

At the news of Nisman's death, Mrs. Kirchner's secretary of security rushed to label it an apparent suicide. But by all accounts the 52-year-old father of two had been in good spirits, and the government's claim that Nisman took his own life sparked a public outcry. Even Mrs. Kirchner soon dropped the suicide theory.

Yet the investigation was sloppy and less than transparent and the case was never closed. The new evidence could lead to the truth—if the Argentine judiciary lets Mr. Sáenz continue the investigation.

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Good Riddance To Steve Bannon

By Karl Rove

After departing his post as White House chief strategist last week, Steve Bannon told the Weekly Standard that "the Trump presidency that we fought for, and won, is over." The clear suggestion is that Mr. Trump's chance at success had followed Mr. Bannon out the door.

Trying to recast his ouster as a personal choice, Mr. Bannon bragged "I can fight better on the outside." He promised "to crush the opposition," saying "I built a f— machine at Breitbart." The former adviser also told a Bloomberg reporter he would be "going to war for Trump against his opponents—on Capitol Hill, in the media, and in corporate America."

Success might not come so easily. Just as before, one of Mr. Bannon's principal aims will be replacing the GOP congressional leadership by supporting populist primary challengers. But last year his attempted political hit on House Speaker Paul Ryan—for which he recruited a primary challenger and pummeled the speaker daily through Breitbart news stories—ended with Mr. Ryan winning with 84% of the primary vote. Some "f— machine."

Mr. Bannon also promised that Breitbart would attack Mr. Trump when he deviates from what Mr. Bannon believes should be the president's agenda. The website proceeded to do just that after the president's speech Monday on Afghanistan. A "high-level" Breitbart staffer went so far as to tell Vanity Fair that if Trump deviates from the positions he ran on, Breitbart would help "rally votes for impeachment."

Mr. Bannon isn't the first staffer to believe the White House agenda must mirror his own. But no other aide in memory has had such grandiose or destructive plans for trying to remain in charge after being shown the door.

Mr. Trump is also engaged in the threat-fest against his own party. At an Arizona rally Tuesday, he excoriated Senate Republicans for failing to replace ObamaCare—rather than expressing confidence that a health-reform bill would pass eventually. The president also dismissed Sen. Jeff Flake—a critic of Mr. Trump who faces re-election in 2018—by saying "no one knows who the hell he is." Most pointedly, he failed to wish Sen. John McCain a speedy recovery from brain cancer. All superb ways to encourage support from a thin GOP Senate majority.

Memo to the White House: The worst way to strengthen a president is publicly to blame his difficulties on allies. The least effective way to pass an agenda is to threaten the president's party in Congress.

Team Trump must grasp the basics of governing. A better approach would be systematically to make the case that

the president's proposals are good for the country. To do this, the White House must display interest and fluency in its policies, and avoid surprising Congressional allies. When Republicans go out on a limb to defend the president and he cuts them off with an unexpected tweet or unnecessary controversy, they become hesitant to drive the White House agenda.

Public rollouts of Mr. Trump's policies have been hobbled in this White House by the absence of a communications director. Executing these policies has also been hampered by internal disorder, which the new chief of staff, John Kelly, is now shaping up.

America is better off with him out of the White House, but now Trump has to step up.

Demanding that Republicans back a bill simply because it is the president's is also not enough. Calls for party unity are not a magic elixir—members have their own convictions and constituencies. Take Vice President Mike Pence during his tenure as an Indiana congressman. He voted "no" on President George W. Bush's Medicare Part D reform, which passed by a single vote, and also voted against the broadly supported No Child Left Behind Act. Yet Mr. Pence was a strong supporter of the rest of Mr. Bush's agenda on terrorism, tax cuts, social issues and trade.

That administration understood that it had to earn support for the president's agenda rather than expect it as a matter of course, and that today's "no" vote may be tomorrow's "yes" on another critical issue.

The departure last week of the director of the White House Office of Public Liaison provides an opportunity to strengthen Mr. Trump's outreach. A new director could beef up appeals to evangelicals and other outside groups—to rally support for the White House agenda—and to conservative intellectuals to persuade them of its merits.

The White House and the country are better off with Mr. Bannon back at the website he described last year as "the platform for the alt-right." He will do less damage there than in the West Wing. Still, week after week, the nation finds itself in the same divided and chaotic place. If President Trump hopes to advance his agenda, he must start providing focus, discipline and persuasion. He's shown little ability to do this thus far, and so his presidency is stumbling badly.

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

LETTERS TO THE EDITOR

Meeting America's Need for the Best Engineers

Regarding Edward Conard's "America's Got Talent, but Not Nearly Enough" (op-ed, Aug. 18): I believe the author's prescriptions are completely wrong.

I was born in the U.S. and received a Ph.D. in electrical engineering from a top university. I was considered one of Mr. Conard's "most productive workers" by my boss. Our division was the market leader in our field for years.

I have worked with many other high-productivity engineers. Most of them weren't immigrants. Based on my experience, at least 90% of the immigrant engineers aren't among the most productive elite. Mr. Conard describes as driving innovation and growth. Of course at least 90% of native engineers aren't either. But the immigrant engineers I worked with were, on average, no more technically competent than the native

born, and had clearly inferior communication skills.

From my perspective, we could dramatically reduce the number of immigrant STEM (science, technology, engineering, math) professionals without reducing the number of truly exceptional immigrants. We would be more successful in increasing the number of exceptional STEM professionals by making the professions more attractive, rather than increasing immigration.

The law of supply and demand tells us how to increase salaries: decrease supply. The easiest way to decrease supply is to reduce immigration.

DAN KOURY, PH.D.
Mesa, Ariz.

When I first entered university, my compatriots were quite candid about why they chose engineering. Acknowledging the difficulty and relatively greater course load for graduation, they stated that the resulting wages and benefits were well worth the cost, time and effort.

I still see students with exceptionally keen minds who could become extraordinary scientists and engineers, but they are attracted to other careers such as business, government, etc. Thus, the case is being made by business that foreign workers are the only means available to them to fill their technical needs.

However, it seems more plausible to me that those foreign workers are the only ones who will work for what those companies and businesses wish to pay them. That is very different from the claim that there are insufficient Americans available to do this work.

DONALD D. McCUALEY
Los Altos Hills, Calif.

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What Should Be the Focus Of Our Corporation Chiefs?

Heather Mac Donald's "Don't Even Think About Being Evil" (op-ed, Aug. 15, WSJ.com) should serve as a wake-up call regarding the continued creep of identity politics in the workplace. From the frequent stalling of free speech on more and more college campuses to its infiltration of the corporate workplace, we should heed the warning signs.

Instead of an emphasis on being on the leading edge in the global marketplace, American companies are now becoming more concerned with diversity and inclusion. When the corporate world becomes inhospitable to the world of ideas, we are in deep trouble.

GARY ROG

Buffalo, N.Y.

Google should put its money where its mouth is: a 50% male/female ratio of engineers within two years.

Marissa Mayer is available.

CRAIG BURTON JR.

Northport, Ala.

Google should put its money where its mouth is: a 50% male/female ratio of engineers within two years.

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Northport, Ala.

OPINION

Has the U.S. Navy Reached Its Breaking Point?

By Seth Cropsey

Early Monday morning the guided-missile destroyer USS John S. McCain—named for Sen. John McCain's father and grandfather, both admirals—collided with a Liberian-flagged tanker ship near the heavily traveled Strait of Malacca. One sailor has been confirmed dead, nine remain missing.

This was the fourth accident this year for the U.S. Seventh Fleet, headquartered in Yokosuka, Japan. In January a guided-missile cruiser, the USS Antietam, ran aground in a high tide and strong winds after dragging

As the fleet shrank, the Navy was diligent about doing more with less. That strategy has limits.

her anchor in Tokyo Bay. The Antietam's commanding officer was subsequently relieved and reassigned to a post at fleet headquarters.

In May the USS Lake Champlain, another cruiser, collided with a South Korean fishing vessel east of the Korean Peninsula. The Navy crew had tried to signal the fishermen, who neither had a radio nor responded to the ship's horn. No one was injured.

Then in June the USS Fitzgerald, a guided-missile destroyer, suffered significant damage in a collision with a Philippine-flagged container ship in the busy approaches to To-

kyo Bay. Seven American sailors died. After an investigation, the ship's commanding and executive officers were relieved.

Speculation that sabotage or hacking had anything to do with these accidents seems unfounded. Navy ships have personnel constantly at watch, both on and off the bridge, to spot nearby vessels and other potential dangers. Can Russia hack a sailor's eyes?

On Aug. 21, Adm. John Richardson, the chief of naval operations, told ships world-wide to pause their activity for a one-day safety stand down. He also directed the Navy to investigate how it trains and certifies the forces that deploy to Japan. This inquiry will examine the pace of naval operations—whether ships are being overused—as well as maintenance, personnel and equipment.

A no-holds-barred analysis is needed, not least because American forces face rising danger on many fronts. China is moving aggressively in the South and East China Seas. North Korea threatens war in the Pacific and beyond. The Baltic and Black Seas are as hazardous as ever. Islamic State is being pushed back by an air war conducted in part from ships in the Eastern Mediterranean.

The Navy has its hands full simply answering requests from combatant commanders, the senior officers who lead U.S. forces around the world. The deployable battle force, at 276 ships, is far smaller than what's needed to meet demand, and it isn't growing. So the Navy has looked for other ways to answer the call. One has been to keep ships at sea longer.



ASSOCIATED PRESS

The damaged USS John S. McCain, docked in Singapore on Tuesday.

Although the gold standard for deployments once was six months, amphibious vessels recently have been sent out for close to twice that.

This helps the Navy maintain a constant presence, but at a price. Longer deployments put wear and tear on sailors, their families and the fleet. Equipment problems accumulate, but detailed maintenance must wait until ships return to port.

Adm. Richardson's specific directive to examine Naval training is pivotal. In the Fitzgerald and McCain collisions, large merchant ships approached undetected until it was too late to avoid a mishap. The questions about seamanship are obvious, and they must be asked. Navy ships have radars, crew standing watch, officers responsible for safe navigation, and computers that calculate other ves-

sels' speed, direction and closest point of approach. The Navy needs to understand how the system failed twice in three months.

Is there any connection between long deployments and these fatal mistakes? Perhaps ships are being overused, leading to longer repairs once they return to port, which leaves inadequate time for training. A Government Accountability Office report in May noted this possibility: "The Navy has several options for mitigating extended maintenance availabilities and overruns, including the following: Condense training period (most common according to Navy officials) . . ."

Has the Navy pushed practical training in seamanship and navigation too far into the realm of computers, forsaking harsher on-the-job

learning? Does time spent preparing for inspections of ship systems come at the expense of training? Is the system for evaluating commanding officers functioning properly?

On Wednesday, the Seventh Fleet's commander, Vice Adm. Joseph Aucoin, was relieved of his command—which in this case means that his career is over. This is appropriate and consistent with longstanding Navy practice. It does not, however, answer the question of whether there is sufficient accountability for officers who are relieved after sailors die in avoidable accidents.

Also lingering is the question Adm. Richardson did not ask: If the fleet is stretched to a breaking point, when does the Navy tell combatant commanders that it cannot safely supply all the ships they request?

The Navy has been diligent since the end of the Cold War in seeking ways to cut costs and increase effectiveness, as the fleet shrank and demands expanded. The two collisions this summer suggest that it has reached the limits of trying to manage its way out of the mismatch.

If meeting combatant commanders' requests for additional ships would push the fleet beyond workable limits, maybe the solution is to just say no.

Mr. Cropsey is director of the Hudson Institute's Center for American Seapower. He served as a naval officer and a deputy undersecretary of the Navy in the Reagan and George H.W. Bush administrations. His book, "Seablindness," will be published Aug. 29 by Encounter.

President Trump Needs a Special Envoy in Afghanistan

By Saad Mohseni
And Mitchell Shivers

After months of deliberation, President Trump has taken a step in the right direction by renewing America's commitment to Afghanistan. In his speech Monday night, Mr. Trump wisely refrained from specifying troop numbers and deadlines. Crucially, he also demanded Pakistan cease its support of Afghanistan's insurgents, calling out Islamabad's meddling more publicly than previous administrations were willing to do.

Now the administration must demonstrate that same shift in American diplomatic leadership. Given his determination to "win" in Afghanistan, the president needs a dedicated diplomatic A-Team in Kabul and Washington. For too long the civilian side of America's mission in Afghanistan has been wanting, not from lack of numbers, expertise or dedication, but from lack of well-defined purpose.

The diverse challenges that America's diplomats in Afghanistan must manage include trade, illicit poppy production and aid-program oversight. But there's also Afghanistan-Pakistan relations to manage, a long and porous border to patch up and severe political corruption to counteract. All this must be managed in an environment of Russian and Iranian interference. Even if the once

beefy nation-building budgets won't materialize this time, the tasks for the U.S. Embassy in Kabul are incredibly challenging.

Most urgently, the president needs to appoint a special envoy, reporting directly to him, who commands his and the international community's full faith and confidence. This person would be tasked with several of the most critical diplomatic and strategic to-dos: pushing for Afghan government reform; aligning U.S. and Afghan policy; coordinating U.S. strategy and implementation among military and civilian agencies and the White House; helping to rebuild the Afghan economy; coordinating America's efforts with Pakistan, India and other regional players; and managing possible peace talks with the Taliban.

Reforming the Afghan government is especially important. The special envoy would be responsible for making it clear to President Ashraf Ghani's administration that without improved governance it won't have the backing of its people and security forces—which the survival of the state depends on.

Mr. Ghani, a pro-Western technocrat, has surrounded himself with a narrow circle of Pashtuns and alienated much of the country. The National Unity Government is paralyzed by factional bickering, an ineffective cabinet and poor provincial and district-level appointments. The U.S.

must demand that the Afghans get serious about improving performance and reducing corruption. Mr. Trump's special envoy would be the point person for doing so.

The special envoy would also guide and coordinate efforts to diversify Afghanistan's economy, making it more self-sufficient. This aspect of the envoy's policy portfolio

Without a diplomatic strategy to complement the military surge, his policy reset could fail.

should include initiatives to exploit mineral reserves responsibly, strengthen agriculture, channel U.S. investment and leverage Afghanistan's location between energy-rich Central Asia and the large populations of South Asia.

The special envoy should also be tasked with managing the U.S. regional strategy that will include India and Pakistan. The regional dynamics are complex and dangerous. Pakistan and India will have to be coaxed into working together to help Afghanistan. The U.S. will have to be careful not to inflame regional tensions in the process.

Managing these critical tasks—and coordinating implementation

across the U.S. government—will require the special envoy, above all, to be empowered. He or she must have an official mandate from the president, with access to him and ideally an office in the White House. It's essential that any candidate have a deep understanding of how the Washington bureaucracy works. Preferably the envoy would also have a deep understanding of Afghanistan, but support from a well-versed deputy should do.

America's past ambassadors in Kabul have achieved mixed results. The best, like Zalmay Khalilzad and Ryan Crocker, commanded the respect of allies and adversaries. They were critical interlocutors with the Afghans—guiding, debating and persuading as needed. They also had the ears and keen attention of the presidents they served.

Mr. Khalilzad was both ambassador and special presidential envoy. The latter title boosted his effectiveness by signaling to his counterparts and colleagues that his access was deeper, and mandate broader, than that of a mere ambassador.

The past also contains cautionary tales. President Obama's special representative for Afghanistan and Pakistan, Richard Holbrooke, was undermined by rival administration voices. Roles and responsibilities overlapped. A unified strategy never emerged that harmonized Holbrooke's views with those of the U.S.

ambassador in Kabul, the assistant secretary of state for South and Central Asia, the National Security Council, the defense secretary, the Centcom commander and the military commander in Afghanistan. While these roles still exist and have their own reporting lines, a truly empowered special envoy would be able to cut through the bureaucratic undergrowth.

At the end of the internal debate over Afghanistan, Mr. Trump again turned to his trusted generals for guidance: Joint Chiefs Chairman Joseph Dunford, White House Chief of Staff John Kelly, Defense Secretary Jim Mattis, national security adviser H.R. McMaster, U.S. Forces Afghanistan Commander John W. Nicholson, Jr. and Centcom commander Joseph Votel. This is the president's military A-team. He needs people of the same caliber in key Afghanistan-related diplomatic positions in Washington and Kabul. And he needs a strong, empowered special envoy whose task will be to ensure that America's renewed commitment to Afghanistan doesn't go to waste.

Mr. Mohseni is chairman and CEO of Moby Group, which operates media outlets in Afghanistan. Mr. Shivers was senior adviser to two U.S. ambassadors to Afghanistan and was later a senior Pentagon official with responsibilities for Afghanistan and Pakistan.

America's Ellis Island Model Still Works

By Bruce A. Morrison

Earlier this month President Trump endorsed an immigration proposal from Republican Sens. Tom Cotton and David Perdue. The Raise Act would cut legal immigration to the U.S. in half by eliminating many of the pathways immigrants currently use to bring their families to the U.S.

It also replaces the system in which employers can choose immigrants to fill jobs with a skill-based point system. I was the House author of the Immigration Act of 1990, which set the framework for the legal immigration system the new bill seeks to undo. The "green card" process we set up in 1990 isn't perfect,

but it has largely served the national interest.

Since the 1990 law took effect, the number of legal immigrants each year has grown to around one million from about 800,000. Most of this increase comes from foreign-born spouses and children of newly married U.S. citizens. America's relatively robust population and GDP growth speak to the success of this strategy.

Rolling up the welcome mat for the foreign-born family members of citizens and permanent residents will cause all Americans to suffer. Since 1996, sponsors have been required to sign a binding commitment to support their immigrant family members, removing any economic burden

sponsored immigrants could have on society at large. Declining native birthrates mean the U.S. will need more immigrants in the future to sustain economic growth and the retirement benefits hundreds of millions of Americans have earned.

Contemporary legal immigrants are the best-educated cohort the U.S. has ever had. And many particularly creative and successful immigrants came to the U.S. through family relationships, building skills here and having an outsize positive effect on society.

The American immigration system has long been based on the Ellis Island model, which welcomes a wide range of newcomers to become permanent residents and candidates for citizenship rather than temporary laborers. Trying to use an ex-

panded guest-worker program—where foreigners work briefly in the U.S. without an opportunity to gain citizenship—would only create more problems.

Halving the number of immigrants will starve the U.S. economy, making growth unsustainable.

Green cards are the best protection for American workers competing with foreign-born talent, because legal permanent residents don't undercut American wages: They make what other Americans make. Yet guest-worker programs undermine American workers.

Just look at the outsourcing model that dominates the H-1B program, in which Congress encouraged companies whose whole business model is to displace Americans through temporary foreign workers at submarket wages. The rest of the H-1B program simply delays green cards for the people we want to keep.

Supporters of guest-worker programs argue that relying on green cards takes too long. This is only an argument for providing more green cards faster.

The legislation Mr. Trump endorses freezes the current numbers of employment green cards, which is fewer than 70,000 workers a year because of the way families are counted against the total. There is already a backlog of roughly one million H-1B employees and their families currently waiting for green

cards, some for more than 10 years. They can't become free agents in the labor market until they have their green cards. The longer they wait, the more unfair the system is for everyone.

Messrs. Cotton and Perdue say their bill would mean higher-quality immigrants coming to the U.S. Yet the legislation would increase the obstacles that prevent companies from bringing the best and brightest immigrants to work for them. And it also delays their ability to become American citizens, the surest guarantee of their economic and civic value for everyone.

The damage the Raise Act would do goes further. The senators have proposed tearing up the current system of letting employers choose new hires that best fit their needs. Why would a deregulation-oriented administration prefer bureaucrats to American employers for selecting the best people to get a job done?

Whatever the virtues of a point system in a country like Canada, it is no substitute for the American values embodied by employer selection.

American immigrants are selected by Americans—by families and businesses within simple rules—because the U.S. recognizes the contributions immigrants will make to the country by becoming Americans. Others do it differently, but neither as well nor on the scale that America has.

There are many things broken in the American immigration system, but the Ellis Island model is not one of them.

Mr. Morrison, a Democrat, was a U.S. representative from Connecticut (1983-91).

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LIFE & ARTS

TRAVEL

Own the Last Day of Vacation

A great final day can affect how you remember the trip years later—forget the stresses of home and do something special

BY ERIN GEIGER SMITH

SO MUCH TO PACK, hundreds of unread work emails, and an early-morning flight adding extra stress. These unwelcome thoughts can bubble up when a vacation's end is imminent, and they can make a trip feel over before it is.

It is possible to avoid end-of-trip blues and make the most of the last full day of vacation, experts and organized travelers say. Focusing on fun that final day even offers long-term benefits for how the trip is remembered.

"Fill the last day of vacation with activities and memorable experiences that require your attention, rather than repeating things you've already done," says Matthew Killingsworth, who has a Ph.D. in psychology and whose research at UC Berkeley focuses on happiness. "We're prone to thinking about the future whenever our mind is unoccupied. The end of a vacation is a particularly prone time for that."

Travelers who choose a late-vacation activity they'll look forward to the entire trip gain the powerful pleasure derived from anticipation, he says. And, because people most associate an experience with their feelings at the end of it, they'll remember the trip more positively.

Erik Warner, co-founder of Eagle Point Hotel Partners, a hotel real-estate company that oversees design and programming for properties in locations including Hawaii, California, and New York, says he designs his own vacations to build up to "that last day being a day of discovery and a day of exploration."

Before the trips, most often four-day excursions to a European city, he and his wife do extensive online research and ask friends for recommendations. Once there, they start asking locals—baristas at coffee shops they like, a docent at an art gallery—where they go on their days off.

On a trip to London late last



Genevieve Cozzens's family makes s'mores in Moab, Utah. She aims to pack for home extra early.

year, they stayed in the Shoreditch neighborhood. But their inquiries led them to spend the final day exploring a popular market in Hackney, trying out dumplings and doughnuts and discovering a restaurant that directly inspired one of Mr. Warner's hotel restaurants in Portland, Ore. "We couldn't do everything we wanted to do that last day, so we left with the feeling we want to return," the ideal way to end a vacation, he says.

For travelers who want a little more certainty to their schedule, travel agent Jessica Griscavage of McCabe World Travel in McLean,

Va., also urges travelers to end on a high note. She says the easiest way is booking a special meal or experience, like a high-end luau on the final night of a Hawaiian vacation. She does offer a caveat: "I wouldn't suggest something weather-dependent. If your dream was to snorkel one particular destination, don't save that."

Get a reservation instead of hoping for a table, Ms. Griscavage says. Check in for flights and transport to the airport as early as possible, and take the same approach to packing. "If you can pack and be organized your sec-

ond- or third-to-last day, that's really important and takes away the stress," she says.

Genevieve Cozzens, a research manager for a mutual fund in Jackson, Wyo., camps regularly with her family of four. Their suitcases are set before their last day of vacation visits with her extended family on Long Island, N.Y., in August that swimsuits often don't make it in.

"I leave a FedEx box ready to go for anything we've forgotten or that is wet," she says. Her mother ships the box back to her. It allowed the family to spend the en-

tire final vacation day of this week enjoying the beach, including dinner watching the sunset.

Sunsets regularly play into the final nights planned by Dane Tredway, a trip designer for Toronto-based luxury travel company Butterfield & Robinson. He's found Type-A travelers often crave a relaxing last-day activity after a blitz of sightseeing earlier in the vacation. On biking trips in Ireland, for instance, he avoids full-day excursions. Instead he might offer "a ride that starts and ends at the hotel, and, in the middle, sitting by the river with a special cocktail."

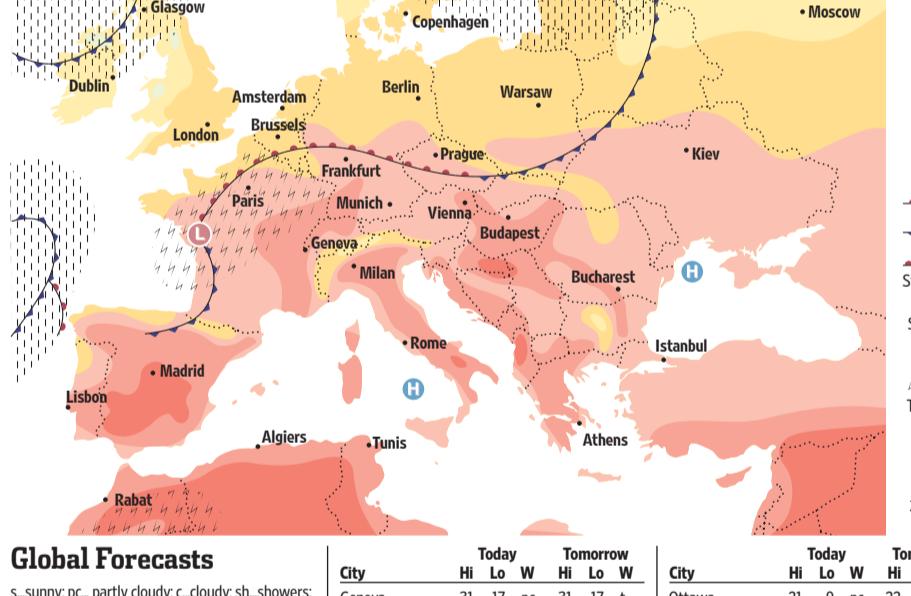
Two of Elana Frankel's favorite end-of-vacation activities cost little to nothing. The former creative director of home-decor site One Kings Lane, who now consults for a variety of brands, says one tradition is her sons, ages 8 and 9, jumping off a local landmark bridge into water to end their annual trip to Martha's Vineyard.

"I've watched over the year my kids move through moments, trying to figure out how to process and transition from vacation to reality," she says. She tries to find experiences that will help them hold on to that "in-the-clouds moment."

Another special event often ends the family's summer visit to Ms. Frankel's stepfather's rustic, Wi-Fi-free ranch in the foothills of the Rocky Mountains outside Denver. Ms. Frankel describes it as a magical week of feeding carrots to horses, swinging on an ancient bag swing and playing board games.

On the afternoon of their last day, they gather around a large, stone outdoor fireplace to prepare for the Colorado chill. Neighbors arrive in the evening with sweet treats and their musical instruments to accompany Ms. Frankel's violin-playing stepfather. Among the approximately 15 desserts this year, Ms. Frankel says, was her childhood favorite, banana cream pudding with Nilla wafers.

Weather



Global Forecasts

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

| City | Today | | | Tomorrow | | |
|--------------|-------|----|----|----------|----|----|
| | Hi | Lo | W | Hi | Lo | W |
| Amsterdam | 23 | 15 | pc | 23 | 14 | pc |
| Anchorage | 15 | 10 | r | 15 | 10 | sh |
| Athens | 31 | 23 | s | 30 | 22 | s |
| Atlanta | 31 | 21 | pc | 30 | 20 | pc |
| Bahrain | 45 | 27 | s | 45 | 27 | s |
| Baltimore | 26 | 14 | pc | 25 | 14 | s |
| Bangkok | 32 | 27 | t | 33 | 26 | t |
| Beijing | 31 | 17 | pc | 27 | 18 | pc |
| Berlin | 23 | 13 | pc | 24 | 17 | sh |
| Bogota | 19 | 8 | r | 20 | 9 | r |
| Boise | 33 | 16 | s | 35 | 17 | s |
| Boston | 24 | 14 | pc | 22 | 15 | s |
| Brussels | 24 | 17 | t | 25 | 15 | pc |
| Buenos Aires | 22 | 13 | r | 19 | 10 | pc |
| Cairo | 36 | 24 | s | 37 | 25 | s |
| Calgary | 22 | 8 | pc | 25 | 9 | s |
| Caracas | 32 | 25 | pc | 31 | 25 | pc |
| Charlotte | 29 | 18 | pc | 29 | 17 | pc |
| Chicago | 23 | 15 | s | 25 | 16 | pc |
| Dallas | 30 | 22 | t | 30 | 22 | t |
| Denver | 32 | 15 | pc | 33 | 16 | pc |
| Detroit | 23 | 12 | s | 25 | 13 | s |
| Dubai | 40 | 32 | s | 41 | 32 | s |
| Dublin | 17 | 11 | sh | 18 | 12 | pc |
| Edinburgh | 17 | 11 | sh | 18 | 11 | sh |
| Frankfurt | 26 | 17 | t | 29 | 17 | pc |

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The WSJ Daily Crossword | Edited by Mike Shenk



DOUBLE CROSSING | By Patrick Berry

The answer to this week's contest crossword is a five-letter word.

Across

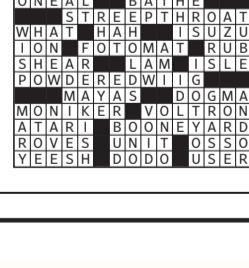
- 1 Midsize engine
- 5 Topographer's ornamental flourish
- 10 Go to ground, say?
- 14 Groveling coward
- 15 Christensen of "Parenthood"
- 16 "That's terrible!"
- 17 Out of gear?
- 18 Finished off
- 19 Small data unit
- 20 Rousing cry?
- 22 "Speed-the-Plow" playwright
- 23 Pantheon member
- 24 The Giants retired his #4
- 25 Holey rolls
- 26 Trailblazer
- 29 Lennon's "Double Fantasy" collaborator
- 30 Chain gang?
- 31 High-minded
- 33 Best Buy buys
- 35 Focus of many PBS broadcasts
- 37 Like some bicycle tires
- 38 Soda in many flavors
- 39 W.C.'s "My Little Chickadee"
- 40 Sniper rifle stand
- 41 Kevin Durant, as a rookie
- 42 Comprehend
- 43 Campus-based 1960s protest
- 45 Poker table info
- 46 Books reviewer: Abbr.
- 49 Cranky baby's need
- 51 Crumple
- 52 NHL player with the all-time highest goals-per-game percentage
- 55 Similar
- 56 Zap (counterculture publication)

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, August 27. A solver selected at random will win a WSJ mug. Last week's winner: Joseph Marino, Carmichael, CA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

- 57 Site of Germany's Route der Industriekultur
- 58 Difficult to provoke
- 59 Cockamamie
- 60 Moisturizer additive
- 61 Apt name shared by 12 popes
- 62 Instruments in Buddhist temples
- 63 Racing circuits
- Down
- 1 Classic Ferdinand Porsche creation
- 2 Daily show, perhaps
- 3 Hit with some waves
- 4 Group that includes Cyclops and Colossus
- 5 Calm and composed
- 6 Reported for misconduct
- 7 Pol's helper
- 8 Read speedily
- 9 Liu Bang's dynasty
- 10 Island near Grenada
- 11 Tears for Fears, e.g.
- 12 Recon acquisition
- 13 Some cafe performers
- 21 Dresses in
- 22 Thick head?
- 25 Adventurous
- 27 Says yes to
- 28 Oz's Tik-Tok, for one
- 30 Spray containing canola
- 32 Adding adornments to
- 33 Map projection?
- 34 Market you don't want bulls in
- 35 Quotation qualifier
- 37 Draws
- 38 Japanese drama with masked performers
- 40 Oven timer sound
- 41 Union betrayer
- 42 Funky bunch?
- 44 High points
- 45 Airboat captain's habitat
- 46 LGBT activist George
- 47 Parting word
- 50 They go up for the funeral
- 52 Like 1950s recordings
- 53 Somali supermodel
- 54 Exam format
- 56 Pall Mall or Parliament

Previous Puzzle's Solution



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BUSINESS & FINANCE

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Friday - Sunday, August 25 - 27, 2017 | B1

Euro vs. Dollar 1.1805 ▼ 0.03%

FTSE 100 7407.06 ▲ 0.33%

Gold 1286.60 ▼ 0.18%

WTI crude 47.43 ▼ 2.02%

German Bund yield 0.377%

10-Year Treasury yield 2.194%

Hot Stock: Swiss Central Bank

SNB shares offer just a tiny, fixed dividend, but they have surged as euro rises on franc

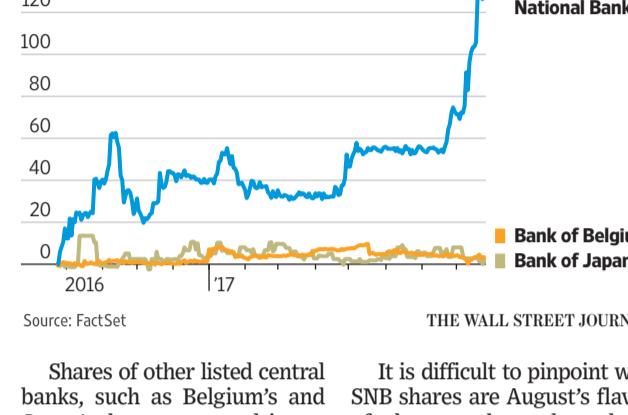
By BRIAN BLACKSTONE

ZURICH—The Swiss franc may be slightly out of favor in markets, but investors are loving the bank that prints it: the **Swiss National Bank**.

Shares in the SNB, one of the few central banks with a listed stock, have surged in recent days, pushing them over 3,000 francs (\$3,107) each this week after a near 50% rally since July 19. As of Thursday's close, at 2,927 francs, the shares have climbed more than one-third this month and over 100% from a year earlier.

Money Makers

The Swiss National Bank's share price has soared in recent months, far exceeding those of other central banks that have listed shares.



Shares of other listed central banks, such as Belgium's and Japan's, have stagnated in recent months.

It is difficult to pinpoint why SNB shares are August's flavor of the month, and analysts don't cover this bank in the way

they do commercial lenders. Central banks aren't in the business of optimizing shareholder value; they are supposed to keep inflation low and, in Switzerland's case, keep the currency from getting too strong, which weakens consumer prices while harming exports.

Yet its high stock value makes some sense. The SNB is a large investment manager with about \$750 billion in foreign assets on its books. The SNB built that portfolio by printing its own money and buying stocks and bonds, all in an effort to weaken the franc.

Things have broken Switzerland's way this summer. The SNB's share-price surge has coincided with the euro strengthening against the franc. Much of the SNB's foreign assets are denominated in

euros, so when the euro strengthens those assets are worth more in franc terms.

"In my view, that was the trigger," said Alexander Koch, economist at **Raiffeisen Schweiz**, referring to the euro's rise against the franc that intensified in late July. Mr. Koch, who personally owns one SNB share, said official data in early August showing an increase in the value of the SNB's foreign reserves also helped the share price.

The SNB had €282 billion—equal to 308 billion francs—in euro assets on its books at the end of June. Since then, the euro has risen about 4% against the franc and fetched just under 1.14 francs Thursday, making that pile worth over 10 billion francs more.

Please see **SHARES** page B2

STREETWISE

By James Mackintosh

U.S. Debt Ceiling Spurs Bets On Fiasco

There are good ways to trade politics in developed markets: hire ex-politicians, identify long-run trends, or just assume nothing much will change. The more popular approach is to ignore politics until trouble is blindingly obvious, then panic.

The news recently highlights plenty of trouble: North Korean nukes, American neo-Nazis, corporate leaders abandoning the White House, and a president threatening to shut down his own government if he doesn't get his way. Yet markets have treated it all with a weary skepticism, with the S&P 500 just 1.5% off its high hit two weeks ago. The only threat being treated seriously is the U.S. debt ceiling, and that is almost certainly overdone.

In some ways this makes sense. Risk is a combination of probability and impact, and while nuclear war would have the ultimate impact, it will need more than a few comments by shouty leaders to make such a self-destructive outcome seem likely. History offers many examples of Korean saber-rattling since the 1953 armistice, and none led to renewed war, so investors may have simply learned to ignore them.

The debt ceiling is a different matter. The U.S. came perilously close to defaulting on its debt in 2011, leading Standard & Poor's to take away the country's top credit rating. Already traders are starting to price in the danger of a repeat in early October, when the Treasury can do no more to avoid the ceiling. Treasury bills maturing in early October yield 0.2 percentage point more than those due in early November, a very large kink in what is usually a smoothly rising yield. The current anomaly is far higher than at a similar point ahead of the debt-ceiling votes in 2011, 2013 and 2015, according to Jordan Rochester, Nomura foreign-exchange strategist.

The lesson of recent years was that some in Congress were prepared to flirt with default on U.S. debt unless they got their way on spending cuts. The proximity of the budget approval vote—which faces a decent chance of turning into a government shutdown—to the debt ceiling raises the risk that they become entangled, and party politics prevents the ceiling being raised. Yet congressional leaders understand the serious impact on markets



JACOB BIBA/GETTY IMAGES

The taproom at the North Carolina brewery of Sierra Nevada, which experienced its first annual decline in beer shipments last year.

Craft Brewers Get All Bottled Up

By JENNIFER MALONEY

Some of the biggest craft brewers in the U.S. are struggling with falling sales, hurt by a glut of competitors crowding retail shelves and moves by megabrewers to scoop up some of their rivals.

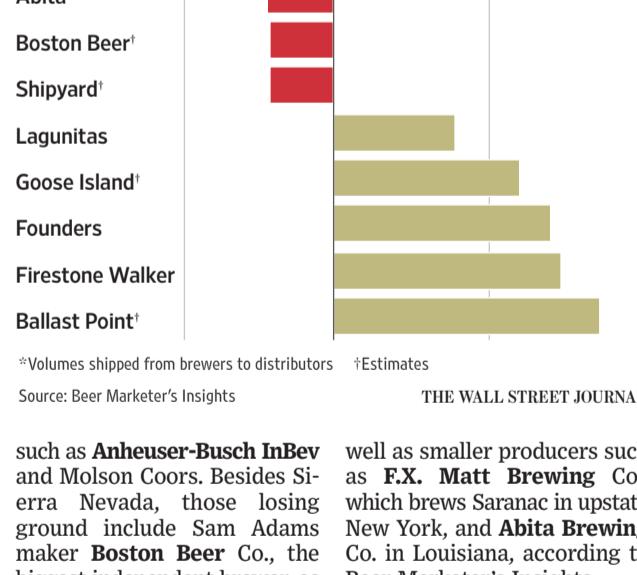
"It is more competitive than it has ever been," said Ken Grossman, founder and chief executive of **Sierra Nevada Brewing Co.**, the No. 2 U.S. craft brewer by volume.

His company's retail-store sales were off 7.5% this year as of July 16, according to Beer Marketer's Insights. The brewer's shipment volumes fell 6.9% in 2016—its first decline since Sierra Nevada was founded in 1980. Just two years ago, the Chico, Calif., company logged record sales after opening a second brewery in North Carolina.

After years of strong gains, American craft brewers are now bracing for a shakeout. Shipments are falling for many independent brewers stuck in the middle between local niche brands and competitors that were bought by heavyweights

Battle of the Beers

Volume declined for many top independent U.S. craft brewers in 2016 in contrast to those fully or partly owned by bigger companies.*



*Volumes shipped from brewers to distributors

†Estimates

Source: Beer Marketer's Insights

THE WALL STREET JOURNAL

such as **Anheuser-Busch InBev** and Molson Coors. Besides Sierra Nevada, those losing ground include Sam Adams maker **Boston Beer Co.**, the biggest independent brewer, as

well as smaller producers such as **F.X. Matt Brewing Co.**, which brews Saranac in upstate New York, and **Abita Brewing Co.** in Louisiana, according to Beer Marketer's Insights.

Benj Steinman, president of the tracking firm, said many craft brewers trying to push into regional and national markets are finding they hit a wall once they top 100,000 barrels. Some have stretched themselves too thin and lost ground in their home markets, while others took on too much debt to expand brewing capacity, brewers said. As they expand, they also lose the cachet of being a local brand—something many consumers seek out.

"They used to say a rising tide lifts all boats. And it is definitely not that now," Mr. Steinman said. His firm estimates that shipment volumes declined for 16 of the top 36 craft-style U.S. brewers last year.

The troubles have continued this year. Retail-store sales of craft-style beers—from brewers big and small—fell \$143 million to \$2.3 billion in the first half of 2017, according to data from Nielsen. Craft-beer shipments grew for years in the double digits, even as overall beer sales fell. But craft demand began to decelerate in 2016.

We really had to put our
Please see **BEER** page B2

Mr. O'Donnell, whose firm didn't invest in Stowaway, said in a statement to the Journal: "Any male VC that isn't re-examining their behavior towards women in light of recent press, regardless of whether or not they have been accused, just simply isn't doing their job as an investor or as a person of privilege and influence."

A string of sexual-harassment scandals that hit venture-capital firms in recent months has prompted some in the industry to confront cases of impropriety and re-evaluate practices, and emboldened some women to speak out despite the possible risks to their reputations and businesses.

Google's decision earlier this month to fire James Damore after the software engineer wrote a memo asserting that the search giant's gender gap can be explained by biological differences, not sexism, further stoked debate.

According to a 2016 analysis by the **National Venture Capital Association**, 89% of venture-capital investment partners are men. That means female entrepreneurs looking to

Please see **TALK** page B4

Amazon to Cut Prices at Grocer

By LAURA STEVENS

AND HEATHER HADDON

Amazon.com Inc. said it would begin slashing prices on grocery staples at **Whole Foods Market Inc.** on Monday, the first changes the online retailer plans for its \$13.7 billion acquisition.

Amazon also said it would introduce a customer-rewards program at Whole Foods and new deals through its Prime membership program. Amazon added that it plans to close the acquisition on Monday.

"We're determined to make healthy and organic food affordable for everyone," said Jeff Wilke, chief executive of Amazon Worldwide Consumer.

Shares of grocery-store compa-

nies fell in response to Amazon's planned price cuts, which will affect a range of items brand, will be sold on Amazon.

A key component of the tie-up is the introduction of a

Prime membership-based loyalty program that will offer Amazon shoppers deals in stores. The program, which costs \$99 annually and offers perks including unlimited two-day shipping, could draw more Amazon customers into Whole Foods stores, and prompt more sign-ups to Prime.

There is a big overlap between the two retailers already. A Morgan Stanley survey shows about 62% of Whole Foods shoppers are members of Amazon's Prime service, opening the door for cross-selling to entice customers who shop at both to spend more.

Amazon said it would start integrating Prime into Whole Foods's point-of-sales system starting Monday, and that the membership benefits will be added after that.

Amazon also has been ex-

pected to use the acquisition to help reduce delivery costs. The pickup lockers are a potential first step in further integrating the two companies' logistics operations.

Whole Foods once dominated the natural- and organic-food market, but increasingly faced competition as mainstream grocers began to carry similar products at cheaper prices. The Austin, Texas-based company

has had its sales slump in the past two years, and began lowering prices, running promotions and advertising on television for the first time in years.

Despite the moves, Whole Foods continued to lose sales and shopper surveys have shown that many customers believe the chain is too expensive.

—Austen Hufford contributed to this article.

Sexism In Tech Stokes Debate

By YOREE KOH

Julie Fredrickson has received more than a dozen texts, tweets and phone calls in recent months that follow a similar pattern: A male venture capitalist asks whether she took offense or harbors ill will because of some past behavior.

"I call them the 'we cool?' conversations," says Ms. Fredrickson, co-founder and chief executive of New York-based cosmetics startup Stowaway.

Charlie O'Donnell, of New York's **Brooklyn Bridge Ventures**, reached out to Ms. Fredrickson earlier this summer to discuss a recent sexual-harassment scandal at a Silicon Valley firm. During the course of their conversation, the topic turned to their own interactions.

Ms. Fredrickson told Mr. O'Donnell that he had made her uncomfortable when he asked last fall if he could bring Creamsicles to her apartment late one night. At the time, she laughed off the notion and dissuaded him by saying she had an early meeting the next day. When they talked recently, she said she had thought it was simply Mr. O'Donnell acting like a flirt.

Mr. O'Donnell apologized for crossing the line and said, "I can be friendly w/o being flirty. I should be able to," according to a private Facebook exchange in June reviewed by The Wall Street Journal. The two had met a few years earlier, when Ms. Fredrickson made a funding pitch to his firm, and remained in touch.

Mr. O'Donnell, whose firm didn't invest in Stowaway, said in a statement to the Journal: "Any male VC that isn't re-examining their behavior towards women in light of recent press, regardless of whether or not they have been accused, just simply isn't doing their job as an investor or as a person of privilege and influence."

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Please see **TALK** page B4



Amazon Prime members will get deals at Whole Foods stores.

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Seadrill to Restructure Its Debt in Bankruptcy

By COSTAS PARIS

Offshore-drilling services provider **Seadrill Ltd.** said Thursday it will likely file for bankruptcy protection next month as part of a plan to restructure about \$10 billion in debt.

The Bermuda-based company, controlled by Norwegian shipping magnate John Fredriksen, is one of the world's largest offshore drilling companies. It operates a fleet of 68 rigs and drillships for customers including **Total SA**, **Petrobras** and **Exxon Mobil Corp.**

Seadrill said it plans to file for chapter 11 in the U.S. by Sept. 12 but that its business operations remain unaffected by the restructuring efforts and it expects to continue to meet its customer and business counterparty obligations. Its assets at the end of the first half amounted to \$20.7 billion.

Seadrill's shares were off 9

cents, or 32%, at 18 cents in New York trading and are down 99% from their 2013 peak, when the company's market value exceeded \$22 billion.

Daily leases for the company's rigs, which once commanded up to \$800,000, dropped to around \$200,000 as cheap oil from U.S. shale drilling flooded the market. The low oil prices, coupled with a glut of rigs, has put rig owners under severe pressure, with several landing in bankruptcy court.

Seadrill has managed to push back a number of restructuring deadlines over the past year, but it faces a \$1 billion bond, which matures next month. It said its latest restructuring plan will likely involve raising about \$1 billion of new capital, along with a five-year extension of its bank facilities and "substantial" impairment or conversion of its bonds into equity.

—Patrick Fitzgerald contributed to this article

matter how big the profit. There are only 100,000 shares outstanding, and the stock is thinly traded with only about 100 changing hands on an average day. Private shareholders have little or no say over who manages the bank or how it is run. The SNB is mostly owned by Swiss states, known as cantons, and cantonal banks.

But like any asset, SNB shares are ultimately worth whatever people are willing to pay for them. And these days, it is a pretty steep price.

Indeed, Mr. Koch is trying to sell his one SNB share, reasoning that 3,000 francs is a steep price for such a low dividend, with Bridgewater Asso-

ciant, with

rona in the U.S., expanded its push into the craft-beer market, acquiring South Florida's small Funky Buddha Brewery for an undisclosed amount. The microbrewery, which had 30% volume growth so far this year, was looking to expand distribution beyond Florida and start production in cans. Those moves would have required a capital investment of between \$6 million and \$8 million, its founders said in an interview.

Local is still growing, and the larger ones are having problems," co-founder Ryan Sentz said. "We saw that as a potential roadblock in the future. We knew that aligning ourselves with a partner would be exponentially easier."

Microbreweries like Funky Buddha continue to grow fast: The 5,000 small brewers shipping fewer than 100,000 barrels a year had an average volume growth last year of 14%, double the growth rate for the craft category overall, according to Beer Marketer's Insights.

Dogfish Head, Saranac, Abita and other brewers grappling with soft sales say they are cutting costs, spending more on marketing and speeding up the

pace.

Earlier this month, Constella-

tions

which distributes Co-

sts and pitching its products—including cider and hard tea—to younger and more diverse consumers.

"When the growth stopped,

we had overbuilt," Boston Beer's chief executive, Martin Roper, said in an email. "Our first reaction was to wait to see if we could grow again...so it was a little bit of denial about the new flat-to-negative trends continuing."

BUSINESS & FINANCE

Crossover Bolsters Toyota

BY SEAN MCCLAIN

Toyota Motor Corp. says its new C-HR compact crossover is the vehicle for people who dislike Toyotas. If early sales data are any indication, there are a lot of Toyota critics out there.

The C-HR is almost single-handedly driving sales growth in Europe and Toyota's home market of Japan. In those two markets, Toyota sold about 150,000 of the vehicles in the first half of 2017—more than one-tenth of its total sales there, out of dozens of models. Without that, overall sales volume would have declined in both markets.

Sales of the C-HR in the U.S., where it starts at \$22,500, have been slower, partly because of supply constraints and demand for larger vehicles. Still, in every market the car is achieving its main mission of winning converts, said the Toyota engineer who led the C-HR's development.

"I think we've been able to attract new customers who in the past wouldn't have even looked at Toyota cars, because this car is so un-Toyota," said engineer Hiroyuki Koba.

Toyota's focus has long been on building cars that some could describe as boring, Mr. Koba said. "For models that sell well, our cars tend to be acceptable to everyone—cars that won't cause anyone to complain."

The C-HR is trying to change that perception, as part of Toyota Chief Executive Akio Toyoda's plan to breathe more life into its designs.

When the company gave a preview last year, Mr. Koba said it was designed for "customers who dislike Toyota cars." With sharp edges and a face evoking a scowling *ka-buki* actor, the car marked a departure for a company that plodded its way to selling 10 million vehicles a year.

Toyota called the design sensual and said it resembled a "sexy diamond." Some Wall Street Journal readers who commented after the first look were less kind, with one comparing it to a "squashed frog."

Whatever the CH-R is, it



A Toyota worker readyed a C-HR compact crossover vehicle for an auto show in Brussels in January.

Big Things, Small Packages

Toyota threw out its style guide to build a funky small crossover SUV called the C-HR. It's popular in Japan and Europe but less so in the U.S. so far.

Sales of Toyota C-HR in 2017

2017 car sales by segment in U.S.

| | | | |
|---------|--------|--------------------|-----------|
| Europe* | 90,000 | Midsized crossover | 2,446,636 |
| Japan | 87,372 | Small crossover | 591,533 |
| U.S.** | 8,942 | Large crossover | 290,846 |

Note: 2017 figures through July *Figures are rounded **Went on sale in April

Sources: Wards Auto Group (U.S. car sales by segment); the company (Europe, U.S.); Japan Automobile Dealers Association (Japan)

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isn't boring.

"There are not many people who will hang up their BMW keys for a Toyota, but we've been seeing that with the C-HR," said Thomas Obee, whose family-owned Motorline Group in the U.K. opened its first Toyota dealership in 1976 and now has 13 in the country.

In Japan, the C-HR has been near the top of the charts since it went on sale at the end of last year, and even hit the No. 1 spot in April, a rare feat in a market dominated by the hybrid Toyota Prius and other small, fuel-efficient cars.

Toyota needed a crossover in the entry-level category, which has gained popularity in developing markets such as China and India. Crossovers are built on the architecture of sedans and hatchbacks, but

their bodies resemble sport-utility vehicles, which means they have more room for bodies and cargo, but are more fuel-efficient than full-size SUVs built on truck frames.

"What's the growth segment of the future? I think it's going to be entry-level crossovers" like Honda's HR-V and Toyota's CH-R, said Bob Carter, Toyota's U.S. sales chief. "That segment didn't exist a couple of years ago, but I don't think it's a stretch that in three, four or five years out it'll be a million" sales annually, he said.

In the U.S. the C-HR's price puts it in reach of first-time car buyers. But so far, only a few thousand C-HRs are selling each month in the U.S., a fraction of Toyota's larger and more expensive RAV4 and Highlander models.

Toyota says that is partly

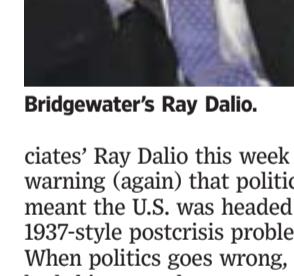
the British chancellor, says it is possible to exploit the tendency of investors to overreact to political risk, while also watching for risks that are being ignored.

"For the last year it has paid to focus on fundamentals and to own political risk," he said. "Essentially you're trading the market's systematic tendency to run away from what it doesn't understand."

Investors who put money on the policies of Mr. Trump at the end of last year have been sorely disappointed this year, as bets on tax cuts and trade restrictions unwind.

A plausible case can be made now that Republicans will agree on tax cuts next year in order to have something to campaign on in the mid-terms, but with every presidential tweet it's becoming harder to believe—and the trades haven't been rewarded.

JASON ALDEN/BLOOMBERG NEWS



Bridgewater's Ray Dalio.

ciates' Ray Dalio this week warning (again) that politics meant the U.S. was headed for 1937-style postcrisis problems. When politics goes wrong, bad things can happen.

I still find it hard to believe that the U.S. will default. Even if there was a default, it should make sense to buy the higher-yielding October bill instead of the November bill; either the

rona in the U.S., expanded its push into the craft-beer market, acquiring South Florida's small Funky Buddha Brewery for an undisclosed amount. The microbrewery, which had 30% volume growth so far this year, was looking to expand distribution beyond Florida and start production in cans. Those moves would have required a capital investment of between \$6 million and \$8 million, its founders said in an interview.

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pace.

Earlier this month, Constella-

tions

which distributes Co-



Dutch beer giant Heineken bought craft brewer Lagunitas this year.

launch of new products.

After a January product recall, Sierra Nevada is getting "back on track," Mr. Grossman said, with increased marketing and an accelerated program for testing new products.

Boston Beer recently surprised analysts with second-quarter results that showed sales declines had moderated. To regain ground, executives say the company is cutting

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TRAVEL

BUSINESS NEWS

Smaller Food Firms Take Heat on Sales

BY ANNIE GASPARRO
AND CARA LOMBARDO

Trouble for packaged-food companies is deepening.

Smaller companies such as **J.M. Smucker Co.** and **Hormel Foods Corp.** are the latest to face investor pressure as volatile commodity prices hurt margins and consumers gravitate away from older brands that have anchored many established food-makers. Shares of the jam and Spam makers fell about 10% and 6%, respectively, Thursday, dragging down the broader S&P 500.

Smucker said weak sales of Folgers coffee and Crisco shortening hurt earnings in its most recent quarter, leading it to lower its earnings forecast for the fiscal year. Chief Executive Mark Smucker said the company must move quickly to overhaul those and other older brands to appeal to consumers gravitating toward upstart products they see as more healthy or sustainably produced. "There are a lot more brands out there," he said.

Shares in **Mondelez Interna-**

tional Inc., Conagra Brands Inc. and Campbell Soup Co. also fell, extending losses this year for food makers wrestling with the big shift from mass-market brands to fresher and more natural offerings. Kraft Heinz Company and Kellogg Co., which both reported sales drops this month, also saw their shares drop. The S&P fell about 0.2% on Thursday to 2438.77.

The slump is also weighing on advertising companies that rely on huge marketing campaigns by big food and consumer-goods companies. Hormel said it spent \$24 million on advertising in the latest quarter, less than half what it spent in that period a year ago. Shares in WPP PLC, the world's biggest advertising company, fell nearly 11% on Wednesday after it reported a significant slowdown in ad-buying.

Like their larger rivals, Smucker and Hormel said they are removing artificial ingredients from older brands and adding more simpler, grab-and-go products and fresh meats.



Smucker said weak sales of Folgers coffee hurt its earnings. Hormel's results also disappointed investors on Thursday.

Smucker has also tried to bolster its peanut butter and natural pet-food brands to offset falling demand for highly processed products like Pillsbury cake mix. But Mr. Smucker said Thursday that promoting new brands won't be enough to put his company on better footing if demand for legacy products continues to erode.

"We must also focus on larger, more significant platform innovations on some of our key and larger iconic brands," he said.

The results from Smucker and Hormel reinforced "just how hard it is for big food companies to sustain momen-

tum in a hostile retailer and competitive environment," Bernstein analyst Alexia Howard said. Grocery stores have pushed big brands to lower their prices in recent months to avoid losing shoppers to discount chains.

Hormel said low grain and turkey prices put pressure on the meat company to cut prices on its Jennie-O turkey products. At the same time, Hormel said higher pork and beef costs had hurt margins and sales of other products.

"Commodity markets have been challenging to forecast," Chief Executive Jim Snee said. Other Hormel brands including

Skippy peanut butter and Spam saw sales improve.

Some companies have looked to emerging markets to offset lackluster U.S. sales. Hormel said it would buy Brazilian sausage and salami maker Cidade do Sol for around \$104 million. Brazil's economy has improved recently after several years of political turmoil and poor growth, which Hormel hopes will entice consumers there to buy more meat.

"Strategic international growth is important to Hormel Foods and South America has been of interest to us for several years," Mr. Snee said.

Another recent Hormel purchase, Muscle Milk maker CytoSport hasn't panned out. Hormel's specialty-food sales, including the Muscle Milk products, declined 7% in the most recent quarter. Mizuho Securities analyst Jeremy Scott said the 2014 deal was a cautionary tale of what can happen when traditional food companies pick the wrong brands in attempting to expand their product offerings.

"The ready-to-drink protein category has expanded significantly in terms of the number of competitors," Mr. Scott said. "You're seeing the protein angle everywhere."

Whitman Restates 'No' to Uber Overture



ANDY CROSS/THE DENVER POST/GETTY IMAGES

Hewlett Packard Enterprise CEO Meg Whitman has maintained she isn't interested in the CEO spot at Uber.

Ride-Hailing Firm Doubles Bookings

Uber Technologies Inc.'s scandal-plagued year apparently hasn't deterred ridership, though the ride-hailing company is still reporting heavy financial losses.

The San Francisco company reported a \$645 million loss for the second quarter, narrowing from \$708 million in the first quarter. Revenue, not including a one-time outlay for drivers in New York City it had mistak-

enly underpaid, rose 17% to

\$1.75 billion in the period compared with the first quarter and more than double the roughly \$800 million it took in a year earlier. Closely held Uber didn't provide year-earlier loss figures.

Uber doubled its gross bookings to \$8.7 billion in the second quarter, which includes rides and food and freight deliveries, compared with the same period a year earlier. Uber said Wednesday the gain was 17% higher than in this year's first quarter. Global trips rose 150% from the same period last year, Uber said, without providing the underlying numbers.

The company had \$6.6 billion in cash on hand, down from about \$7.2 billion as of the end of March. Uber could bolster its cash pile if it moves forward with a proposed investment from **SoftBank Group Corp.** of at least \$1 billion, people familiar with the matter have said.

The company's results come on the heels of disclosures Tuesday from several mutual funds that had written down the value of their Uber holdings by as much as 15% as of June 30.

—Greg Bensinger

BY RACHAEL KING
AND GREG BENINGER

Meg Whitman, the chief executive of **Hewlett Packard Enterprise Co.**, on Wednesday repeated that she won't be the next CEO of **Uber Technologies Inc.** following news that the board is considering her again as a candidate.

In an interview with The Wall Street Journal, Ms. Whitman said "nothing has changed" since her series of tweets on July 27, when she flatly stated, "I am not going anywhere" and "Uber's CEO will not be Meg Whitman."

"There's that country music song, 'What Part of No (Don't You Understand)'," Ms. Whitman said on Wednesday, referring to the lyrics of the 1992 Lorrie Morgan tune.

She repeated her previous statement that "there's a lot of work to be done" at HPE.

On Tuesday, the Journal reported that some Uber directors have discussed in recent days potentially putting Ms. Whitman's name back on Uber's shortlist of CEO candidates, which also includes **General Electric** Chairman Jeff Immelt.

The directors believe they possibly could persuade Ms. Whitman to take the job if a majority of the eight-member board were to vote to approve her as CEO, people familiar with the matter have said.

Asked to clarify whether Ms. Whitman would consider the job if Uber's board agreed to hire her, HPE's marketing and communications chief, Henry Gomez, said in a message: "She has entirely ruled it out. Her July 27 statement was unequivocal. Nothing has changed."

Mr. Immelt, who recently retired as GE CEO, has been one of three remaining candidates, according to people familiar with the process. Uber has set a goal of finding a new CEO by early September.

The position has been open since June, when co-founder Travis Kalanick resigned amid pressure from investors led by **Benchmark Capital**.

Some investors, including Benchmark, were disappointed when the 61-year-old Ms. Whitman removed herself from consideration last month, as they had viewed her as the best candidate. She is a former CEO of eBay Inc. and has run for governor of California.

Ms. Whitman has changed her mind about a high-profile job in the past.

She initially rejected an advance by Hewlett-Packard Co.'s board, where she was already a director, in September 2011. She reversed course several weeks later, even though she had said after leaving eBay in 2008 that she wouldn't ever take another CEO role.

In 2015 split into HPE and HP Inc.

"I still actually add a fair amount of value to this company on a day-to-day basis," Ms. Whitman said on Wednesday of HPE. "I want to set this company up with a successor. I demonstrated that with eBay—that was one of the best CEO-to-CEO transitions in the Valley. No drama. John Donahoe was in place for three years" before he took eBay's CEO role.

In June, Ms. Whitman promoted Anthony Neri to president of HPE, making him a successor candidate. She resigned from HP's board as chairman a month later.

Beacon Roofing Expands Footprint

BY TAPAN PANCHAL

Beacon Roofing Supply Inc. has agreed to acquire **Allied Building Products Corp.** from Irish firm **CRH PLC** for \$2.63 billion in cash, a deal that will expand its footprint to New York and double its size.

Beacon, a distributor of roofing materials with a market value of \$2.4 billion, said the deal will make it one of the industry's largest publicly traded companies in North America, with a presence in all 50 states and annual revenue of \$7 billion. It will finance the acquisition largely with debt.

A \$2.63 billion deal by the Virginia-based distributor will double its size.

The deal, announced by Beacon and CRH in separate statements Thursday, ramps up the Virginia-based company's North American expansion, allowing it to enter new local markets, particularly in New York, New Jersey and the Upper Midwest.

In 2015, Beacon bought **Roofing Supply Group** from investment firm **Clayton, Dubilier & Rice** for \$1.1 billion, giving it access to the Pacific Northwest.

The deal comes as U.S. President Donald Trump's administration is mapping out a \$1 trillion infrastructure spending plan, designed partly to bolster industries such as construction, though the administration hasn't issued a detailed proposal.

"Together, we will leverage the strengths of both companies, while remaining committed to preserving the deep customer relationships that we have each cultivated over 150 years of combined experience," said Beacon Chief Executive Paul Isabella.

CRH—which supplies materials to the construction industry—said it would use the proceeds from the divestment to acquire German company Fels for about €600 million, or roughly \$708 million. Shares in CRH rose 3.8% in London on Thursday.

Founded in 1950, Allied is based in East Rutherford, N.J., and distributes products across 208 locations in 31 states, with 3,500 employees.

Beacon said it expects the deal to be completed in January.

Jewelry Retailers' Results Brighten Up a Bit

BY EZEQUIEL MINAYA
AND IMANI MOISE

An uptick in sales of less-expensive fashion accessories enabled jewelry sellers to top expectations in their most recent quarter.

Signet Jewelers Ltd. on Thursday reported a surprise increase in same-store sales, led by its fashion category. The closely watched retail metric that tracks revenue at stores open at least a year rose 1.4%. Analysts surveyed by FactSet had expected a retreat of 3.7%.

Shares in Signet were ahead 17% at \$60.89 in afternoon trading as the parent of Kay Jewelers, Zales and Jared also reported better-than-expected earnings in its fiscal second quarter, which ended July 29, and raised its annual earnings guidance on a per-share basis by 16 cents.

Less-expensive bracelets, rings and necklaces helped sales at Signet rise 1.9% to \$1.4 bil-

lion. The quarter's results benefited from the timing of Mother's Day spending, and Chief Executive Virginia Drosos told analysts comparable sales would have been negative excluding the lift from the holiday.

Jewelers have been coping with declining sales as they struggle to keep traditional diamonds and gemstones fresh and exciting. But Ms. Drosos said that after four years of declining growth, she is seeing a pickup.

Finance Chief Michele Santana told analysts the company is working to introduce new fashion brands suited to consumers' current interests.

Tiffany & Co., which also reported better-than-expected earnings on Thursday, said growth in the segment including trendier non-gemstone gold and silver jewelry offset declines in its more traditional engagement and high-fine and solitaire categories. The shift toward fashion jewelry, however,

resulted in a lower average price across the luxury company. Tiffany shares traded down 1.4% at \$87.50.

"The theme of this entire earnings cycle is that the death of retail has been exaggerated in stocks," said Simeon Siegel, an analyst with Nomura Securities.

Both jewelry-store operators also reported strong growth in

their online businesses. Signet is strengthening its e-commerce presence by buying **R2Net Inc.**, the owner of online jewelry retailer **JamesAllen.com**, for \$328 million in cash.

Ms. Drosos, on her first earnings call since being named CEO, described JamesAllen.com as a fast-growing retailer that has "a very attrac-

tive average transaction value" and a "very strong millennial appeal, which is a key growth demographic for us."

Signet also said in the last quarter it bolstered digital marketing and search-engine optimization, while improving its website and adding more digital technology in its stores. The company said e-commerce sales rose more than 18% from a year ago.

Ms. Drosos took over from Mark Light, who retired as CEO because of unspecified health reasons. Signet has faced scrutiny recently linked to a class-action arbitration case alleging widespread discrimination against women employees in its Sterling Jewelers unit. In May it reached an agreement with the Equal Employment Opportunity Commission regarding the pay and promotions of female staff at Sterling. There were no findings of liability or wrongdoing in the settlement.



MARK KAULZARCH/BLOOMBERG NEWS

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TECHNOLOGY

Samsung Heir Faces a Day of Judgment

Verdict in corruption case is due Friday, with group's leadership hanging in the balance

BY EUN-YOUNG JEONG

SEOUL—A South Korean court will rule Friday on whether to convict Lee Jae-yong, the de facto head of the Samsung conglomerate, following his trial in a corruption case that has gripped the country and helped bring down the previous government.

The verdict looms as a key moment for Samsung and for a country where close ties between business and government have been an integral part of its economic rise and a target of recent oppo-

brium.

Prosecutors have sought a 12-year sentence for Mr. Lee, who is 49 years old. If he is convicted, **Samsung Electronics Co.**—the world's largest smartphone maker, of which he is vice chairman—faces the prospect of a prolonged absence of leadership. Under South Korean law, sentences of more than three years can't be suspended. Mr. Lee would have to serve a third of his sentence term before he could win parole.

The closely watched trial centers on an alleged effort by Mr. Lee to bribe South Korea's then-president, Park Geun-hye.

Samsung has acknowledged it offered to pay about \$38 million to entities linked to the president's close friend, Choi Soon-sil, of which about

half went toward a German sports-consulting company to pay for equestrian training for Ms. Choi's daughter. Samsung has denied the payments were in return for favors.

In exchange for these financial contributions, prosecutors say, Ms. Choi colluded with Ms. Park to ensure the government would support several of Samsung's business deals, most notably in a controversial 2015 merger of two Samsung affiliates. That merger shuffled Samsung's intricate cross-shareholding structure in a way that, according to prosecutors, strengthened Mr. Lee's grip over Samsung Electronics, the conglomerate's crown jewel.

Ms. Park has denied wrongdoing. She is facing a separate trial on 18 charges, including bribery and coercion. Ms. Choi



KIM MIN-HEE/PRESS POOL/EPA/REX SHUTTERSTOCK

Lee Jae-yong has been on trial.

is also facing charges in connection with the corruption scandal; she has denied wrongdoing.

The charges against Mr. Lee include hiding assets abroad, which could land him at least 10 years in prison in the event

of a guilty verdict. Any sentence would hinge on whether the court finds Mr. Lee guilty of bribing the former president.

"The bribery charge holds the key," said Yang Jae-sik, one of the prosecutors involved in the trial.

Mr. Lee has denied all charges against him and said that he wasn't aware of the payments. He testified earlier this month that he was rarely involved in decisions affecting the broader Samsung conglomerate, which spans dozens of companies.

The same court will also deliver verdicts Friday on four other former Samsung executives who have been indicted on the same charges as Mr. Lee, except for perjury. They have all denied wrongdoing.

Mr. Lee became Samsung's de facto head after his father, Lee Kun-hee, was incapacitated following a heart attack in 2014. The younger Mr. Lee has been detained since his arrest in February.

Samsung is the largest of South Korea's *chaebols*—the family-run conglomerates that dominate the country's economy. The chaebols are widely credited with helping to lift the nation out of poverty but in recent years have become a lightning rod for protests about their perceived favorable treatment by the judiciary and successive governments.

Ms. Park was impeached in December over her alleged role in the corruption scandal. In March, the Constitutional Court removed her from office.

CHINA CIRCUIT | By Li Yuan

News Apps Can Read Your Reading Habits



Online news in China may be heavily censored by the government, but that isn't diminishing the voracious appetite for it from China's mobile users.

Apps that use algorithms to scour tens of thousands of sources to find news and tailor feeds to individual users are the country's fastest-growing mobile segment, sparking an industrywide war to grab users' precious screen time.

Take Yang Dong, a 39-year-old construction contractor in the southern city of Shenzhen. He spends one to two hours a day on Jinri Toutiao, or Today's Top News, reading up on sports, finance and technology. Articles are curated for him by Toutiao's deep-learning computers that monitor his reading habits and customize content accordingly. Mr. Yang counts on Toutiao to update him on his favorite soccer teams.

Shen Yun, a programmer at a data company in Beijing, spends as many as three hours on the app reading international and technology news during his commute. Toutiao has learned that Mr. Shen, 27, watches videos of funny stunts before going to bed, so has some ready for him when he opens the app at night.

Successes like these have propelled Toutiao's developer, **Beijing Bytedance Technology**, to be valued at

more than \$20 billion based on the company's latest fundraising round, according to a person familiar with the matter—almost double its valuation of \$11 billion at the end of 2016.

News apps enjoyed the highest year-over-year growth rate in June for accumulated time that mobile users spent on online products. At 72.7%, it beat online travel and mobile video, the other two fastest-growing categories, according to QuestMobile, which provides mobile-internet data.

Such demand has sparked intense competition, attracting Chinese internet giants such as **Tencent Holdings** and **Baidu**, as well as five long-established news-portal sites. All are investing in machine learning to push personalized content based on thousands of data points that can include a user's location, smartphone brand, past browsing history and time spent on each article.

But news feeds in China look very different than those curated by **Facebook** and **Google**.

For a start, the definition of news is much broader in a country where people largely ignore the heavily censored state media and its ideological preachers.

These news apps aggregate content not just from traditional news outlets, but also video sites, live video streaming, social media and individual creators.

By supplying personalized content, the apps want the

Screen Time

Top five things Chinese do on smartphones

| | BILLION HOURS | Y.O.Y. CHANGE |
|--------------|---------------|---------------|
| Social media | 39.8 | 8.3% |
| Tools | 13.4 | 15.8 |
| Video | 13.1 | 33.1 |
| News | 8.2 | 72.7 |
| Games | 7.6 | -0.3 |

Top five mobile apps in China

| | BILLION HOURS | Y.O.Y. CHANGE |
|---------------|---------------|---------------|
| WeChat | 27.8 | 15.0% |
| QQ | 7.9 | -18.2 |
| Tencent video | 3.3 | 49.6 |
| iQIYI | 3.1 | 36.1 |
| Toutiao | 3.0 | 125.4 |

Note: Data for June 2017. Top mobile-app categories in terms of screen time. Tools include browser, weather, Photoshop, etc.

Source: QuestMobile
THE WALL STREET JOURNAL.

users to stick around as long as possible. That way, they will be more likely to click on the in-feed ads, a growing market.

While this isn't so different from the competition in the U.S. between the traditional media and the likes of Facebook, Twitter, Snapchat and Google, artificial intelligence plays a bigger role in China's online news industry as news apps fill the void in authoritative content.

Collapsing traditional media, stringent censorship, and bans on many foreign



An exhibit for the app Toutiao, or Today's Top News, at an internet forum in China last year.

Toutiao booked \$900 million in ad revenue in 2016, a fourfold increase from the previous year.

It won't say whether it is profitable or when it expects to turn a profit.

"We have the first-mover advantage," says Zhen Liu, senior vice president of Bytedance. By accumulating millions of users, Toutiao's computers have enough data to understand what users want, she says. "AI is like a child. It takes time to build up its intelligence level."

Founded by software programmer Zhang Yiming in Beijing in 2012, Toutiao approaches the news business from a pure technology perspective. That is where Toutiao's success—and some would argue its controversy—lies.

Toutiao's algorithm led the company to an underserved market: less-educated people in smaller cities and rural areas, many of whom

are accessing the internet for the first time and rely on it for entertainment.

The app has been criticized by users, competitors and industry observers for feeding vulgar content and clickbait headlines.

Toutiao's Ms. Liu rejects the notion that its content is of poor taste, saying the algorithms can play a positive role in discovering and distributing useful content. (She cites a video on how to raise pigs that drew 20 million views.)

To be sure, Toutiao isn't the only news app being criticized for falling afoul of moral censors, because rivals are also hawking similar clickbait as they play catch up. "We won't survive if we don't follow Toutiao's example," says a senior executive at one news portal.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

TALKS

Continued from page B1
raise funds rely on predominantly male backers—a dynamic that has obscured long-simmering issues of sexism and harassment at venture-capital firms, female entrepreneurs say.

But the resignations and public apologies by several prominent male tech investors this summer have opened discussion about sexism.

In June, Justin Caldbeck stepped down from Binary Capital after technology news website the Information reported allegations by several women that he sexually harassed them.

"I deeply regret ever causing anyone to feel uncomfortable," he said in a statement at the time. "There's no denying this is an issue in the venture community and I hate that my behavior has contributed to it."

Mr. Caldbeck declined to comment for this article.

A week later, 500 Startups said its founder, Dave McClure, resigned after he admitted to making sexual advances toward women in work situations, following a report in the New York Times. Mr. McClure didn't respond to requests for comment.

Women founders of startups say they often confront sexist behavior, including condescending remarks and questions that call their intellect



ALLISON SCOTT/THE WALL STREET JOURNAL

Julie Fredrickson, co-founder of a cosmetics startup, says she hopes the recent dialogue will lead to lasting change.

into doubt, that wears on them personally and professionally.

"It's like a death by a thousand paper cuts," said Mary Min, who co-founded Second Wave Games, a gaming company acquired by World Golf Tour in 2011.

Ms. Min said that as she and co-founder Kevin Li met with investors, she noticed a pattern: After she finished her presentation, investors often turned to Mr. Li and asked, "What do you think?" They never asked for her opinion after he spoke.

Mr. Li, now her husband, said he noticed the behavior after Ms. Min pointed it out. It bothered him, Mr. Li said, but "while we were raising money and building the company, it was more like, 'This is the way the world is now.'" The couple now advises startups.

Many women in the startup world say they haven't previ-

ously felt comfortable speaking out about sexist behavior because it could diminish their chances of getting funding or undermine their standing, making them look more like victims than strong entrepreneurs.

Jenn Garcia, who co-founded game company Metamoki, said she eventually stepped away from her startup in part because she found herself having to validate her role as CEO to her male co-founder and employees. It was "spirit crushing," she said.

Some say they don't perceive sexism in the industry. "I did not know that there was any discrimination," said Vinod Khosla, founder of Khosla Ventures and a co-founder of Sun Microsystems Inc., at an event last month.

But he added that after recent scandals he has been talking with women about the issue. The more some-

thing is discussed, he said, "the more it's front of mind, the less it's excused."

Mr. Khosla declined to comment for this article.

Ms. Fredrickson, the recipient of the flurry of texts and phone calls, said she is uncertain of the motivations that prompted the outreach but hopes the recent dialogue would lead to lasting change.

Will Quist, a partner at Slow Ventures, recently asked her for guidance on how the company should address unintended biases. The San Francisco-based firm was a minor investor in Stowaway's seed round last year, and Mr. Quist had in the past described that deal-making process as so aggressive that it left him with "scar tissue."

"We are taking a lot of time to look deeper at how our unconscious behaviors contribute to our own role in all of this, and how to improve," he wrote in a June email reviewed by the Journal.

During a visit to San Francisco shortly afterward, Ms. Fredrickson and Mr. Quist spent three hours talking about gender issues. "We know that our role as venture capitalists in the tech community makes it our responsibility to be leaders," Mr. Quist said in a statement to the Journal.

Mr. Quist's efforts stood out to Ms. Fredrickson. "He's bothered to care," she said. "He faced it head on. Most men just run away."

Ford sales in China have slipped 7% in 2017 despite considerable efforts to catch up to General Motors Co. and other major auto makers that began investing heavily there earlier.

The move also comes on the heels of Ford's newly announced electric-vehicle joint venture in China.

The auto maker will start a new unit to make electric cars at a time when Chinese regulators are trying to orchestrate a gradual shift away from conventional vehicles with internal combustion engines. That venture is proposed with local auto maker Anhui Zotye Automobile Co. If the venture gains regulatory approval it will sell electric cars under an indigenous Chinese name.

Mr. Luo will need to address concerns that Ford executives have regarding an evolving price

BUSINESS WATCH

FORD

Auto Maker Hires Key Safety's CEO

Ford Motor Co. has poached the head of the company acquiring troubled air-bag maker Takata Corp., a move aimed at jump-starting a struggling China unit and gaining ground in the electric-vehicle race.

The Dearborn, Mich., auto maker said it has hired Key Safety Systems Inc. Chief Executive Jason Luo to head efforts in the world's biggest auto market.

Ford sales in China have slipped 7% in 2017 despite considerable efforts to catch up to General Motors Co. and other major auto makers that began investing heavily there earlier.

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The SoftBank Vision Fund raised \$93 billion in May and has placed a number of bets in recent months, aimed at both established market leaders and startups.

The New York company, which operates shared office and co-living spaces, has 160 physical locations in more than 50 cities and 16 countries around the world.

In connection with the investment, two SoftBank directors will join WeWork's board.

—Austen Hufford

war, and the consistent emergence of local brands that are stealing market share from certain global competitors.

—Sean McLain

WEWORK

SoftBank Adds To Its Investment

Shared-office space company WeWork Cos. raised an additional \$3 billion from SoftBank Group Corp. of Japan as WeWork continues its efforts to expand internationally and grow its membership.

The \$3 billion new investment comes in the form of both new shares and through purchasing existing shares.

<p

FINANCE & MARKETS

Startups Offered An Option To IPOs

BY MAUREEN FARRELL

A group of Silicon Valley entrepreneurs plans to launch an investment vehicle that would offer a richly valued technology startup an alternative route to public ownership.

The group, led by Chamath Palihapitiya, chief executive of venture-capital firm **Social Capital**, plans to raise at least \$500 million from public investors, according to a Securities and Exchange Commission filing Wednesday. The vehicle is to be known as **Social Capital Hedosophia Holdings Corp.**

The special purpose acquisition vehicle, or SPAC, then would seek to take a minority position in one of the more than 150 private U.S. technology companies valued at \$1 billion or more, according to the filing.

Such a deal would give the company in question a public currency without the need for a traditional initial public offering and some of the costs that come with one.

The team is planning to meet with investors during the second week of September and launch the offering on the New York Stock Exchange in mid-September, people familiar with the matter said.

The idea, according to the people, is to give technology entrepreneurs a way to capture the benefits of public ownership without some of the challenges of the traditional new-issue process.

A number of tech entrepreneurs have become wary of public ownership in recent years because of the increased scrutiny it brings and what they view as the stock market's short-term orientation. They have been able to avoid it because private-funding sources have proliferated. That helps explain why the number of highly valued startups has ballooned.

Snap Inc. illustrates the perils of the traditional IPO in some entrepreneurs' eyes, even though it is still early in its life as a public company. The Snapchat parent made its debut in March and after an initial burst of investor enthusiasm the shares have sagged as competitive pressure has risen.

The new SPAC's sponsors aren't alone in exploring alternatives. **Spotify** AB, the music-streaming service, has been considering a plan to go public later this year or early next year without raising money or using underwriters, through a rarely used process known as a direct listing. With this route, the Swedish company could save tens of millions of dollars in underwriting fees, which would represent an additional setback for Wall Street's stock-selling businesses that have been under pressure.

On this SPAC, **Credit Suisse Group** AG is serving as the sole underwriter.

\$6.9B

Amount raised by SPACs on U.S. exchanges so far this year

There is no guarantee that the group will succeed, either in raising the funds or finding an acceptable deal.

Unlike a traditional IPO, SPACs first raise money through a stock offering and then hunt for a deal on which to spend the funds they raise.

The potential offering comes as the SPAC market is on track for a record year amid robust interest from private-equity firms and others. According to data provider Dealogic, 22 SPACs have been launched on U.S. exchanges this year, raising \$6.9 billion.

That outpaces the previous record in 2007, when 38 SPACs raised \$5.1 billion at this point.

Investors had been largely scared off SPACs after the financial crisis. But since 2015, investors have pursued acquisitions in consumer products, technology and chemicals.

A Next Step for Online Mortgages

Two big banks turn to a software company to accelerate home-loan applications

BY PETER RUDEGEAR

Wells Fargo & Co. and U.S. Bancorp have signed deals with mortgage-software startup **Blend Labs** Inc. to move more of their loan applications online.

The five-year-old San Francisco company announced its new customers Thursday along with a fresh \$100 million fundraising round.

The software from Blend offers the two lenders a chance to compete better against nimble financial-technology offerings such as Rocket Mortgage, the **Quicken Loans** Inc. product that has attempted to speed up the often-tedious mortgage application process.

Minneapolis-based U.S. Bancorp says the latest changes eventually could trim four or five days off the process, which takes roughly six weeks on average. The actual time to apply eventually could be sliced in half, says Tom Wind, president of U.S. Bancorp's mortgage division.

"I've never chosen a startup for a project of this size and scale before," said Michael DeVito, Wells Fargo's head of mortgage production. The bank, which extended \$100 billion in home loans in the first half of the year, started inviting some applicants to try the Blend technology late last year. It is looking to roll out the product nationally in 2018.

Blend, part of a new crop of fintech firms that aim to work with banks rather than compete directly against them, said the fundraising round was led by venture-capital firm **Greylock Partners**. The \$100 million deal will bring the



Nima Ghamsari, left, CEO of Blend Labs, speaks with Blend employee David St. Geme in the company's offices in San Francisco.

company's valuation to roughly \$500 million, according to people familiar with the matter.

Other Blend investors include **Andreessen Horowitz**, **Emergence Capital**, **Founders Fund**, and **Conversion Capital LLC**.

Blend's software already is used for websites or smartphone applications at about 30 lenders, including **Movement Mortgage LLC**.

In addition to powering a version of the product that is similar to Rocket Mortgage, Blend can be used by loan officers based in retail branches or call centers. The ability to serve those different groups helped persuade banks that Blend simply wasn't looking to replace their existing sales staff with computers.

The company's software automates the loan-application process by filling in forms electronically through direct connections to information sources.

For example, Blend taps Intuit Inc. to pull figures from tax returns filed through **TurboTax**, Automatic Data Processing Inc. to verify income via pay stubs, and **Plaid Technologies** Inc. to find the value of assets in bank and brokerage accounts.

Run by CEO Nima Ghamsari, Blend expects to use the proceeds from its fundraising to expand in other forms of consumer credit and develop technology to make other manual parts of the home-loan process, such as appraisal and closing, more digital.

The latest fundraising would signal to lenders that the company would be able to ride out any market dips, Mr. Ghamsari said.

Wells Fargo executives have mentioned its work with Blend in recent months, without giving details. While Blend has worked closely with banks, the business model for online lenders of taking them on directly has struggled.

Making loans to consumers and small business directly over the internet and getting money managers to bear the risk of defaults captivated investors as recently as 2015. But a series of stumbles helped lead to a wave of layoffs, executive changes and a 75% slump in venture-capital investment in the sector.

"There's definite skepticism around whether or not these things will be legacies or whether they'll be fads," Mr. Ghamsari said of Silicon Valley's online lenders.

Other companies in online lending also have branched out to building software for banks. Last year, On Deck Capital Inc. started making small-business loans to customers of J.P. Morgan Chase & Co. via the bank's website.

"Success in the [online] lending industry in the U.S. is likely to come from partnering with the incumbents to become services enablers for them," **Morgan Stanley** analysts wrote in a recent report, "as opposed to outright competing with them as independent pure play providers."

FINANCE WATCH



DAN BANNISTER FOR THE WALL STREET JOURNAL

Losses in CIBC's U.S. real-estate portfolio prompted the bank to increase its bad-debt provisions.

CIBC

Adjusted Results Exceed Forecasts

Canadian Imperial Bank of Commerce's earnings and revenue came in higher than analysts expected in the second quarter as it completed its \$5 billion acquisition of PrivateBank Corp. Inc.

The Toronto bank said net income dropped to 1.1 billion Canadian dollars (\$880 million) from C\$1.44 billion. But excluding one-time items such as purchase costs and legal fees, CIBC's net income rose 9% year over year.

CIBC reported adjusted earnings per share of C\$2.77, compared with C\$2.67 a share a year earlier. The bank's adjusted revenue rose 8% to C\$4.13 billion (\$3.3 billion), while unadjusted revenue dropped 1%. Analysts surveyed by Thomson Reuters were expecting C\$2.66 in adjusted earnings per share and C\$3.98 billion in revenue.

The unexpectedly strong result can be primarily tied to lower-than-expected loan losses, said Gabriel Dechaine, an analyst with National Bank Financial.

Still, losses in the bank's U.S. real-estate-finance portfolio prompted CIBC to increase its provisions for credit losses to C\$209 million in its latest quarter, a 3% rise from a year earlier when adjusted for nonrecurring items.

Net interest income grew 8% to C\$2.28 billion and fee-based income dropped 10% to C\$1.83 billion.

U.S. commercial banking and

wealth-management net income rose 74% from a year earlier. CIBC completed its acquisition of Chicago-based PrivateBank in late June.

The acquisition is a "pivotal milestone as we create a strong cross-border platform," CIBC Chief Executive Victor Dodig said.

—Carla Lombardo

SCENTRE GROUP

Valuations Lift Net At Mall Landlord

Scentre Group reported a 22% rise in half-year profit, largely driven by valuation gains on its portfolio of shopping malls in Australia and New Zealand.

Scentre, which owns and operates nearly 40 Westfield-branded shopping centers, reported a net profit of 1.41 billion Australian dollars (\$1.11 billion) for the six months through June. That included A\$929 million of valuation gains, largely from continued growth in operating income and the redevelopment of the Westfield Cherrmside mall in Brisbane.

Net profit was up from A\$1.15 billion a year earlier.

Funds from operations—a measure of operating cash flow that excludes depreciation, amortization and gains on asset sales—rose 3.5% to A\$638.1 million for the first half. If the impact of transactions was stripped out, growth in funds from operations would have been around 5%, the firm said.

The group is on track to de-

liver its forecast for full-year growth in funds from operations of approximately 4.25%," said Chief Executive Peter Allen.

—David Winning

CHINA CITIC BANK

Fee Income Boosts Lender's Earnings

China Citic Bank Corp. said that its first-half net profit rose 15% from a year earlier, thanks to growth in fee income.

Net profit for the six months ended June 30 rose to 24.01 billion yuan (\$3.6 billion) from 23.6 billion yuan a year earlier, the bank said.

Net interest income dropped 7.38% from a year earlier to 49.49 billion yuan and net non-interest income increased 9.4% to 27.09 billion yuan.

Outstanding bad loans totaled 51.12 billion yuan at the end of June, down from 51.32 billion yuan at the end of March. The bank's nonperforming-loan ratio fell to 1.53% from 1.74% at the end of March.

—Grace Zhu

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Fairfax access to Japan's insurance market, while allowing Mitsui greater access to the U.S., Mr. Watsa said in an interview on Wednesday.

Fairfax has been trying to get a foothold in Japanese markets for several years, and the partnership gives it a chance to participate in underwritings from one of Japan's largest nonlife insurers, Mr. Watsa said.

Japanese insurers have been branching out into investments outside of their country given low domestic interest rates, which have hurt returns. Mitsui bought U.K. insurance company Amlin PLC for £3.47 billion (\$4.44 billion at today's rates) in 2015 to boost its European presence.

Fairfax Sells an Insurer

BY VIPAL MONGA

Canada's **Fairfax Financial Holdings** Ltd. confirmed that it sold Singapore-based property-and-casualty insurer First Capital to Japanese **Mitsui Sumitomo Insurance** Co. for \$1.6 billion.

Fairfax, a holding company founded by one of Canada's most prominent investors, Prem Watsa, will get a 25% stake in First Capital's insurance portfolio.

First Capital Chief Executive Ramaswamy Athappan will remain in his role while continuing to serve as chairman of Fairfax's Asia operations.

The deal is part of a new global partnership between the two firms that would give

FINANCE & MARKETS

Smart Speakers Create Buzz

By GREGOR STUART HUNTER

For years, tech stocks in Asia have risen and fallen by the release cycles of Apple Inc.'s iPhone as component producers gear up to supply new versions. Now, a new type of product is creating a similar buzz among investors in the region.

Smart speakers—voice-activated, internet-connected devices such as Amazon.com Inc.'s Echo—have scored with consumers by allowing them to make purchases without picking up a phone thanks to onboard assistants like Amazon's Alexa.

Apple, Alphabet Inc.'s Google, Samsung Electronics Co. and several Chinese competitors have followed Amazon into the market in search of the next big trend in consumer electronics. That has added to demand for components like semiconductors, speaker modules and motion sensors coming from Asian suppliers, contributing to a supply crunch and lifting margins for those producers.

Smart speakers are just taking off, but will have a "smart-phone moment" at which point they become ubiquitous, said Oliver Lee, investment director at Old Mutual Global Investors, which manages \$37 billion in assets.

Sales are growing quickly. Some 10.7 million Amazon customers in the U.S. owned an Echo device at the end of the first quarter, up from three million a year earlier, according to research firm Consumer Intelligence Research Partners LLC.

The Echo was first offered to Amazon Prime customers in the U.S. in 2014. Last year, the U.S. company began selling its speakers in Europe.

Market-research firm Gartner estimates spending on smart speakers will total \$3.5 billion globally by 2021, compared with \$360 million in 2015.

"Amazon Echo, Google Home and Apple HomePod are going to be much more preva-



The Echo was first offered to Amazon Prime U.S. customers in 2014. It began selling in Europe last year.

lent in the home over the next three to four years," Mr. Lee said. "We're in the early stage for this rollout."

The sudden popularity of these devices has been a boon to component suppliers such as Taiwan's WIN Semiconductors Corp., whose share price has almost doubled this year. Investors are piling into the company, which trades at 25 times next year's earnings, Alibaba at 31 times and Baidu at 28 times.

Meanwhile, WIN Semiconductors trades at a multiple of 18.4, Primax at 12.2 times and Hua Hong at 9.8.

Still, smart speakers are in their infancy. In contrast, the smartphone industry is expected to generate spending of \$400 billion this year, a decade after Steve Jobs introduced the iPhone. In the first quarter, Samsung shipped 79 million smartphones while Apple sold 52 million iPhones, according to Gartner.

But the technology powering the voice-commanded assistants like Alexa represents a rich opportunity for investors.

Demand for smart speakers is expected to help spur what Nomura describes as an "unprecedented super cycle" for semiconductors, in particular dynamic random access mem-

J.O. Hambro Capital Management Ltd., have invested \$95 million in Primax shares this year, according to FactSet.

The component makers' shares are a comparative bargain.

Amazon trades with a multiple of 147 times next year's estimated earnings, Google parent Alphabet at 25 times next year's earnings, Alibaba at 31 times and Baidu at 28 times. Meanwhile, WIN Semiconductors trades at a multiple of 18.4, Primax at 12.2 times and Hua Hong at 9.8.

Still, smart speakers are in

ory, known as DRAM. The chips are used for servers powering cloud computing and artificial intelligence, which underpins speech-recognition software.

Stocks expected to benefit from the added demand include Samsung Electronics—which Nomura expects will surpass Intel as the biggest semiconductor company—and South Korean rival SK Hynix Inc., shares of which have more than doubled in value during the past year.

Fund managers say the rally has further to go. Hardware makers in South Korea and Taiwan that sell components for these products are in a strong position to generate higher margins for the foreseeable future, said Arthur Kwong, head of Asia Pacific equities at BNP Paribas Investment Partners, which manages €580 billion.

The MSCI Korea index is up 21% this year, while MSCI Taiwan has gained 13%. Both are ahead of the S&P 500, which has gained 9.5%.

"There's quite a high barrier to entry," Mr. Kwong said. "A lot of Chinese companies are trying to move into this space, and it'll take a long time for them to develop the required technology."

U.K. Shares Lead Gains in Europe

By SARA SJOLIN AND RIVA GOLD

European stock markets notched small gains, but the major U.S. indexes drifted lower as disappointing earnings results sent shares of food companies down.

The Stoxx Europe 600 index closed up 0.2%, or 0.59 point,

THURSDAY'S MARKETS partly recouping a 0.5% loss on Wednesday.

Germany's DAX 30 index tacked on 0.1%, and France's CAC 40 index turned lower, ending down 2.3 points at 5113.13 despite news of an increase in confidence in the manufacturing sector.

The U.K.'s FTSE 100 index rose 0.3% to 7407.06 despite lackluster economic news.

Economic growth in the U.K. was 0.3% in the second quarter, according to the Office for National Statistics' second estimate of the country's gross domestic product, up from 0.2% in the first quarter.

The report also showed consumer spending slowed "as households continue to feel the squeeze of negative real interest rates," according to Craig Eriam, senior market analyst at Oanda.

Provident Financial shares jumped 13% in London, partly recovering from a steeper drop earlier in the week. The stock fell by 66% on Tuesday after the subprime lender announced a profit warning, the withdrawal of its interim dividend and the resignation of its chief executive officer.

Dixons Carphone plunged 21% after the mobile-phone and electrical retailer warned fiscal 2018 profit would be much lower than last year, blaming challenging conditions in the U.K. mobile-phone market.

CRH climbed 3.8% after the Dublin-based building-materials company said it is selling

its Americas Distribution business to Beacon Roofing Supply for \$2.63 billion in cash.

SimCorp tanked 9.8% after the software company, based in Copenhagen, reported lower-than-expected earnings.

In the U.S., the Dow Jones Industrial Average fell 28.69 points, or 0.1%, to 21783.40, after edging lower Wednesday in the lowest-volume full session of the year. The S&P 500 fell 0.2% and the Nasdaq Composite slipped 0.1%.

Consumer-staples stocks were among the biggest losers in the S&P 500. In late trading, J.M. Smucker was down 9.8% and Hormel Foods had lost 5.3% after reporting weak results and lowering their guidance for the remainder of the year.

Central bankers gathered for the annual Jackson Hole symposium.

Stocks have wavered this month, as investors weigh solid earnings and steady global growth against geopolitical tensions and political uncertainty in Washington, D.C.

Meanwhile, central bankers and economists from around the world gathered in Wyoming for the annual Jackson Hole symposium. While no major announcements on interest rates or stimulus programs were expected, any hints at the course of policy in the fall could shake markets, analysts say.

"The Fed does a very delicate dance with the markets," said Chris Cordaro, chief investment officer at RegentAtlantic. Mr. Cordaro expects the Fed to be "gentle and subtle" with raising interest rates and trimming its balance sheet.



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MARKETS

OPEC Says All Options Are on the Table

One possible course for oil cartel is to extend output cuts, a move Angola backs

OPEC said Thursday that all options remained open at its next meeting in November, including extending the oil car-

By Benoit Faucon
in London and Neanda
Salvaterra in Luanda

tel's effort to reduce the global petroleum glut by withholding supplies—an option that one member, Angola, now says it prefers.

The Organization of the Pe-

troleum Exporting Countries has struggled to raise oil prices with a series of production cuts agreed to last December with nonmember countries including Russia. In all, OPEC and its allies said it is holding back almost 1.8 million barrels of oil a day through March 2018, almost 2% of global supply.

The cuts went into effect Jan. 1, but Brent crude futures prices have actually fallen 8.4% so far in 2017, settling Thursday at \$52.04 a barrel, down 1% on the day. The low prices have been alarming for oil-producing states that are cutting output but not seeing increased revenue from higher prices.

RONALD ZAK/ASSOCIATED PRESS



Angola's José B. de Vasconcelos

OPEC issued a news release Thursday saying "all options, including possible extension" of its production cuts past next March, are on the table at

its next major meeting on Nov. 30 in Vienna.

The news release was unusual. OPEC typically lets oil ministers from its member countries communicate independently about the options available at its major meetings.

This week, Angola became the first OPEC member to come out in favor of such a move publicly.

In a rare interview, Angolan petroleum minister José B. de Vasconcelos, said his country would extend the production cuts, as long as all OPEC members reach consensus.

"It is better to cut the level of production and make the price of oil rise instead of pro-

ducing at the max level and selling at low prices," he said.

Angola, which depends on oil revenue for almost 50% of its government revenue, has suffered during the three-year price downturn.

Construction has come to a halt, inflation has reached 40% and the International Monetary Fund expects Angola's economy to grow just 1.3% this year, following no growth in 2016.

After years of counting on oil prices over \$100 a barrel to balance its budget, Angola is now planning a budget for oil prices projected at \$46 a barrel, Mr. Vasconcelos said.

"Anything that is above \$50 is very important for us," he

said.

Mr. Vasconcelos said the days of \$100-a-barrel oil were likely over. "If we look at the reality today, that would be very difficult," he said.

Other OPEC members face similar harsh realities.

In 2016, Nigeria experienced its first full year of recession in 25 years, according to the World Bank. Venezuela has been the worst hit, with inflation reaching 127.8% in the first five months of 2017—the highest in the world. Charities in Venezuela are reporting a rising number of cases of starvation.

—Gabriele Steinhauser
in Luanda, Angola,
contributed to this article.

Banks Show Evidence Of Improved Fitness

BY BEN EISEN

Interest rates are softening again in 2017 after a brief surge at the end of 2016, but this week brought fresh signs that banks are on the mend.

Net interest margin, a measure of how much banks pocket from borrowing on a short-term basis and lending for a longer period, climbed to 3.22% in the April-to-June period, the highest for any quarter since the end of 2013, according to a report this week by the Federal Deposit Insurance Corp.

That has fed into lenders' profits, which were up 10.7% from a year earlier at \$48.3 billion, a sign of the continued rebound in the banking sector since the financial crisis. Nearly two-thirds of banks reported that profits had climbed from the comparable period last year.

"This was another positive quarter for the banking industry," said FDIC Chairman Martin Gruenberg in the report's news release. "Revenue and net income growth were both

strong, profitability reached a postcrisis high, and net interest margins improved."

Rates have continued to fall since the second quarter, which could cut into net interest margins. The yield on the 10-year Treasury note was at 2.185% around midday Thursday in New York. It had been at 2.298% at the end of June and 2.446% at the end of last year.

In a sign that banks are adjusting to low rates, they are becoming more comfortable making longer-term loans. Commercial real-estate loans, which are increasingly being extended for longer periods, now account for 12.9% of total bank assets, the most since 2010.

Another risk for banks is that the economy could deteriorate, eating into demand for lending or leading to more loan losses. Loan growth is starting to cool, according to the FDIC report. The \$9.4 trillion in net loans and leases outstanding last quarter was up 4% from a year earlier, down from last year's 7% growth.

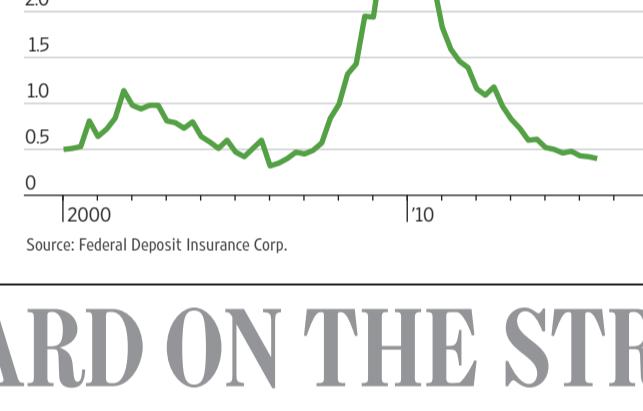
Signs of Strength

Bank profit gauges are rising while loan losses remain low, showing the industry has weathered a period of ultralow rates. Some analysts worry about rising exposure to commercial real estate and other highly priced markets.

Net income for U.S. banks, quarterly aggregate

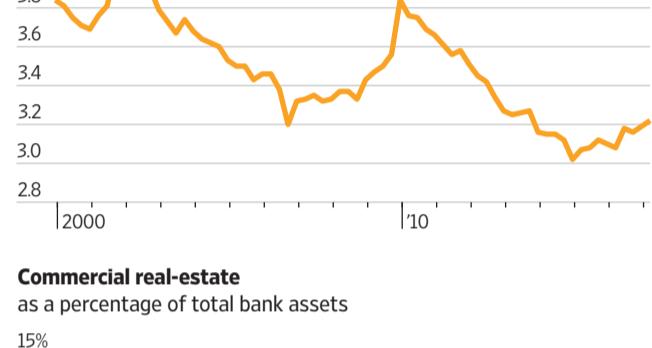


Quarterly net charge-offs at U.S. banks as a percent of loans and leases

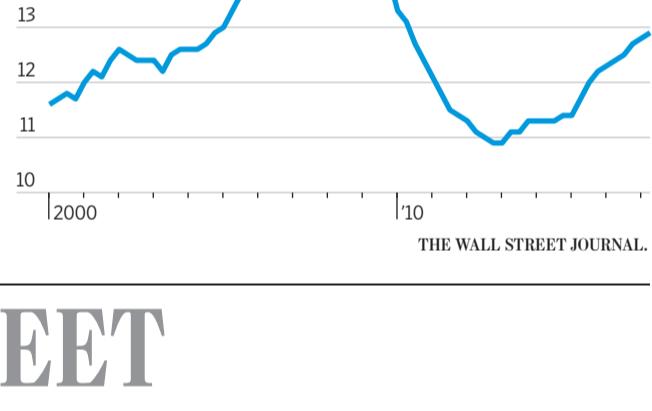


Source: Federal Deposit Insurance Corp.

Net interest margin for U.S. banks, quarterly



Commercial real-estate as a percentage of total bank assets



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Merck Is Good for Your Portfolio's Health

Cheap stocks are an endangered species, but not quite extinct.

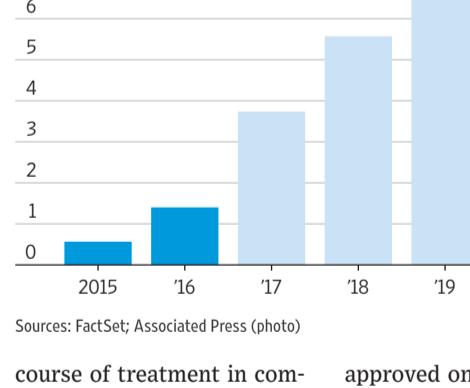
Merck & Co. is one example. As one of the largest drug companies in the world with nearly \$10 billion in sales last quarter, Merck is considerably less volatile than smaller drug stocks with higher expected growth rates. That means less upside potential than a leaner biotech, but far less severe risks.

The main reason to own the stock: Merck is set to become the market leader in drugs that empower the body's immune system to fight cancer. The arrival of these drugs is good news for investors as well as patients. Sales of Merck's immunotherapy drug, Keytruda, reached \$881 million in the second quarter, nearly triple their tally from a year ago. Its ascent is likely to continue for some time.

Keytruda won Food and Drug Administration approval to treat a common form of lung cancer in May as a first

Active Ingredient

Merck's annual Keytruda sales



Sources: FactSet; Associated Press (photo)



The drug, shown in a 2015 photo, won a key FDA approval in May.

THE WALL STREET JOURNAL.

approved only to treat common forms of lung cancer after another treatment has failed. Analysts expect \$7 billion in annual Keytruda sales by 2019, up from \$3.7 billion this year. That would translate into adjusted profit for the company of \$4.52 a share in 2019, up from an expected \$3.87 a share in 2017.

Similar drugs developed by rival manufacturers are

vaccines and animal health, continue to perform well. Merck's fairly clean balance sheet means it could comfortably use its cash flow to buy back stock aggressively. Merck spent about \$2.2 billion on repurchases in the first half of the year, or about 60% of operating cash flow.

Even if analyst estimates are on the mark, that growth rate is similar to what is expected from peers such as Bristol-Myers Squibb and Eli Lilly. Yet Merck shares can be bought at a fairly sizable discount to most large drug stocks and to the S&P 500. They trade at roughly 15 times forward earnings estimates. Bristol-Myers and Lilly fetch about 18 times.

Stocks that trade at a discount to the market are typically turnaround stories, yet Merck's shares offer exposure to perhaps the most exciting new drug in the industry. That means investors seeking growth and safety can have it both ways.

—Charley Grant

Growth Is The New Way for HP

What to do with a no-growth technology company that actually manages to grow?

That is the conundrum facing HP's investors. After shedding enterprise technology nearly two years ago, the remaining HP was thought to be the more boring half, stuck in the purgatory of personal computers and printers.

That hasn't proved to be the case. The company just reported its fourth consecutive quarter of revenue growth with its best numbers so far. Overall, sales for the fiscal third quarter rose 10%; Wall Street had expected less than 4%.

HP's stock still fell initially after the report Wednesday afternoon, though it bounced back Thursday. The mixed reaction was probably due to revenue gains not flowing through to earnings.

The bigger question is what investors should expect in the future. PCs aren't a growth business, though HP has wisely focused on the right areas, such as premium laptops. The company also has stabilized its vital printing-supply business, in which third-quarter revenue jumped 10% year over year.

Revenue growth for both HP's personal systems and printing segments is expected to flatten in the next fiscal year, setting a low bar the company should still be able to exceed.

It also helps that HP's stock is trading at just over 11 times forward earnings, among the cheapest of big tech companies and a 14% discount to its more troubled Hewlett Packard Enterprise cousin. Not a bad deal for a rebooted computer maker.

—Dan Gallagher

Finding Owners for Fiat Won't Be Easy

Investors' euphoric reaction to breakup rumors at Fiat Chrysler Automobiles makes clear that big is no longer beautiful in the automotive industry. The problem for FCA is that small isn't often beautiful either. It will be hard to achieve much more than spinning off its parts unit.

FCA's Milan-listed shares are up about 30% since the start of last week, including a 3% jump Thursday, as brokers have dusted off sum-of-the-parts valuations. First came news that the company had received a bid from an unnamed Chinese company. Then, Chinese sport-utility-vehicle specialist Great Wall Motor said that it was interested in Jeep, FCA's most

valuable brand. This week, breakup rumors have come to the fore: FCA is considering options including spinning off its upmarket Maserati and Alfa Romeo brands as well as its components businesses, according to Bloomberg News.

Chief Executive Sergio Marchionne clearly signaled a components spinoff on a quarterly call with analysts last month. This isn't revolutionary. It is also a no-brainer, given the valuation gap between parts makers and car makers. GM's stock trades at six times earnings and Delphi's at 13 times.

But the same logic can't be applied to Maserati and Alfa. Luxury car makers BMW and Mercedes-maker

Daimler are barely more appreciated than their mass-market peers—both fetch seven times—while smaller rivals Volvo and Jaguar Land Rover are straining to keep up with the shift to electrified cars.

It is clear Mr. Marchionne would like to find, at the right price, new owners for bits or all of FCA

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kebab, a juicy,
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in which east
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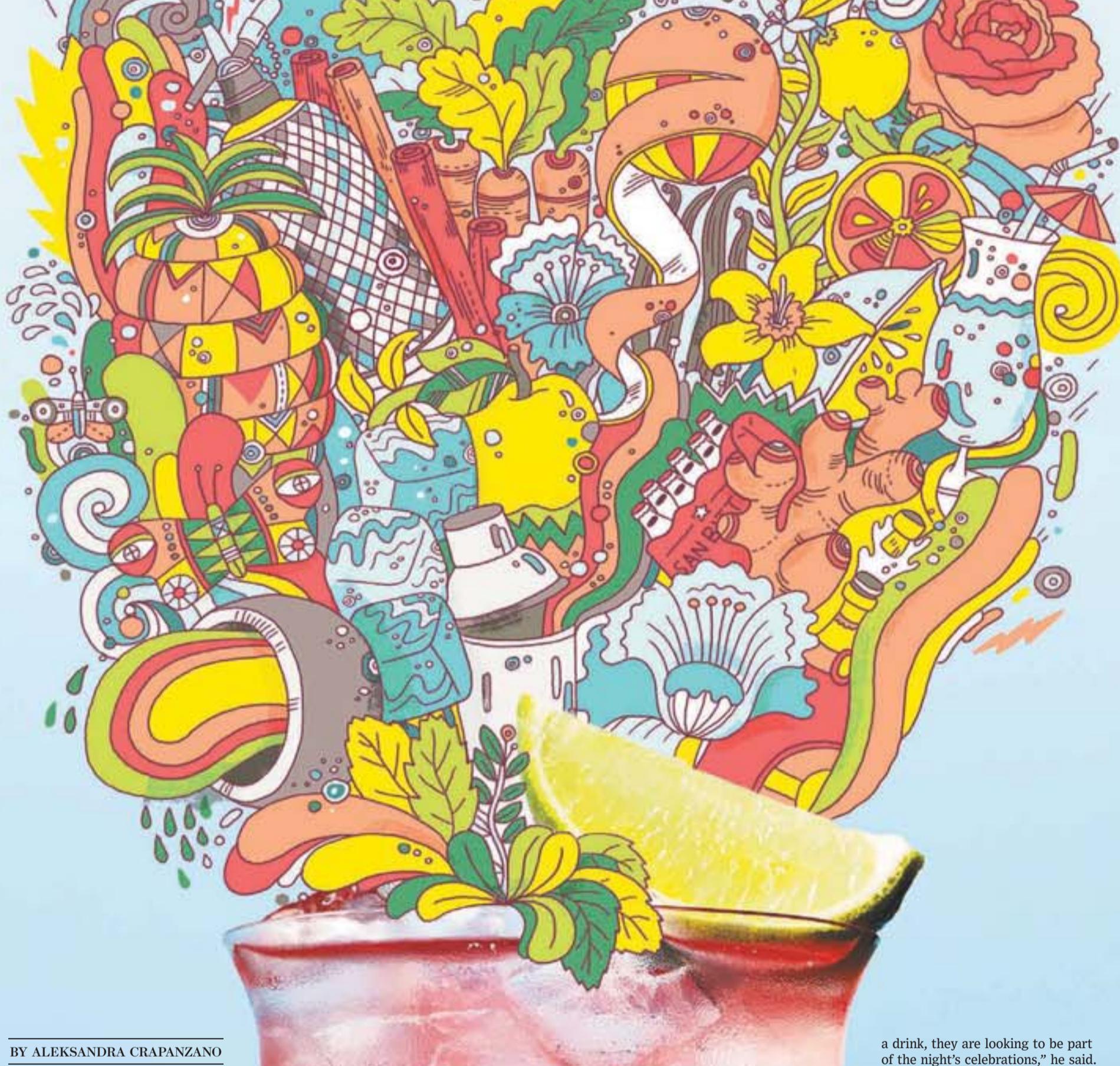
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Friday - Sunday, August 25 - 27, 2017 | **W1**

This Drink Has Everything...

...except alcohol. Sophisticated mocktails are becoming a fine-dining fixture, serving to awaken the palate, complement multicourse meals and punctuate an evening of indulgence as well as any cocktail could



BY ALEKSANDRA CRAPANZANO

ONE NEEDS NO excuse to order a cocktail. The pure pleasure of sipping is reason enough. But there are times when a drink serves an additional, culinary purpose. An aperitif before dinner teases the appetite and awakens the palate. A digestif offers burning clarity and a welcome, stomach-calming astringency at the end of a meal. Until very recently, however, if you weren't drinking alcohol, there was little of interest to serve these tasty functions. Sure, you could order fruit punches and sugary mocktails, but nothing with the finesse of a well-conceived cocktail. Nothing, in other words, that hit that ideal balance between acidity and sweetness, with enough complexity to stir mind and palate alike. That, happily, is no longer true.

Bartenders and mixologists across the country are upping their soft game, creating mocktails with the same degree of attention and creativity once reserved only for the hard stuff.

Nick Bennett, head bartender at Porchlight in Manhattan, applauds this inclusive spirit. "If someone is coming to your bar and asking for

a drink, they are looking to be part of the night's celebrations," he said. "And as bartenders, we wouldn't want to serve something that we wouldn't happily drink ourselves."

Chad Walsh, beverage director and sommelier at the Manhattan restaurant Agern, offers a nonalcoholic pairing menu of eight drinks for \$80. When he first offered this alternative to the usual wine pairing, he worried that the price tag would be a deterrent, even if the time and labor it takes to mix eight rather complicated drinks necessitates that high figure. "But people want that experience," he said, musing on the menu's popularity. "It's great for the staff, too, because they start thinking of flavors in a different way. For example, we'll look at why we might pair Cabernet Sauvignon with a particular dish, and we'll think about what in that pairing can inspire us to create a nonalcoholic alternative."

Mr. Walsh and other bartenders are finding a growing number of ingredients to draw on as they conceive their alcohol-free alternatives. This month, two new nonalcoholic distilled beverages will make their U.S. debut. Already popular in Europe, the two spirits made by Seedlip—woods Spice 94 and the herbal Garden 108—have

Please turn to page W2

OFF DUTY

PROPER DRINKS MINUS THE BOOZE

Continued from page W1

quickly made their way onto menus at Agern and Eleven Madison Park in New York, French Laundry in California's Napa Valley and Atelier Crenn in San Francisco.

Ben Branson, creator of Seedlip's spirits, discovered a 1651 edition of "The Art of Distillation" while trawling the web in 2013. Intrigued, he followed the recipes for a variety of medicinal tonics only to find they tasted awful. So he began experimenting with herbs grown on his family's 300-year-old farm in Lincolnshire, England. The result: spirits that are vegan, free of gluten and added sugar and absent alcohol. Amanda Hesser, CEO and founder of the website Food52, which sells both Seedlip varieties, said, "We fell in love with the purity and intensity of Seedlip. Almost immediately, it's become one of our best sellers."

Seedlip Garden 108 is distilled from peas, hay and herbs, while Seedlip Spice 94 is made with cardamom, oak and grapefruit. Both pair well with tonic water. "When two friends go into a bar, and one orders a vodka and tonic and the other orders a Seedlip and tonic, they can watch the barman doing the same thing. No one feels left out," Mr. Branson said.

With a few flavorful syrups in your fridge, making sparkling drinks is easy as opening a bottle.

The fast-growing soda company Dry Sparkling was launched by founder and CEO Sharelle Klaus in 2005. Now the mother of four children, Ms. Klaus spent close to a decade, she said, either pregnant or getting pregnant. One evening, she had dinner plans at the French Laundry, but the idea of an extraordinary meal without wine pairings was so disheartening she canceled her reservation. Regret sparked inspiration, however, and led Ms. Klaus to create her line of beverages.

The Dry Sparkling website offers possible food matches: cucumber soda with ceviche; rhubarb soda with barbecue; juniper with filet mignon, pho or Cioppino; blood orange with tacos, oysters or scallops. "When I launched the company, it was a risky idea, but I believed that American palates were changing and expecting more," said Ms. Klaus. Twelve years later, Dry Sparkling can be found in 30,000 stores in the U.S., including Target and Whole Foods.

Homemade sodas are nothing more than infused simple syrup topped with sparkling water. With minimal effort, most can be made at home. Try experimenting with infusions of spices, flowers and herbs. Once you have a few flavorful syrups in your fridge, making homemade sparkling drinks is as easy as opening a bottle.

Bear in mind that, like cocktails, mocktails are best when they are neither too sweet nor too bitter. One well-balanced category of drink, shrubs, made with fruit and vinegar, "are super food-friendly, beautiful and a good way to use seasonal fruit and preserve it," said Mr. Walsh. Florals can add an exotic touch to citrus. A few drops of rose water in lemonade or a splash of orange-blossom water in orange juice, for example, can lend just enough intrigue. Adding a touch of vanilla to limeade creates the illusion of creaminess. A few dashes of bitters in grenadine turns a child's drink into a more refined adult one.

The mocktail recipes here are good anytime day or night. But consider them

1. Georgia on My Mind

Make peach juice: Peel 8 ripe peaches, slice in half and discard stones. Puree in a blender. (You should have 2 cups puree.) Add 2 cups plus 2 tablespoons freshly squeezed orange juice, 1 cup filtered water, 1 cup almond milk, 1 cup freshly squeezed lemon juice, 1 cup agave syrup and 1 teaspoon ground cardamom. Split a vanilla bean and scrape seeds into blender. Discard bean. Blend on high until smooth. Strain juice through a fine-mesh sieve and discard solids. Chill juice until ready to serve. (Juice can be made up to 3 days in advance.) // Serve in a Collins glass over ice. Garnish with a peach slice, if you like.

—Adapted from Aaron Paul of Alta at Minnesota Street Project, San Francisco

1



2. Saffron and Cinnamon on the Rocks

In a saucepan, combine a 2-inch cinnamon stick, 2 inches fresh ginger root and 1/2 cup sugar with 12 ounces water and bring to a boil over medium heat. When syrup has thickened slightly, add 1/2 teaspoon saffron strands and cook 1 minute more. Remove syrup from heat and let cool to room temperature. (Syrup can be set aside a few hours to further infuse if you have the time.) Strain cooled syrup into a pitcher. // Add 1 tablespoon syrup to 4 Martini or coupe glasses. Add a bit of crushed ice and top with chilled still or sparkling water. Garnish with saffron strands and serve immediately.

—Adapted from "Mocktails, Punches and Shrubs" by Vikas Khanna

2

2



3



3. Thai'd Down

Combine 1/2 ounces unsweetened coconut water, 1/2 ounce strong ginger syrup (such as Liber & Co. Fiery Ginger Syrup), 1/2 ounce pineapple gum syrup (such as Liber & Co.), 1/2 ounce lime juice, 2 dashes Angostura bitters, 1 basil leaf torn in half and 3 mint leaves in a cocktail shaker with ice. Shake until the tin is well frosted and very cold, about 20 seconds. Strain into a Collins glass over crushed ice. Top with the chilled soda water. Garnish with a lime wedge.

—Adapted from Adam Higginbotham of Liber & Co., Austin, Texas

3



2 cups. Store in a jar in the refrigerator up to 1 month. // Pour 1 cup hibiscus syrup, 4 cups water and 1/2 cup lime juice into a pitcher and stir until well combined. Either serve immediately or keep refrigerated until needed. To serve, pour into a Collins glass over ice and garnish with lime slices.

—Adapted from Josef Centeno of Bäco Mercat, Los Angeles

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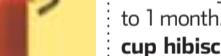
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5. N/A-Groni

Make simple syrup: Combine 1 cup sugar and 1 cup water in a small saucepan and heat, stirring over a low flame until sugar has completely dissolved. Remove from

5



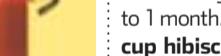
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—Adapted from Michael Anthony of Gramercy Tavern, New York

6. Raspberry Rose Soda

Make the raspberry puree: In a blender or food processor puree 4 quarts fresh or frozen raspberries on high until smooth. Strain to remove any seeds. You should have 1 quart of puree. // Combine 1/2 quart raspberry puree with 1 cup sugar, 1 cup organic rose petals (available at kalustyans.com) and 1 cup water, and

6



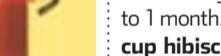
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—Adapted from Miro Uskokovic and Brittany Tinelli of Gramercy Tavern, New York

7. Hibiscus Limeade

Make hibiscus syrup: Put 2 cups water and 2 cups sugar in a saucepan and bring to a boil. Remove from heat and add 2 ounces dried hibiscus flowers and a pinch of salt. Steep 4 minutes. Strain syrup and discard hibiscus. Makes about

7



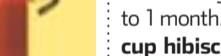
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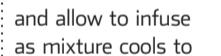
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—Adapted from Adam Higginbotham of Liber & Co., Austin, Texas

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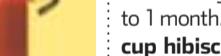
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Combine 1 ounce real grenadine, 1/2 ounce lemon juice, 4 dashes Peychaud's bitters and 3 mint leaves in a cocktail shaker with ice. Shake until the tin is well frosted and very cold, about 20 seconds. Strain into a chilled Collins glass and top with 2 ounces chilled soda water or sparkling water. Garnish with a lime wedge.

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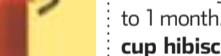
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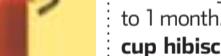
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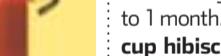
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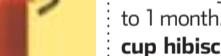
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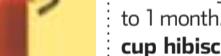
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OFF DUTY

Tan-I-Am Trouzers

No longer the bland conformist, khakis freestyle into fall with a flattering cut and distinctive details that give them a stylish new profile

BY JACOB GALLAGHER

BEIGE AND NONDESCRIPT, khakis are the most common form of fashion camouflage. "Oh, don't mind me, I'm just another cubicle-bound commuter," they mutter on the street and in the subway. "I'm here to blend, not offend," they whisper at the water cooler. Khakis peaked as a style statement in the early 1990s, when Gap ran their notable "They Wore Khakis" print-ad campaign, featuring such icons as Frank Sinatra, Pablo Picasso and John Wayne in them. At the time, those titans lent a certain cool to the ho-hum basic, yet for most of us, the tan trouser remained a mere olive in the martini glass, not the whole swanky drink.

Lately, though, a funny thing has happened to menswear's less-than-hip pants: Khakis have become compelling. Eye-catching cuts make them an alternative for casual workwear or weekend jeans. Some have wider legs, like those in heavy twill from Noah; others, like S.K. Manor Hill's, sport retro front-pleats, and Pilgrim Surf + Supply's version flaunts dressy one-and-a-half-inch cuffs.

Men seeking a comfortable fit will applaud the 'carrot' cut, a slightly wider fit at the waist that tapers to the ankle but isn't as narrow as the slim cut that has dominated trouser tailoring for so long. "We wanted a silhouette that had a pleat and a cropped [length] because it feels relaxed," said Karin Gustafsson, the creative director of Swedish label Cos.

While the new khakis might turn heads, we're still talking beige trousers. "No one is thinking, 'What the ef is that guy wearing?'" said Josh Peskowitz, owner of Los Angeles boutique, Magasin. Yet the cuts may need a different kind of shoe: burlier boots will pair well with Noah's broad-legged pants, while more-tapered trousers, such as Gucci's, call for a low-profile loafer. Done right, these torqued-up tans speak up but don't get bratty.



KICKED-UP KHAKIS

Wider (but not flared) legs and soft pleats gives these pairs an edge over your granddad's Dockers

ADAM KATZ SINDING (LEFT); F. MARTIN RAMIN / THE WALL STREET JOURNAL, STYLING BY ANNE CARDENAS (BELOW)

KHAKI KINGS // FIVE FASHIONABLE UPGRADES OF THE CONSERVATIVE CLASSIC



Trekker Touches

Inspired by vintage rock-climber shorts, this sporty Pilgrim Surf + Supply pair is kitted out with three zippered pockets and a webbed belt. Yet the tapered fit and cuffed hem makes them as ready for a city commute as the Colorado wild. The light-weight twill adds to their versatility. Pants, \$215, pilgrimsurfsupply.com

'Carrot' Cut

Carrots: good for your eyes, great for your body image. The flattering "carrot" cut is so dubbed for an inverted triangle shape that flows from a roomier seat to tapered legs. Single-pleated and nipped at the hem, this Cos pair doesn't overdo the volume and looks sharp with a slim-fitting shirt. Pants, \$99, cosstores.com

Bright Detailing

It's good to have options, and Gucci's tapered khakis allow for just that. Feeling plucky? Tuck your polo in, forgo the belt (button side tabs keep you from dropping trou) and display the colorful grosgrain strip in the back. Guys playing it safe can slip on a belt, and no one will be the wiser. Pants, \$660, gucci.com

Tougher Textiles

Just normal khakis, right? No chance of that from New York brand Noah, which employs a burly twill to provide a nice heft you won't get from chinos. These are rake-the-leaves-and-crack-a-beer-in-October pants, with a straight-leg fit that keeps them trim and tailored, not skinny and clingy. Pants, \$228, noahny.com

Roomy Upgrade

As with many neo-khakis, S.K. Manor Hill's New York-made trousers have a single front pleat for an easy fit. Designer Dominic Sondag tripled down on his comfort quest with a longer, cross-front fly and an elastic waist, adding a stitched-in crease, an extra you usually find on dress trousers. Pants, \$415, skmanorhill.com



QUILTING

As a new designer, Mr. Green couldn't afford expensive down feathers, so he tapped his upholsterer uncle to provide affordable fluff. Much to his surprise, the couch-cushion polyester fill gives it a 'clean, flat' look.

COLOR

This electric hue, often referred to in the fashion world as 'Yves Klein blue,' for the French painter who created the shade in the 1950s, is close to the color of the delivery jacket Mr. Green wore while a design student.

POCKETS

As on five-pocket jeans, metal bartacks reinforce mitered corners and slit pockets. The four-pocket design lends pack-mule storage to the unlined jacket. For those who prefer the hint of a waist, side ties cinch in the boxiness.

Craig Green
Quilted Jacket,
\$670, mrporter.com

POINTS OF DISTINCTION

SPECIAL DELIVERY

Inspired by a utility jacket, this quilted version gets inventively reworked into a spiffy classic

DURING HIS STUDIES

at London's Central St. Martin's University, Craig Green dressed more like a handcart pusher than a fashion-design student. "I wore a William Grant-whiskey delivery jacket," said the 31-year-old British designer, who found the topper in a secondhand store. In class, he studied couture clothing, but on his back (and on his mind) was that unadorned utilite coat in heavy, durable cotton.

So when Mr. Green started his eponymous brand in 2012, the patch-pocketed, slightly boxy gem became the inspiration for its signature jacket. "It's something we have gone back to every season, so it's kind of the heart of the brand," he said.

Each jacket has had its own distinct personality: Sophisticated in washed silk or more homespun, crafted from carpet scraps, the worker's jacket evolved. The most eye-popping iteration: a Spring 2016 leprechaun-green version with streaming spaghetti strings on the arms. But it's this quilted it-

eration, introduced two years ago, that is the label's answer to a basic ol' quilted Barbour jacket. Mr. Green's design rewards closer inspection, as its details don't brazenly call attention to themselves. One revision resulted from his own experience: Wearing his jacket day after day, Mr. Green observed that the undercollar discolored. A supple strip of black corduroy was added, and voilà, no more browning.

Chalk it up to Mr. Green's own working-class roots (his father is a plumber, his uncle, an upholsterer) that the trusty layer's style endures more than one season. "If I find a fit I love, I'm annoyed if I go back a year later and don't like it anymore," he said. In so doing, he is bucking the make-it-new fashion cycle and offers his jacket in the same easy fit and shape year round—and year after year. "[Men] like to stick with what they like," said Mr. Green. "They're creatures of habit."

—J.G.

OFF DUTY

Host a Cultivated Garden Party

As you gear up for the summer's last backyard get-togethers, crib these easy, elegance-adding strategies from the pros

BY CATHERINE ROMANO

NOT THAT your soirees are catered out of the trunk of a car or revolve around a staked pig in a fire pit, but even sophisticated hosts can lift good ideas from other tasteful party givers. Here, interior designers, chefs and event planners share their go-to hacks for turning a standard backyard party into an evening to remember.



▲ Beautify the hors d'oeuvres

"Flower-pressed cheeses make appealing appetizers," said Stefani Bitter, who with Alethea Harampolis authored "Harvest: Unexpected Projects Using 47 Extraordinary Garden Plants" (Ten Speed Press). In cold water, dip edible flowers such as nasturtiums or the blossoms of chives or basil; let dry on a towel; then gently press the flowers into a cheese round.

Conjure destinations

"People tend to congregate in the same area—typically the bar," said New York designer Phillip Thomas, who creates focal points to entice guests to wander. Some suggestions: a fire pit, giant Jenga or Connect-4 style games, croquet, bocce or pétanque. Group a few lawn chairs away from the action for those who want to sit and chat, added Mr. Thomas. Visually, that creates "an interesting fixture on the horizon as well as a destination."

Cart the libations

"A rolling bar cart is a great investment that can elevate an otherwise laid-back outdoor meal and be used indoors during winter months," said Manhattan designer Tina Ramchandani. It also allows people to serve themselves.

Domesticate the yard

Shannon Wollack, founder of Studio LifeStyle in Beverly Hills, Calif., suggests bringing the indoors out by setting floor pillows on the grass or a blanket beside a low table. "This creates visual layers, but it's also functional," she said.

Channel Liberace

"Candelabras at a casual party can be a great contrast and dramatic," said Sag Harbor, N.Y., designer Tamara Magel. In her place settings, green glasses echo the verdure in the yard. "It changes the whole feel of the table," she said.



HOLLY WALES



▲ Banish red solo cups

New York event designer and planner Bronson van Wyck suggests springing for classic (and shatterproof) silver julep cups. "They feel polished and can double as vases for flowers, greens and garnishes," he said. "Everything tastes better in them, too, especially bourbon."

Think location

"I like eating under the long expanse of a tree limb or in an indoor-outdoor space with a view framed by nature," said San Francisco landscape designer Katharine Webster. "These types of scenarios create lasting imprints we yearn for in the deep dead of winter."

Sack the tables

"I love using burlap for my tablecloths," said Tanya Nayak, a Boston interior designer and restaurateur. "It's inexpensive, disposable and gives an outdoor party a rustic chic feel."

Be of the cloth

MYdrap biodegradable cotton napkins can be washed six times before you toss them, said Raun L. Thorp, of New York architects Tichenor & Thorp. They're available in multiple sizes and colors, "and they come on a roll!"



▲ Switch up the greenery

"In an elegant outdoor table-scape, it's all about creating texture," said Andrew Petronio of New York's KA Design Group. Succulent plants add an unexpected organic note.

Soft-pedal the silver

"Wax papers come in a variety of colors and help mismatched serving pieces feel cohesive," said Mr. van Wyck. You can even break out the

fine stuff. "Upgrade your spread with your grandmother's silver trays," he said, "which will look right at home in the backyard when lined with red waxed paper."

Deluxe the comfort food

"Add some high-low combinations to your menu," said New York party planner Sam Masters. "Truffled mac-and-cheese, sage-brined fried chicken and a pickled-okra and heirloom-tomato salad are fancy twists on easy classics."

Coordinate your condiments

Transfer ketchup, mustard, et al., to plain clear squeeze bottles, which can be found at the Container Store, suggested Brooklyn, N.Y., chef and stylist Anna Harrington. "They'll look neat—matching and without branded labels."

and Seattle. This eliminates a flow of people taking trash inside or, worse, setting it down randomly.



▲ Light the way

"We love all of the modern options for rechargeable LED lighting," said Anita Dawson of San Diego's Dawson Design Group. Favorites include the portable FollowMe table lamps by Marset. "They hold their charges for hours and can easily follow the party as guests migrate from patio, pools and if you're lucky, to the beach."

SWOON SONG

Floral designer **Lindsey Taylor** creates a radiant bouquet that evokes the withering heat of Vincent van Gogh's 'Olive Trees'



THE INSPIRATION

THANKS TO the way Instagram allows us to armchair-travel via everyone else's summer vacations, I've been feeling a deep desire to be in the south of France and quite frankly wonder why I'm not there. To satisfy that urge, I turned to Dutch Post-Impressionist painter Vincent van Gogh (1853-1890) and one of the 15 paintings he made of olive trees in Saint-Rémy-de-Provence. Produced from 1889 to 1890, they powerfully evoke deep summer. The fiery-yellow sky and swirling gestures in "Olive Trees," part of The Minneapolis Institute of Arts collection, felt exactly as I usually do this time of year...hot and dizzy.

Like most artists, van Gogh had an innate ability to look closely at nature, seeing what others miss. In letters to his brother Theo, he expressed frustration at being unable to re-create the beauty he saw. I tried to put a little of that sadness, and the heat of the summer he captures so well, into my arrangement. I started by gathering some height-of-the-season classics like yellow



THE ARRANGEMENT

sunflowers and yarrow. I didn't have olive branches to snip so went for cuttings of my Salix purpurea 'Nana' (a compact willow), whose foliage looks a bit like olive leaves. Blooming bronze fennel gave me the relaxed look I wanted, and from the flower market I brought in strong orange ranunculus, not exactly in season but crucial to the hot palette. A simple inexpensive footed bowl served as my vessel. Pedestaled bowls give another dimension to flower arranging, as they provide a lift to the bouquet and allow the flowers to gracefully tumble far below the composition's center before

hitting the table. Floral tape adhered in a grid across the rim fashioned support for the stems. I let some of the flower collapse on the table, as if exhausted by the heat and overwhelmed perhaps by too much

beauty—maybe similar to the way van Gogh may have felt. I enjoyed watching the bouquet age, too, continuing to look beautiful as it flopped and faded before its final demise.

Vessel: designer's own

OFF DUTY



IN SEARCH OF

Bundles of Joy

A guide to Berlin's star sandwiches, the döner kebab, the savory Turkish import that's been supersized for Teutonic tastes

BY JAY CHESHES

You want everything on it, you order it *komplett*," instructed Berlin food blogger Per Meurling as we strolled up to a window at a döner kebab shop in Kreuzberg, the city's hipster hood, to order a hulking meat sandwich. Mr. Meurling, a Swedish expat who moved to the German capital in 2009 to work in mobile gaming, now trains his laser focus on the city's ubiquitous dish: döner kebab sandwiches. He not only publishes a regularly updated list of the city's best versions on his website, berlin-foodstories.com, but leads occasional—and immensely filling—tours across the city, zipping from one döner spot to the next.

Few foods are as emblematic of Berlin's new multiculturalism as döner kebab—it's more popular than schnitzel.

This portable meal first arrived in the German capital in the 1960s with the Turkish guest workers who came to the city as part of an agreement with Turkey during Germany's postwar boom, bringing along their food traditions. The vertically stacked spit-cooked meat that's a staple of Turkish cooking ("döner" translates as rotating) was stuffed into bread here, and over the years, the sandwich morphed to adapt to Teutonic tastes with the bulging addition of salads and sauces.

Nobody knows for sure exactly when or where the sandwich made its debut. That it even started here remains widely disputed—it's just as popular in Istanbul (though generally served with far fewer condiments). "At least two people [in Berlin] claim they are the inventors of döner kebab, and they're both lying," said Pierre Raffard, a French academic who has been working on a book about döner and its spread around the world. Mr. Raffard said the idea of stuffing döner meat in bread goes back to the 19th century

in Turkey, but in Berlin it grew into a highly organized commercial force. "It's from Berlin that it spread to new countries and conquered new customers," he said.

Few foods are as emblematic of the German capital's new multiculturalism. This east-west hybrid has become more popular than currywurst, schnitzel and pretzels—sold on seemingly every corner, from gas-station convenience stores to full-service restaurants. Now döner factories across the country supply cookie-cutter fast-food spots with meat, bread and packaged sauce. "A lot of the mass-volume döner is crap," said Mr. Meurling as we dug into the first sandwich on our tasting tour. "We're basically going to unicorns," he added, referring to the city's few standout purveyors.

Reliably quick and cheap, a serving of Berlin döner generally costs under \$5. The sandwiches come in puffy bread and hoagie rolls, or rolled like burritos in flat dürrüm-wheat bread. Condiments run the gamut from classic lettuce, tomatoes and onions to Germanic red cabbage, with your choice of garlic, herb and sweet-chili sauces. The meat, rubbed in a spice blend fragrant with cumin and coriander (sometimes with a jolt of hot Turkish paprika), can be hand-sliced with a long saber of a knife or sheared off with an electric shaver. The stacked meat is often beef or veal, occasionally flavored with layers of lamb fat (actual lamb being too costly). Chicken, served with fried vegetables, is its own distinct genre.

The artisanal döner kebab has yet to make an appearance, but not for lack of effort. Last summer, food activists including Kavita Meelu, who organizes a popular street-food market on Thursday nights in Kreuzberg, helped launch the first Kebabistan, a food fair designed to encourage creative thinking around döner and its Middle Eastern cousins such as shawarma, which arrived with new waves of immigrants from Syria and Lebanon. "Since the 1970s the aim for kebabs has basically been to make them cheaper," she said. "They haven't evolved to represent the new generation of immigrant children who grew up in Germany—maybe it's time for a discussion of what the kebab should look like now."

ECLECTIC Rüya

Few dispute the Berlin origins of the kitchen-sink sandwich sold at Rüya, a graffitied shack in the Schöneberg section of the city. "Gemüse kebab" in the local lingo, this slightly more healthy spin on the classic veal or beef döner features shaved chicken, crumbled sheep cheese, fresh mint, fried potato, carrot and eggplant all served in a hoagie bun. The famous purveyor of this niche döner style remains Mustafa's, a hugely popular cart in the neighborhood next to Rüya's—but the quality is as good here, insists Per Meurling, and the lines much shorter. *Hauptstrasse 133, facebook.com/RuyaGemuseKebab*



MEATLESS Voener

Berlin's first vegan döner purveyor opened its bricks-and-mortar location in 2006—serving the same fake-meat sandwich they'd been selling for years at music festivals across Germany. A loaf of rusty-hued seitan rotates on a spit inside the cozy shop. With its crispy edges and peppery finish, the sliced-up wheat protein makes a pretty good stand-in for meat, piled into warm Turkish bread with lettuce, tomato, and chili and herb sauces. *Boxhagener Strasse 56, voener.de*



BEEFY Imren Grill

For a more assertive sandwich, a few döner spots substitute beef for milder veal on their rotating meat stack. Imren Grill, a mini-chain with six spots across the city, serves one of the meatiest, most potently seasoned beef döners in town. A generous heap of beef, flavored with caramelized onion and melted lamb fat, is stuffed into puffy bread smeared, if you like, with extra-fiery hot sauce. A light sprinkle of tomato and lettuce top the heap. *Karl-Marx-Strasse 75, imren-grill.de*



CIVILIZED Hasir

Many döner spots are no-frills grab-and-go operations with bright overhead lights and a few bare-bones seats. The flagship Hasir off Kottbusser Tor—part of a group of restaurants descended from Mehmet Aygün's original döner shop, where the sandwich may have first appeared in Berlin—offers a more civilized dining experience, with waiter service, upscale décor, even a chance to sip beer while you eat (most döner joints are alcohol-free). The döner itself is a pretty classic veal number, the meat hand-sliced in the window with long strokes of a blade. *Adalbertstrasse 12, hasir.de*



CLASSIC Tadim

Few spots do a classic Berlin-style veal döner sandwich as well as Tadim. This 20-year-old hole-in-the-wall in Kreuzberg nails all the elements of the standard-issue model found across the city. Its massive two-handed sandwich features a big crusty triangle of soft warm Turkish bread pried wide-open and filled to bursting with succulent spiced meat, shredded lettuce, chopped tomato, sliced onion and a drenching of house-made red chili-and-yogurt-based garlic and herb sauces. *Adalbertstrasse 98, tadim-lahmacun.de*

OFF DUTY

Happy Little Campers

Easier to park than traditional RVs but packed with amenities, compact campers make it easy to bring your home away from home

BY JONATHAN WELSH

DID YOUR LAST stay in a cookie-cutter hotel room or subpar Airbnb apartment leave you longing for cozier lodging? As many road-tripping vacationers are discovering, the most satisfying form of shelter might be the type you can hitch to the back of the car.

A natural extension of the Tiny House movement, a new crop of stylish travel trailers is attracting first-time buyers to a market that once seemed dated and dowdy.

Unlike the camping trailers that were the rage in the 1920s and 1930s, today's models have rugged body shells made of composite materials, smooth-riding suspensions and interiors that can be rejiggered for the needs of the day.

Nor are we talking about your father's hulking RV, either, with its elaborate décor, complicated plumbing and sprawling dimensions that make finding parking difficult to impossible.

Modern-day mini trailers are, above all, practical. With square footage typically under 100 square feet, you don't need a pickup truck or SUV to tow them. In most cases, a sedan can do the job.

These trailers are making a big dent on the overall RV market, where sales are breaking records. Last year, shipments for recreational vehicles of all types totaled 430,691—a 15% increase over the preceding year, according to the



ILLUSTRATION BY DAVE URBAN

Recreational Vehicle Industry Association.

And shipments hit 256,430 in the first half of this year, with trailers (not motor homes) making up the vast major-

ity, over 87%.

Unlike an RV, small trailers aren't meant to serve as full-fledged living quarters. For most fans, a trailer serves as a carryall

and mobile motel room; the main draw is what happens outside and around, rather than inside. They're ideal for vacationers who want to bring along more bikes, boats or

other gear than will fit on the roof of the station wagon.

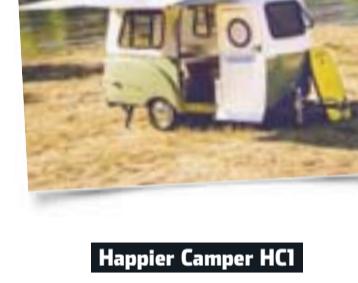
Here's a look at some of the most stylish, practical and versatile tag-along options on the market.

TOW POWER TO YOU // FIVE ESPECIALLY FETCHING AND COMFORTABLE CAMPERS YOU'LL BE HAPPY TO LUG ON YOUR NEXT ROAD TRIP



Airstream Basecamp

Airstream previously targeted younger travelers with its small Basecamp trailer in 2007, but within two years the recession had sidelined the model (and most of the RV industry). Today, however, the redesigned aluminum trailer has taken off. "We launched the Basecamp with a goal to build 10 trailers a week," said company CEO Bob Wheeler, but weekly production soon jumped to 15. Although the Basecamp is not intended to be a house on wheels, according to Mr. Wheeler, it does offer many comforts of home, including a refrigerator, sink, two-burner stove and optional microwave oven. Sure, the toilet is inside the shower stall to save space, but there is a hand-held outdoor shower. The kitchen counter sits below a wrap-around window at the front of the trailer for panoramic views while cooking. A less-expensive entry model, the Nest, is slated for release next year. From \$35,900, airstream.com



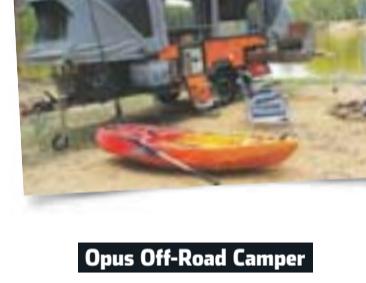
Happier Camper HCI

With an unloaded or "dry" weight of 1,100 pounds, the Happier Camper is among the lightest trailers available and is well within the towing capacity of most cars (even compact models). Its 72-square-foot interior—the smallest of the bunch—might make a Manhattan studio apartment seem roomy, but a system of modular furniture, called Adaptiv, makes the most of the limited space. Blocklike elements—ranging from chairs and tables to kitchen sinks and ice chests—are of a uniform size so they can be efficiently arranged in the camper. Switch the interior from kitchen to living room, lounge to sleeping quarters for up to five, all on the fly. The furniture and even the stove can be detached and used outside. Tall adventurers, take note: The approximately 6-foot-high ceiling might require some stooping. From \$18,950 (\$26,740 for the Premium model shown), happiercamper.com



Safari Condo Alto R Series

The wind-tunnel-designed trailer's total height is just under 7 feet and shaped like an airfoil. According to Safari Condo, the unusual design of the Alto serves two purposes: The aerodynamic form improves the tow vehicle's fuel efficiency, and the design is low enough to fit easily through a standard garage door. When you reach your destination, just flip a switch to engage an electric motor that raises the Alto's roof and reveals a crescent-shaped expanse of windows. This not only allows light to flood in but boosts headroom to a generous 6 feet 10 inches—enough to keep most travelers from feeling hemmed-in. The Alto's interior includes a flush toilet, stove, microwave oven, refrigerator and beds that can sleep up to four people. According to the manufacturer, the camper's aluminum and plastic structure are recyclable. From \$28,300, safaricondo.com



Opus Off-Road Camper

Although pop-up campers—which blend the rigid structure of a trailer with the fabric enclosure of a tent—have been around for decades, the Opus Off-Road is much more convenient to set up. This rugged trailer offers a \$2,500 upgrade called Air-Pole that raises the tent automatically in 90 seconds. Just park the trailer, open the lid and turn on the built-in air pump. You'll have to tuck in the ends of the tent and fasten a few external support rods, but there's no need to wrestle with unwieldy tent poles. Despite its relative lack of structure, it still offers a sink, four-burner stove and refrigerator, which slide out from the side of the trailer to form an outdoor kitchen. The interior living space isn't too shabby either: It includes double beds at each end, a dining table and banquette that converts into a bed for two. From \$21,999, opuscamper.us



Winnebago Winnie Drop

Winnebago has been in the trailer business since the middle of the last century, and the aggressively priced Winnie Drop is a homage to one of the company's models from the 1950s. Similar to a shrunken version of a full-size trailer, the Winnie Drop offers a number of big-trailer features, like a stand-up shower, indoor and outdoor kitchens and an expandable section that slides out to the exterior to add interior space. And while the Winnie Drop lacks the updated styling of the Alto and Airstream, it does offer more interior elbow room and storage space. Just be aware that there is a trade off for that roominess, however: Weighing in at as much as 2,800 pounds empty and 3,800 when fully loaded, the Winnie might be too much mass for some cars and even smaller SUVs to haul comfortably. From \$13,333, winnebagoind.com

GEEK CHIC

FLY AND DRY

Waterproof sacks aren't just for outdoor enthusiasts. They're also a godsend for the tech-savvy seeking to prevent electronics from getting soaked

FOR PACKABILITY

1. Matador's Freerain24 Backpack

Made from an ultrathin 30D Cordura nylon, this featherweight backpack can be folded down into a packet small enough to fit in the palm of your hand or stuff into your back pocket. A main compartment with a roll-top offers 24 liters of waterproof storage, while a non-waterproof zippered compartment, spanning the length of the bag, provides quick access to your less-delicate possessions.

FOR RUGGEDNESS

2. Watershed's Animas Backpack

Weighing a hefty 2 pounds, Watershed's military-grade Animas pack,

made of thick 420D Cordura, may not be the lightest option, but it is exceptionally sturdy. A ZipDry closure—think heavy-duty Ziploc bag—ensures a foolproof seal. And the bag's subtle coyote color transitions effortlessly from office to campfire.

FOR CLASSIC STYLING

3. Poler Stuff's Rambler Backpack

The Rambler Backpack melds the practicality of a dry bag with the form of a traditional backpack. Waterproof, sealed zippers pair with a matte-black finish for a more metropolitan feel. An integrated neoprene laptop sleeve protects your computer from bumps, while bold bands of reflective silver improve visibility in the rain. —Lauren Ingram



IN THE BAG From left:
Freerain24 Backpack, \$60,
matadorup.com; Watershed
Animas Backpack, \$148,
bestmadeco.com; Rambler
Backpack, \$95, polerstuff.com

MANSION

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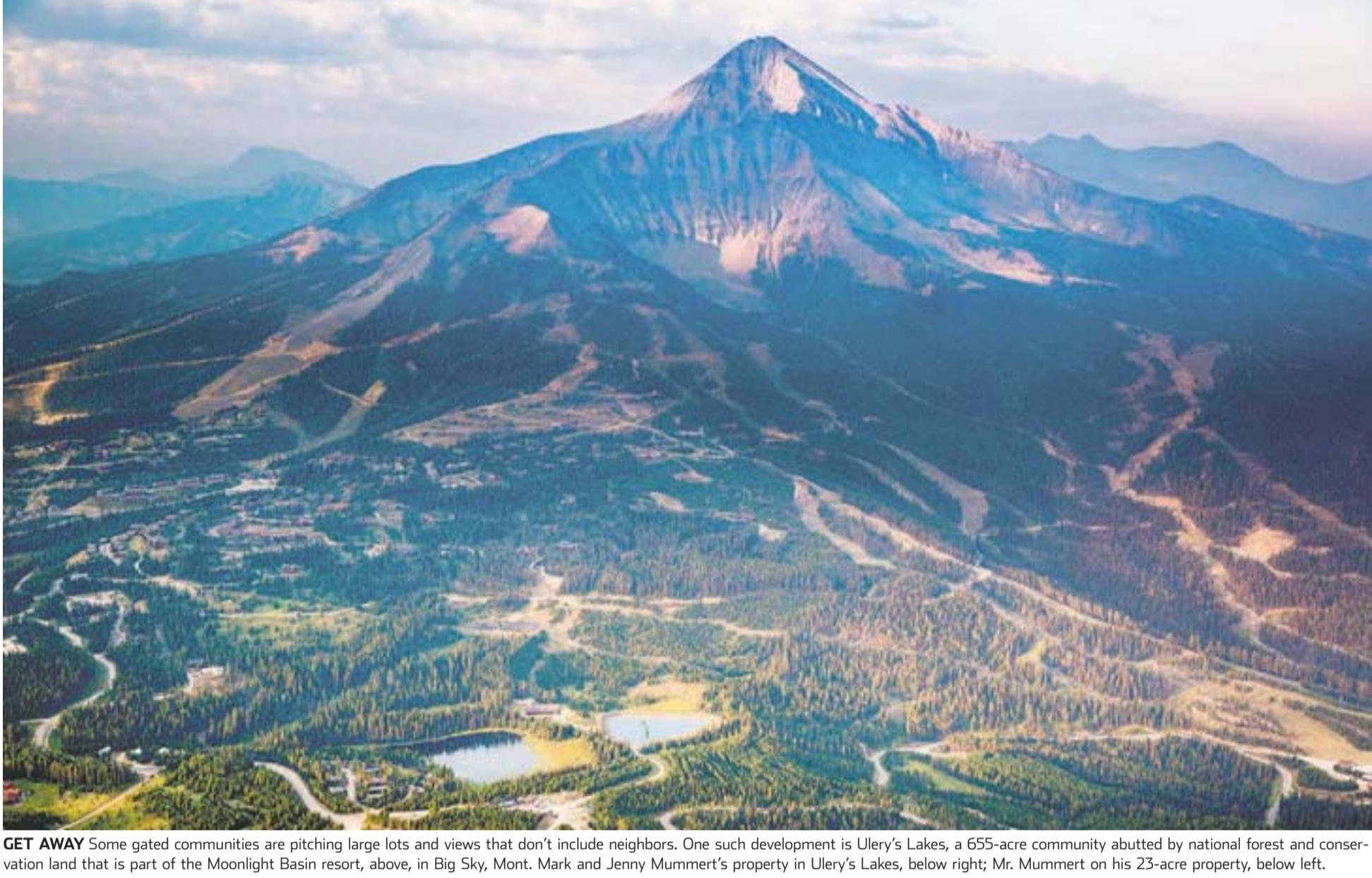
—Sigurd F. Olson

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THE WALL STREET JOURNAL.

Friday - Sunday, August 25 - 27, 2017 | W7



GET AWAY Some gated communities are pitching large lots and views that don't include neighbors. One such development is Ulery's Lakes, a 655-acre community abutted by national forest and conservation land that is part of the Moonlight Basin resort, above, in Big Sky, Mont. Mark and Jenny Mummert's property in Ulery's Lakes, below right; Mr. Mummert on his 23-acre property, below left.

No Neighbors in Sight

For some owners, the best view is one that doesn't include the house next door. They pay a premium for gated communities with large lots and secluded home sites.



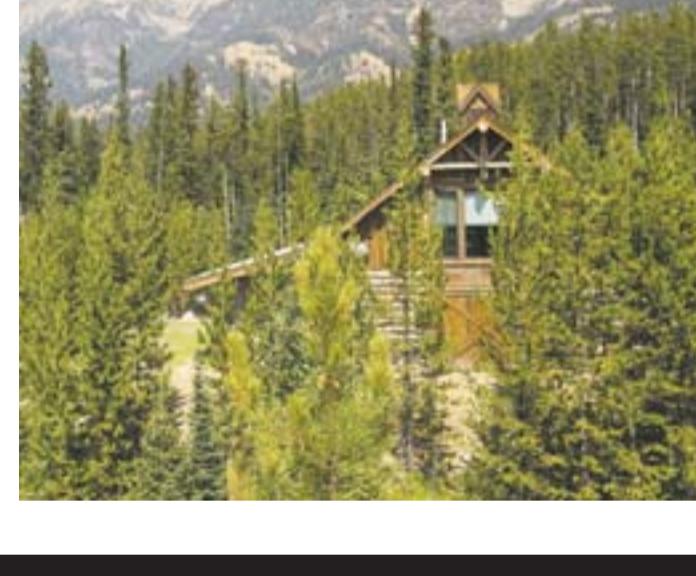
BY AMY GAMERMAN

TY AND KADY HENDRIX live in a gated development that doesn't have a golf course or a clubhouse—or a lot of neighbors. A half-mile of woodland separates the couple from their nearest fellow homeowners in the Reserve, an 1,100-acre community with only 57 home sites, just a few miles from North Carolina's Pisgah National Forest.

"It's almost like you're camping," said Mr. Hendrix, 55, a financial adviser who spent over \$1.09 million to build a 4,000-square-foot, board-and-batten home on 15½ acres there in 2003. He can hike old logging trails and grow ginseng in his woods, yet still be at his office in downtown Brevard in seven minutes.

For some homeowners, the ideal gated community isn't one with loads of country-club amenities.

Please turn to page W8



FAMILIES HANG OUT UPSTAIRS

Second-floor lounges are trending as a family gathering space. They're cozier than the living room downstairs and offer more privacy; one homeowner's space goes for the 'Crusader 15th-century, Charlemagne' look.

BY ALINA DIZIK

ONE COUPLE calls their second-floor living room the "healing chambers." Another homeowner calls it the "feasting room." Others refer to "pajama lounges."

Regardless the name, developers, architects and real-estate agents are increasingly getting requests for upper-level living rooms. The spaces are typically located right off the bedrooms and equipped with comfy sofas, kitchenettes and high-tech toys. Homeowners say second-floor lounges are cozier than open-plan living areas downstairs and offer more privacy because they're above street level.

Kobi Karp, a Miami-based architect, earlier this year created his first spec home with upper-level indoor and outdoor living areas, which was listed for \$25 million. The lounge was intended for "the bedrooms [to] spill out and the family can have a space to assemble," he says.

Please turn to page W10



KATRINA WITTKAMP FOR THE WALL STREET JOURNAL

SNUG SECLUSION Sam Tornatore positioned a lounge at the top of his 8,000-square foot home in Oak Brook, Ill.

HOUSE OF THE DAY

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MANSION

NO NEIGHBORS IN SIGHT



MIKE BELLINE FOR THE WALL STREET JOURNAL (4)

LITTLE BIT COUNTRY Ty and Kady Hendrix live in the Reserve, a community a few miles from North Carolina's Pisgah National Forest. Although a half-mile separates the couple from their nearest neighbors, Mr. Hendrix said he can be in his office in Brevard in seven minutes. Mr. Hendrix fishes in front of his house, top; the home, above left and above right; Mr. Hendrix's bees, above middle.

Continued from page W7

nities. It is one where the prime amenity is the land itself, with large lots, privacy and great views that don't include the neighbors. In regions that lack zoning laws, proponents of such communities say that they can help insulate affluent homeowners, and their property values, from hodgepodge rural development.

"There are lots of people who are looking for a golf-course development without the golf course," said Randall Adrendt, a conservation planner who works with developers and municipalities. "You can lure them with open space, woodlands, meadows and home sites that back up to wetlands so they can hear the peepers."

A sense of privacy is key: A survey of home shoppers released last week by Taylor Morrison, a national home builder, found that the most important exterior feature of a home is its distance from neighboring houses.

"You really choose when you interact," said Mr. Hendrix, who quite likes his far-flung neighbors and hosted most of them at a post-eclipse potluck dinner at his Adirondack-style home on Monday. "In smaller neighborhoods, you end up interacting over where people park their cars."

There are 29 owners in the Reserve, many of whom own multiple parcels that range in size from 10 acres to 44.6 acres. Annual fees—\$1,200 to \$2,400—support the maintenance of over 5 miles of private roads, the security gates and cameras.

To preserve the woodsy cachet, an architectural review board enforces guidelines on everything

from window styles to building materials—bark shingles, cedar and stone are preferred.

At Allegheny Cove, a 300-acre gated community near Tennessee's Great Smoky Mountains National Park, residents can pick blueberries and apples in shared orchards, canoe on its lake, and put up guests in a log cabin near a waterfall. The development, which began sales in 2002, has 36 home sites ranging from 5 to 20 acres.

After a postrecession slump, both sales and sales prices are back up, said David Connors, a real-estate agent and the sales manager for Allegheny Cove.

Claire Rauser is building a 12,000-square-foot home with panoramic mountain views on a 25-acre property at Allegheny Cove. He said he and his wife, Carol, were drawn there by the climate, the landscape—and the seclusion.

"It allows us to be set apart from the business of neighbors, if you will," said Mr. Rauser, 63, the president and owner of a grain equipment manufacturing business who currently lives in Fargo, N.D.

That is also the downside. "There's a certain level of isolation—you're a little farther away from services, whether it's medical or grocery shopping," said Mr. Rauser, noting that the nearest hospital is a 25-minute drive.

And he wrangled with the Cove's architectural review committee for a year to win permission to build his dream home: a mini palace inspired by the Royal Chapel at Versailles. Although most homes at the Cove are rustic in style, the exterior of Mr.

Rauser's home will have a manufactured stone facade with copper

dormers and a mansard roof.

"I kind of jumped through a lot of hoops for a year," said Mr. Rauser. "It's supposed to be a mountain look per the covenant, but we wanted to have what would be called eternal materials." The Rauser palace, which will be completed early next year at a total cost of close to \$4 million, won't be visible to other Cove homeowners, he said.

Out West, some developers have created destination ranch communities that offer expansive homesteads with access to blue-ribbon trout streams and other prized natural assets—along with an added layer of security and road maintenance. But unless they are close to resort areas, these developments can be a tough sell, according to Jim Taylor, principal and partner at the Hall and Hall ranch brokerage firm.

"It has to be a really spectacular piece of property—when [developers] have tried to do this on properties that were not spectacular, they have failed," Mr. Taylor said. "The other thing that seems to be a better guarantor of success is if it's near a major ski area."

In 2014, Mark and Jenny Mumment spent \$975,000 on a 23-acre parcel in Ulery's Lakes—a 655-acre gated retreat abutted by national forest and conservation land that is part of the Moonlight Basin resort development in Big Sky, Mont. "It's

a perfect mix—a retreat-type of environment that's 10 minutes away from Big Sky, which has restaurants and bars and live concerts, and three minutes from Moonlight Lodge and skiing," said Mr. Mumment, 48, who is CEO of Arco Design/Build, a construction company.

The Mumments are planning a 7,000-square-foot lodge home in Ulery's Lakes that will make the most of its uninterrupted views of the Spanish Peaks, Lone Peak and the Madison Valley, at an estimated cost of \$3.5 to \$4 million.

Last spring, they completed a 3,600-square-foot barn-style guesthouse that they built for about \$1 million, which has a long reclaimed-wood bar. "We've got big plans for that bar," said Mr. Mumment, adding that neighbors helped break it in this summer.

The covenants at Ulery's Lakes encourage sociable behavior. Owners must build their homes, guest barns and corrals within a 2-acre envelope on their property, but otherwise grant each other access to one another's land for hikes, horseback riding and fishing.

Hunting isn't allowed—the preserve lies in a major migratory path for elk—but residents can boat and fish in a private alpine lake and two stocked trout ponds. Annual fees are \$2,000, with additional club fees for access to

Moonlight Basin's amenities; residents can also rent ski lockers in Moonlight Lodge.

Despite the natural beauty, resale values for homes in Ulery's Lakes remain well below precession highs. A 20-acre lot that sold for \$2.175 million in 2007 recently traded hands for \$1.36 million.

There are six 20-acre parcels on the market, priced from \$895,000 to \$1.45 million; by contrast, the least expensive lot at the nearby Yellowstone Club, an exclusive ski and golf resort, is \$2.8 million—"and that's just 1½ acres—those prices are back to prerecession levels, maybe even exceeding them," said Jeff Helms, a broker with Big Sky Real Estate.

Mr. Helms said word just hasn't gotten out about Ulery's Lakes.

"You can't put up real-estate signs there," he said. "It's an old-school project, and brokers don't really get it." New amenities, like the ski lift that is being built right outside the community's gates, may draw more interest, he said.

The low-key vibe is just fine with Mr. Mumment, who said he got a great deal on his property—which he views as a legacy his grandchildren will enjoy one day.

"I'll be able to look off my deck and have the same view in 30 years," he said. "I won't see a rooftop for as far as you can see."



OUT OF SIGHT Claire Rauser is building this 12,000-square-foot home in Allegheny Cove, a community in Tennessee. It took Mr. Rauser a year to win approval for the Versailles-style home, which won't be visible to other homeowners.

DANIELLE PAUL FOR THE WALL STREET JOURNAL (2)

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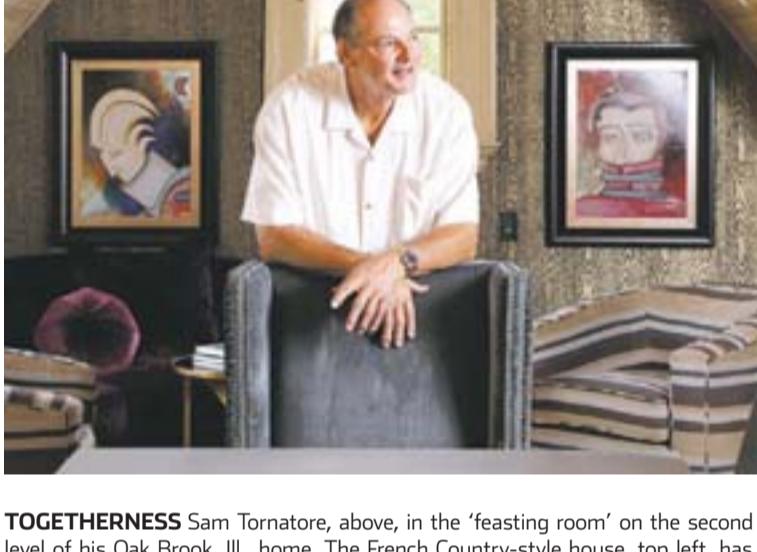
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MANSION



KATRINA WITTKAMP FOR THE WALL STREET JOURNAL (4)



TOGETHERNESS Sam Tornatore, above, in the 'feasting room' on the second level of his Oak Brook, Ill., home. The French Country-style house, top left, has a formal dining table, center, that he uses for holiday gatherings. It also has two seating areas and a fireplace, right.

FAMILIES HEAD UPSTAIRS TO HANG OUT

Continued from page W7

"It's where you go on a Sunday morning and wait for the rest of the house to wake up."

Mr. Karp says he encourages children and parents to hang out in the space while focusing on different things. The areas are equipped with a television and multiple nooks where family members can work in proximity without interrupting one another. "We're seeing more sharing of spaces," he adds.

Requests for upper-floor living spaces called pajama lounges started trickling in at the request of South American and European clientele who were used to similar rooms back home about 10 years ago, says Miami-based architect Ralph Choeff. More than 50% of the homes designed by his firm, Choeff Levy Fischman, now offer the feature. The rooms have built-in shelving to hide electronic cords and clutter, along with mini-kitchens and comfortable spaces for lounging. To make room for a central living area upstairs, Mr. Choeff eliminates most hallway space and minimizes seating areas in individual bedrooms.

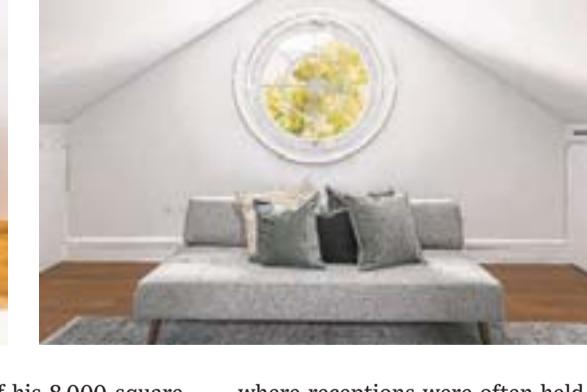
In her previous home, Dianne Burnett says she walked down a hallway "like a hotel corridor." Last year, Ms. Burnett, an author and producer, paid \$3.3 million for a 4,000-square-foot home in Malibu, Calif., with a second-floor living area off the bedrooms. The room is designed entirely for lounging, with a TV, cushy seating and a skylight.

One unexpected perk is that Ms. Burnett uses the communal living area as a way to keep her electronics usage in check without the need to traipse downstairs every time she wants to open her laptop or turn on the TV. "I'm trying to be the type of person that doesn't have the television in their bedroom anymore," she says.

Upper-level rooms can be a tricky space to decorate. Many have awkward layouts and uneven ceiling heights because "they are usually more of an afterthought for the builder," says Donna Mondi, a Chicago-based interior designer. Unlike the kitchen and living areas on the first floor, Ms. Mondi creates a space that's more



AT REST This 8,069-square-foot Manhattan townhouse has an upper-level living room with two seating areas, above and below right, between two of the home's bedrooms. Below left, the staircase. The property is listed for \$25 million.



RICHARD CAPLAN (3)

casual using indoor-outdoor fabrics, recessed lighting in lieu of chandeliers and cozier seating areas rather than larger sectionals. There's no need to match the style to the rest of the home. "Because it's not part of the main area, all bets are off—you can do what you want with it," says Ms. Mondi.

Two years ago, the designer helped homeowner Sam Tornatore create a "feasting room" in the second-level living area of his Oak Brook, Ill., home. The space has two seating areas, a fireplace and a formal dining table that he uses for holiday gatherings. Positioned

near the roof of his 8,000-square foot, eight-bedroom, five-bath French Country-style home, the wood beams and iron light fixtures give it a more "Crusader 15th-century, Charlemagne feel to it," says Mr. Tornatore, a 63-year-old entrepreneur in financial services. He purchased the home in 2012 for \$1.85 million. Another \$95,000 went toward finishing the space, says Ms. Mondi, the designer.

The concept of an out-of-sight upper-floor gathering space isn't new. Piano nobles, or noble floors, were built inside Italian palazzos,

where receptions were often held on the second floor for safety and sanitary reasons, says T. Jeffrey Clarke, a Philadelphia-based architect specializing in historic preservation. Other historic homes would also have an upstairs "retiring room" for mothers nursing children or resting midday, he says. When he designs homes, he makes sure that the upper-floor living room is small enough to feel proportional to the low ceiling height found in some historic homes, he adds.

When developer Francis Greenburger converted part of a former

school in New York's Nolita neighborhood into an 8,069-square-foot townhouse, he decided that he wanted more "discrete living spaces" throughout. In addition to the main kitchen and living space, Mr. Greenburger, the 68-year-old chief executive at Time Equities, worked with architects to create an upper-floor living area located between two of the townhome's seven bedrooms and has round oculus windows and exposed wood beams. "I used my own life experience, and imagined if I lived there with my four kids," says Mr. Greenburger about the home, which is listed for \$25 million.

In Malibu, Calif., real-estate agent and reality-TV personality Madison Hildenbrand says he has sold a dozen homes with the amenity in the past three years. "After living in [an open-floor] situation, they realized that it's nice to have the big open spaces, but also a little bit annoying," he says. "Now there's a bit more compartmentalizing."

Upstairs living areas that cater to the entire family are helping larger homes that already have multiple bedrooms sell faster these days, says Mr. Hildenbrand. The feature is popular among families that want extra space to hang out without making an office or playroom serve double duty.

Iuely Cesna and Mike Murphy call the upstairs living area of their Spanish-style 11,525-square-foot, five-bedroom home in Malibu the "healing chambers." It has a fireplace and terrace with water views. When their children were younger, they used the space to eat breakfast or recover from a cold. "It was really the room where we would spend time together," says Ms. Cesna, 50, an attorney who works as a mediation coach.

Recently the couple listed their home for \$7.75 million with Mr. Hildenbrand's firm. Why? Their children are older—11 and 14—and now want to retreat to their bedrooms for privacy, Ms. Cesna, says. Currently they're renting a smaller home with open spaces so they can keep an eye on the kids or overhear their conversations. "Even when they say 'don't bother me—we want to be in close physical proximity,' she says.