

# THE WALL STREET JOURNAL.

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EURO \$1.1823 YEN 109.19

## What's News

### Business & Finance

Financial regulators are setting the stage for a wave of eased rules on banks' trading, financial disclosures and more. A1

♦ Netflix signed a top TV producer as it seeks to create more content and battles Disney for entertainment-industry supremacy. A1

♦ Bitcoin's price crossed over the \$4,000 mark for the first time in its history, despite a sell-off in other digital currencies. B1

♦ Alibaba predicts revenue will rise almost 50% this fiscal year on the swelling ranks of China's middle-class consumers. B2

♦ China freed a Crown executive, the last of three Australians held there for gambling-related crimes. B3

♦ Amazon is investing \$5 billion to expand in India as it faces off with SoftBank to capture the country's e-commerce market. B4

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♦ Loeb's Third Point exited Snap and returned to Alibaba and closed its stake in J.P. Morgan. B9

♦ European firms are stepping up private placements and pursuing Asian investors as they prepare for tighter monetary policy. B10

♦ Warner Bros.' horror film "Annabelle: Creation" led the weekend box office. B6

### World-Wide

♦ Trump faces pressure to break decisively with nationalist groups in the wake of the weekend violence at a white-supremacy rally in Charlottesville, Va. A1

♦ The Justice Department launched a civil-rights probe into the car-ramming crash in Charlottesville that left a woman dead. A6

♦ The Pentagon's top military officer said the focus remains on diplomacy in dealing with North Korea even as the U.S. military works up viable options. A1

♦ Iran's parliament increased funding for the country's ballistic-missile program in response to recent U.S. sanctions. A8

♦ Kenya's opposition leader urged supporters to strike and reject official results that confirmed he had lost the presidential election. A8

♦ Zambian prosecutors plan to drop treason charges against a jailed opposition leader, a step that would ease a political crisis. A9

♦ Democrats are divided over a decision by House campaign officials to in some cases back candidates who oppose abortion rights. A4

♦ Scaramucci said he couldn't clean up the mess in the White House, in his first interview since his ouster. A4

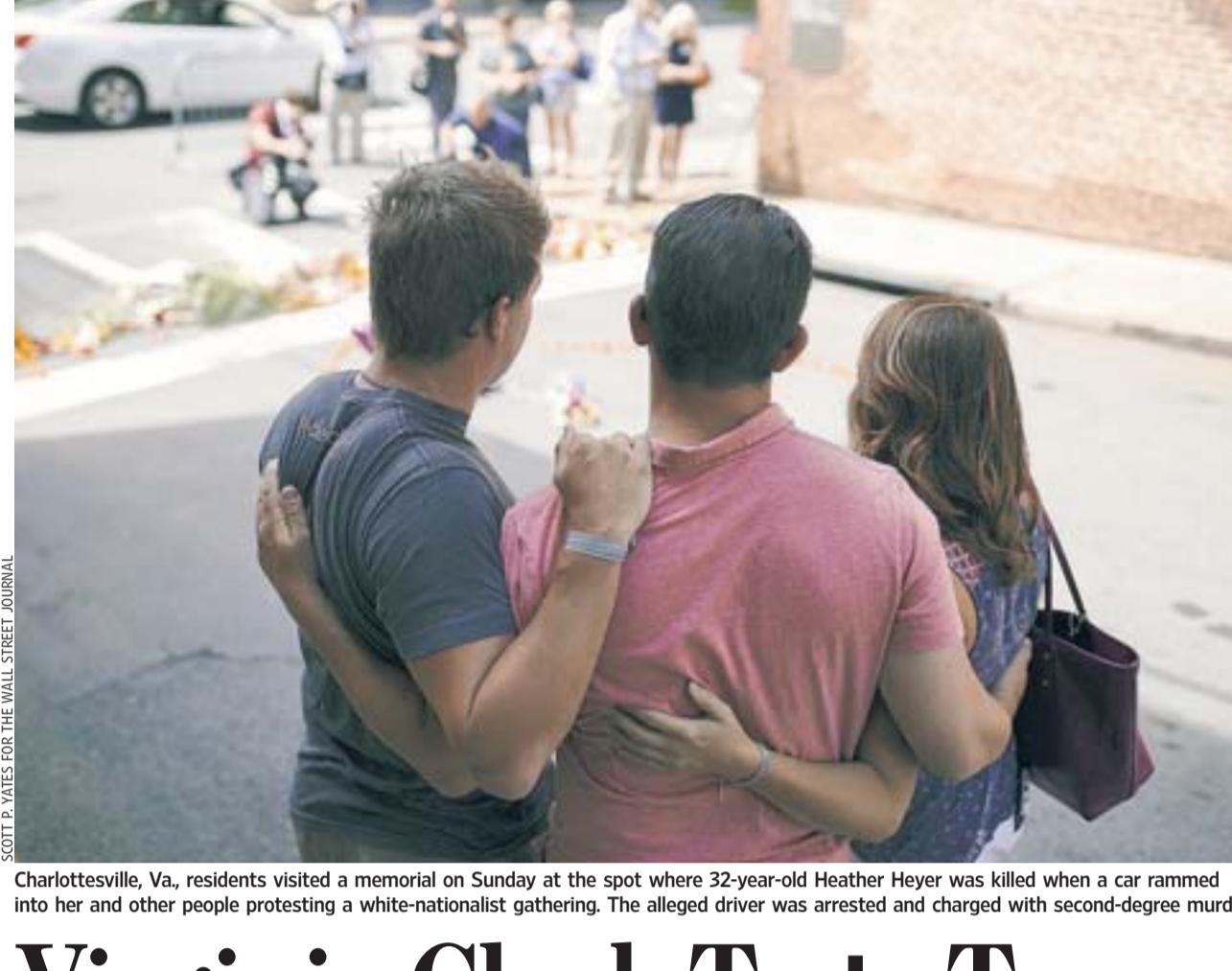
♦ Japan's economy grew more quickly than expected last quarter, driven by household spending. A18

♦ Vice President Pence tamped down Trump's threats of U.S. military intervention in Venezuela. A9

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Charlottesville, Va., residents visited a memorial on Sunday at the spot where 32-year-old Heather Heyer was killed when a car rammed into her and other people protesting a white-nationalist gathering. The alleged driver was arrested and charged with second-degree murder.

## Virginia Clash Tests Trump

President is pressed to firmly break with white nationalists as violence at rally turns deadly

By PETER NICHOLAS AND JANET HOOK

down a group that had gathered to counter messages from the white nationalists, some of whom were self-described Nazi sympathizers. Dozens were injured in the car attack; later, two state troopers monitoring the demonstrations were killed when their helicopter crashed.

The president initially said the altercations came from "many sides" of the event, which leaders from both parties said seemed to improperly spread blame equally between the white nationalists and the counterprotesters.

Then on Sunday the White House issued a statement saying Mr. Trump "condemns all forms of violence, bigotry and hatred and of course that includes white supremacists, KKK, neo-Nazi and all extremist

### In Terror's Wake

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ist groups."

White nationalists flocked to Mr. Trump early in his candidacy and even before then, when he became a central figure in falsely questioning whether former President Barack Obama was born in the U.S. During his presidency, such fringe groups have become increasingly vocal.

For example, Mr. Trump's Saturday comments were cited on the neo-Nazi website the

Daily Stormer as evidence of "no condemnation at all" of such groups by the president.

That dynamic is causing friction between Mr. Trump and many leaders of the Republican Party whom Mr. Trump now needs to advance his agenda in Congress.

"I would urge the president to dissuade these groups that he's their friend," Sen. Lindsey Graham (R., S.C.) told "Fox News Sunday."

Pointed condemnations of such groups also came Saturday from GOP leaders like House Speaker Paul Ryan as well as Senate conservatives such as Ted Cruz of Texas and Orrin Hatch of Utah.

"We should call evil by its name," Mr. Hatch said on Twitter.

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## Agencies Pull Back The Rules On Wall Street

By RYAN TRACY AND DAVE MICHAELS

Efforts toward financial deregulation are beginning to take concrete shape on rules governing trading desks, bank boardrooms, corporations' financial disclosures and more. Nearly seven months into the Trump administration, regulators are setting the stage for a wave of eased rules.

Several agencies are reviewing the Volcker rule, a part of the 2010 Dodd-Frank Act that limits banks' trading. Some regulators also recently dropped a plan to restrict bonuses on Wall Street that had been opposed by banks and brokerage firms. And the Labor Department on Wednesday disclosed an 18-month delay in the so-called fiduciary rule that requires brokers to act in retirement savers' best interests rather than their own.

The moves show that while President Donald Trump is struggling to advance his legislative agenda in Congress, his administration has begun laying the groundwork to change some of the myriad rules that Wall Street has sought for years to overturn or water down.

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

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## U.S. Military Stresses Diplomacy on North Korea

By GORDON LUBOLD

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

"Even as we develop those options, we are mindful of the consequences of executing those options, and that makes us have more of a sense of urgency to make sure that we're doing everything we absolutely can to support Secretary Tillerson's current path," he said.

Gen. Dunford began a scheduled swing through the region

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

The general's trip comes as senior Trump administration officials said that war with North Korea isn't imminent.

"We're not closer to war

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### Did the CEO Actually Get Fired? There's a Decoder for That

\* \* \*

Firm creates algorithm to gauge how likely a manager was ousted; 'Push-Out Score'

By VANESSA FUHRMANS

Companies that undertake major leadership changes tend to engage in one of the more cryptic rituals of expression known to humankind.

They issue a CEO-departure press release.

In often clichéd and convoluted language, they say executives decided to leave to pursue other opportunities or to spend more time with their families, statements that are sometimes taken as code for firings. When a release waxes poetic, it can suggest a CEO quit by choice.

Because company boards

and communications teams rarely disclose details about what happened—whether for legal or face-saving reasons—investors have become accustomed to being left in the dark.

Daniel Schauber had a different reaction. As an amateur linguist who researches corporate nomenclature changes, he didn't just throw up his hands. He wrote an algorithm.

The 46-year-old German, who founded a Frankfurt-based research firm, Exchange, has emerged as a cryptologist of top executive departures. By analyzing com-

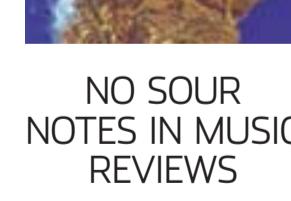
ments

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ANTIDOTES FOR A TOXIC WORKPLACE

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### INSIDE



### NO SOUR NOTES IN MUSIC REVIEWS

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### NETFLIX SIGNS PRODUCER AS RIVALRY INTENSIFIES

### Bitcoin Gets a Boost

The price of the digital currency bitcoin over the weekend crossed over the \$4,000 mark for the first time in its nine-year history, despite a widespread sell-off in other major digital currencies. B1

How many dollars one Bitcoin buys



Source: CoinDesk

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## Netflix Signs Producer As Rivalry Intensifies

By JOE FLINT

Netflix Inc. has recruited prolific television producer Shonda Rhimes, the creator of ABC hits such as "Scandal" and "Grey's Anatomy," the clearest sign yet of an arms race for talent between new and old entertainment industry giants.

Under the terms of the multiyear exclusive agreement, Netflix said Ms. Rhimes, whose credits also include "How to Get Away with Murder," would develop new shows for the streaming service. She will move her production company ShondaLand from its current base at Walt Disney Co.'s ABC Studios to Netflix, though she will continue to be involved in her ABC shows currently on the air or in development.

Netflix also faces increased competition from the likes of Amazon.com Inc., which on Friday announced a development pact with Robert Kirkman, the creator of the massive AMC Network hit "The Walking Dead."

Signing up a superstar "showrunner" like Ms. Rhimes—whose work for ABC has generated over \$2 billion in revenue from advertising,

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♦ Liberty Global quietly shapes 5G strategy.... B1

THE OUTLOOK | By Josh Zumbrun

# Weak Dollar Helps Juice the Economy

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

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

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

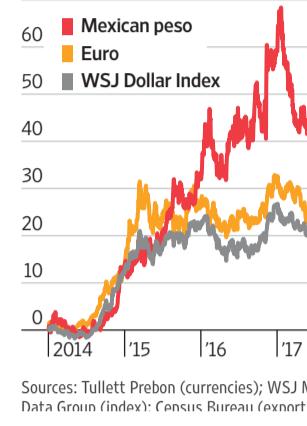
Meanwhile, President Donald Trump hasn't pursued action against Mexican exports as aggressively as some feared, which is giving the peso a bump.

A weak currency has its downsides. It lowers the purchasing power of dollars globally, making it more expensive to travel overseas and pushing up the price of imported goods. If it happens in a hurry, it can destabilize finan-

## Dollar Downer

A downdraft in the dollar helps lift exports.

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



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

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



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cial markets and discourage investment at home.

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

The change could be especially helpful to manufacturers. U.S. manufacturing output rose 1.4% in June from a year earlier, after registering declines in 2015 and 2016. Some

of that is due to a recovery in the energy sector, but it isn't all energy. Durable-goods output rose 1.3% in June.

The weak dollar "has been a nice boost to overall economic growth when there's still a lot of uncertainties for the economy," said Chad Moutray, chief economist for the National Association of Manufacturers. He cites among them the difficulty some companies face finding staff, impatience to see a tax overhaul and infrastructure legislation from Washington, and geopolitical concerns, such as worries about North Korea. "People are aware of all those things, but our mem-

bers are still upbeat."

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

On earnings calls this quarter, businesses from the railroad CSX Corp. to Coca-Cola Co. have been citing the benefits of a sliding dollar to their bottom line. Companies benefit in different ways. For CSX, increased exports mean busier train lines; at Coca-Cola, foreign sales are worth more when converted to dollars.

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

Slow progress on taxes and infrastructure in Congress has done little to damp investor enthusiasm for stocks, in part because a corporate boom is kicking in. That is helping push the Dow Jones Industrial Average up more than 10% so far this year. The improved profitability has been broadly based: the only major industry with falling profits, utilities, has relatively little inter-

national exposure.

The dollar decline also serves the needs of the Federal Reserve. Fed officials have grown somewhat anxious about an unexpected slowdown in the inflation rate this year. The Fed targets an inflation rate of 2%, and over the last five years has consistently undershot that.

**A**n uptick in prices could ease those concerns, something a weak dollar helps to produce by boosting import prices. They were up 1.5% in June year-to-year, reversing declines in 2015 and 2016 as the dollar rose.

"A little more inflation would be viewed positively and allow the Fed to continue on its course, without the market believing it's a mistake," said Matt Luzzetti, a senior economist with Deutsche Bank. He and his colleagues estimate a weak dollar will increase the inflation rate by about 0.2 percentage point by next summer.

With inflation only a little bit below the Fed's goals, that could be all that is needed to hit the target. "It's been very orderly. Nobody would characterize the dollar as falling out of bed, which could be destabilizing," said Jay Bryson, global economist for Wells Fargo. "In a slow-growth environment we'll take whatever we can get."

♦ Heard on the Street: Woes over productivity rise ..... B12

## ECONOMIC CALENDAR

TUESDAY: The Commerce Department releases data on July U.S. retail sales, a measure that has been volatile in recent months. Spending at retailers declined in June for the second straight month. Economists surveyed by The Wall Street Journal expect retail sales rose 0.4% in July.

Markets expect official figures to show that U.K. consumer inflation picked up again in July, accelerating 2.7% on the year, after the rate dipped somewhat in June. As British workers' wages continue to grow only modestly, the pace of inflation will be a key factor for economic growth in months ahead.

WEDNESDAY: Minutes from July's U.S. Federal Reserve policy meeting could shed light on whether central bank officials are becoming increasingly divided over the path of interest-rate rises, given the recent softening of inflation. Fed watchers will also zero in on any further information on the Fed's planned balance-sheet unwinding. At the end of its July 25-26 meeting, the Fed signaled it was ready as soon as September to start slowly shrinking its holdings of more than \$4 trillion in bonds it bought to try to buoy the economy.

THURSDAY: The European Central Bank will publish the minutes of its July 19-20 meeting, and investors will be watching for any clues about how the ECB plans to unwind its quantitative-easing program. ECB President Mario Draghi said after the July meeting that the bank would discuss quantitative easing in the fall.

## U.S. WATCH

### ILLINOIS

#### Senate to Override School-Funding Veto

The Democratic Illinois Senate voted to override Republican Gov. Bruce Rauner's veto of a school funding bill Sunday, rejecting a sweeping series of changes the governor made to the measure that would have stripped hundreds of millions of dollars from the Chicago Public Schools district.

A supermajority of the Senate disagreed with the governor's amendments, voting to send the bill to the Democratic House of Representatives. If Democratic House Speaker Michael Madigan can muster a three-fifths majority to override Mr. Rauner's veto, the funding proposal will become law in its original form, and the governor will have been dealt his second repudiation by both chambers of the General Assembly in a little over a month.

If the House is unsuccessful in achieving an override, the bill dies—and funding for all state schools will be paralyzed with just weeks before the start of classes.

The General Assembly passed a \$36 billion budget package in July over the veto of the governor that included a funding increase of roughly \$350 million to K-12 schools, but the state must still establish a mechanism to distribute the new money.

The legislature approved a bill in May to enact an evidence-based funding formula allocating state money to the neediest school districts first, but the governor used his veto power to rewrite the measure earlier in August, eliminating roughly \$200 million in grant money to CPS. Mr. Rauner also removed \$221 million in extra funds meant to help cover the costs of Chicago's teacher pension system, but has said he wants to re-integrate that money into a separate bill.

—Quint Forgey and Douglas Belkin

### NEW YORK

#### Man Pleas Not Guilty In Family Murders

A man accused of bludgeoning his mother, sister and another woman in a deadly hammer attack in Hempstead on New York's Long Island has pleaded not guilty to murder.

Bobby Vanderhall is being held without bail after his arraignment Sunday.

Mr. Vanderhall, 34 years old, was arrested Saturday on murder charges in the deaths of his mother, Lynn Reichenbach-Vanderhall; his sister, Melissa Vanderhall; and another woman, Janel Simpson. Officials said a fourth woman managed to escape and summon help.

Nassau County police said Mr. Vanderhall had a history of emotional problems, and his mother had gotten a protective order against him and had thrown him out of their home.

—Associated Press

## Washington Wildfire Prompts Evacuations



FUEL FOR FIRE: A wildfire burned next to power lines near Othello, Wash., early Sunday. Residents of about 30 homes in rural Adams County were told to leave the area immediately.

to keep shareholders informed about financial performance, business trends and potential risks.

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

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

A more radical SEC step under study is how to revise the rules for who can invest in private companies. U.S. law allows companies to issue stock with little regulatory oversight as long as all investors qualify as wealthy or sophisticated enough to understand the risk or withstand potential losses. But Mr. Piwowar has questioned the restriction, saying it walls off sought-after investments for the rich.

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

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

In early August, the Senate confirmed three of Mr. Trump's nominees to the U.S. derivatives regulator, the Commodity Futures Trading Commission, including Chairman J. Christopher Giancarlo. That representation will strengthen the commission's ability to carry out Mr. Giancarlo's desired revamp of postcrisis rules governing the swaps market.

Mr. Trump in July announced his pick for the vacant job of Federal Reserve vice chairman in charge of bank oversight. The nominee, financier and former Treasury Department official Randal Quarles, has said he would support reviews of the Volcker rule as well as the central bank's annual stress tests of large banks.

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

And the Fed in August proposed scaling back requirements it places on banks'

boards of directors, after determining it was overloading boards with too many specific requirements.

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

The Consumer Financial Protection Bureau, still led by an Obama appointee, in early July restricted mandatory arbitration in financial contracts, making it easier for consumers to sue financial companies. That rule won't last if enough Republicans in the Senate vote to repeal it in the coming weeks.

—Gabriel T. Rubin contributed to this article.

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## U.S. NEWS

# Farm-Labor Lawsuit Highlights Visa Issue

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

BY ALEJANDRO LAZO

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

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

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

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

The case is the first time the department won a preliminary injunction against a farm using the temporary farmworker visa, known as the H2A.

A federal judge barred the business from housing the workers in the encampment, forcing it to put them up in an apartment complex and an extended-stay motel for the rest of the season.

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

The case comes as U.S. demand for foreign farmworkers soars, and as Congress is expected to introduce a measure later this year that could make changes to guest-worker programs. The Labor Department has certified 160,084 workers through the program so far this year, a 20% increase from the year-earlier period.



Workers at the G Farms processing facilities packed watermelons for distribution to supermarkets across the West.

President Donald Trump has discussed a revamped guest-worker program with Mexican President Enrique Peña Nieto. Mexico received 92% of the H2A visas issued last year, according to data from the U.S. State Department. Separately, the Trump administration is

backing a proposal to cut the number of green cards annually by half.

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

Jason Resnick, vice president and general counsel for the Western Growers Association, which represents local and regional farmers in Arizona, California and Colorado, said there has "historically been good oversight and enforcement in the H2A program, and this case demonstrates that those enforcement mechanisms are working....So if those alle-

gations are true, it shows the Department of Labor is on top of its compliance and enforcement obligations."

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

In a rare instance of agreement between immigration-rights activists and the Trump administration, immigration advocates welcomed scrutiny from the federal government in the G Farms case. Bruce Goldstein, president of the group Farmworker Justice, said he

was pleased with "an aggressive stand in court against the abuses."

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

protections under the program if signed by Mr. Trump.

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

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

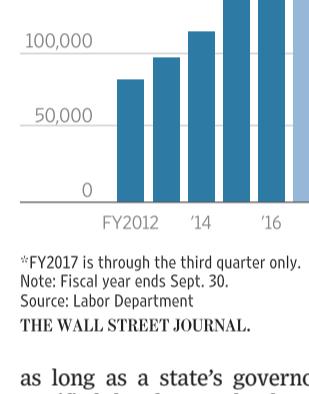
Critics fear another bill in the Senate—which would create a pilot program for states to have their own guest-worker systems—could remove federal oversight of the program.

Another bill proposed by Rep. Rick Allen (R., Ga.) would limit the ability of legal-aid attorneys to represent agricultural guest workers.

Mr. Allen's bill would also move administration of the program from the Agriculture Department, change the methodology for how wage rates are calculated and eliminate the obligation to provide housing

### Be Our Guest

Certified positions through the U.S. H2A visa program



\*FY2017 is through the third quarter only.  
Note: Fiscal year ends Sept. 30.  
Source: Labor Department

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as long as a state's governor certified that farmworker housing was available.

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

sometimes they are just living in cars."

The Trump administration declined to comment regarding the bills before Congress.

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

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

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

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

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

Emilio Chaparro Garcia, 37 years old and one of the workers whose treatment prompted the suit, said he came to Arizona to work for G Farms from the small town of Sinaloa de Leyva in the state of Sinaloa, Mexico, to save money to send his three daughters to school.

This season was his second with G Farms, and he said he believes the farm treated workers well. He has been coming to the U.S. as a seasonal worker since 2008 using the H2A visa program, he said.

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

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

## Decline of Buses Stings Commuters

BY DAVID HARRISON

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

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

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

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

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

Bus service in America's cities and towns was about 10% lower in the second quarter of this year than it was a decade ago as measured by miles of transit service provided. Research from San Jose State University's Mineta Transportation Institute found that bus ridership is sensitive to service levels: When service is cut, ridership drops as people look for alternatives, said Hilary Nixon, a professor at San Jose State who co-wrote the study.

Cities such as Miami and Cincinnati are facing new rounds of cuts. Other places, such as Orange County, are trying to run fewer bus routes



Sammie Hunter, left, stands at a bus stop in Memphis, Tenn., during his commute home.

while looking for new ways to help people get around.

The lumbering bus, trudging over street puddles as passengers jostle for seats, is a fixture of American city life. Despite the recent declines, almost 3.8 million people, many of them low-income workers, took the bus to their job in 2015, more than any other form of public transit, according to the Census Bureau.

The nagging ridership decline is unusual in a period of economic recovery. While ridership often sags during recessions, it usually recovers as unemployment rates drop and the economy expands. Other factors are amplifying the trend, including the rise of Uber and Lyft, cheap gas that enables more people to drive, and the move by millennials to live in city centers within walking or biking distance of work.

At the same time, rising urban rents may be pushing poorer residents into distant areas with little or no bus service. California also recently started granting drivers' licenses to undocumented immigrants, which could deprive the state's bus systems of some of its most reliable patrons, according to Michael Manville, a professor at

### In Memphis, a Long Haul to Get to Work

Getting to work is a challenge for some Memphis, Tenn., residents who rely on a bus.

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

"I deal with it, you know? I don't have a choice," said Mr.

Hunter, the co-chair of the Memphis Bus Riders Union, an advocacy group in his hometown.

Priscilla Jeffries, 41, said she spends more than an hour each way to get to her janitorial job at a school where she earns \$8 an hour.

"I do it because I have to take care of my kids—I have three children and a grandson," she said. "I know it gets to me sometimes, especially when it's bad weather, raining and all of that."

—David Harrison

urban planning at the University of California Los Angeles.

Bus commutes are getting longer. The average bus rider now spends 47 minutes getting to work, more than two minutes longer than in 2007. Commute times for those who drive or take a subway haven't risen as much. That hits low-income workers in particular. Bus riders tend to be poorer than the population at large, according to a survey by the American Public Transportation Association.

"Our service is at minimum levels right now," said Gary Rosenfeld, interim CEO at the

Memphis Area Transit Authority. Ridership in the Tennessee city is down 22% since the system began cutting service in 2010, according to federal data.

In Orange County, Mr. Johnson and his staff are contracting out for more service. They have eliminated routes with less traffic and increased frequency on the busiest ones.

Instead of running regular bus service through the more residential parts of the country, the transit agency offers a \$400 monthly subsidy to help commuters who live near each other set up a vanpool.

## Bike Paths Get Aid From Benefactors

BY DOUGLAS BELKIN

park and we've really seen the health benefits."

The total number of U.S. trips taken on bike shares rose to about 28 million in 2016 from 320,000 in 2010, according to a study by National Association of City Transportation Officials. But the nation's bike infrastructure isn't keeping pace.

While the rate of U.S. cyclist fatalities fell by 30% between 1990 and 2014, Australia, Japan and Canada all saw reductions closer to 50%, according to a Virginia Tech study.

Chicago has made significant strides in building out its bicycle infrastructure. The city now has more than 200 miles of on-street protected bike lanes, and the mayor has made it a priority of his administration. Still, the Lakeshore Path-

A Chicago donor's largess will create a second path parallel to the original.

way that runs along Lake Michigan remains a trouble spot. The path is among the U.S.'s busiest: About 100,000 people cram onto it during summer weekends, according to Active Transportation Alliance, a Chicago nonprofit advocacy organization. It carries a chaotic mix of pedestrians, rollerbladers, cyclists and joggers moving in proximity but in different directions and at different speeds.

Mr. Griffin's largess will create a second bike path running parallel to the original to give pedestrians and cyclists their own lanes. The paths have been under construction most of the summer and are opening up section by section. The work is scheduled to be finished by year's end.

## U.S. NEWS

# Abortion Splits Democrats

Party figures disagree over reaching out to 2018 candidates who oppose longtime plank

BY NATALIE ANDREWS

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

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

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

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

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

The debate comes amid a wider discussion among Democrats about whether the best strategy for gaining seats in next year's elections is to em-



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

### Sen. Warren Urges Party to Be Unified

ATLANTA—Massachusetts Sen. Elizabeth Warren urged a convention of liberal activists to unite behind Democrats and set aside divisions that could hamper the party's ability to retake power.

"We get fired up about different issues," she told the Netroots Nation gathering Saturday. "But if we're going to be

the people who lead the Democratic Party back from the wilderness and lead our country out of this dark time, then we

can't waste energy arguing about whose issue matters more and who in our alliance should be voted off the island."

Ms. Warren spoke at a time when Democratic activists have seen a surge in energy in response to President Donald Trump and Republicans' control of Congress. Meanwhile, the party continues to face internal challenges over its 2016 losses and questions about whether to respond by veering further left or to the center.

Ms. Warren, who has played a leading role in steering Democrats on a more-liberal course, said the party should focus on attracting a range of con-

stituencies.

"Following the 2016 election," Ms. Warren said, "I heard a lot of people say that Democrats need to decide whether we're the party of the white working class or the party of Black Lives Matter. I say we can care about a dad who's worried that his kid will have to move away from their factory town to find decent work, and we can care about a mom who's worried that her kid will get shot during a traffic stop."

The convention is one of the biggest annual events for the left, attracting activists, bloggers and candidates.

—Alexa Corse

brace the political center to win conservative districts, or to try to energize the liberal wing.

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

signs defending abortion rights.

House Democrats' campaign arm is focusing on recruiting candidates and investing in 80 GOP-held congressional districts as they try to gain the net 24 seats needed to win a House majority. At the same time, Emily's List, a super PAC that backs candidates who support abortion rights, is talking to 130 women about running for office in more than 80

House districts, according to a spokeswoman. The two groups could potentially pit valuable dollars against each other.

The Democratic platform supports abortion rights. Party Chairman Tom Perez doesn't support a litmus test on the issue for candidates. Mr. Perez met with Democrats for Life in June, but so far the DCCC hasn't funded any candidates who oppose abortion rights.

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# Ex-Aide to Trump: Cleanup Needed

By BOB DAVIS

WASHINGTON—The Mooch says he saw himself like The Wolf, but he couldn't clean up the mess at the White House.

Anthony Scaramucci, the former White House communications director, tried to set the record straight on ABC, in his first interview after quickly losing his job for dissing his White House colleagues profanely—and openly—to a reporter with a tape recorder.

"The odds were stacked against me in the job," Mr. Scaramucci said Sunday. "And so, there were leaks and there was a repetitive process to try to dislodge me. I made an unforced error. That made it easy to dismiss me."

The former Wall Street financier, who calls himself the Mooch, said he pictured himself like the character Winston Wolf in the film "Pulp Fiction"—the clean-up-the-mess guy.

"I really did get a directive from the president," Mr. Scaramucci explained. "I had a mutual understanding with him. And I was probably running too hard and acting more like a corporate CEO than I was, say, a political operative, and that is my mistake."

Mr. Scaramucci was fired as White House communications director 10 days after his appointment.

In response to questioning from George Stephanopoulos, Mr. Scaramucci backed off some claims he made in the talk with New Yorker writer Ryan Lizza. In that interview he said he had obtained "digital fingerprints" from the Federal Bureau of Investigation of administration officials who had leaked to the press.

Not so, Mr. Scaramucci said now. "That was totally misconstrued," he said. "I was just implying that, at some point, the Department of Justice would be able to figure out who the leakers are inside the national security system."

Mr. Scaramucci said he thought his conversation with Mr. Lizza was off the record, though he acknowledged that he didn't ask the reporter for those ground rules.

Fundamentally, Mr. Scaramucci said, he didn't recognize the strength of his enemies. He said the president may underestimate them too.

"The president is not a representative of the political establishment class," Mr. Scaramucci said. "And so for whatever reason, people have made a decision that they want to eject him."

"It's almost like he's opened up the door now for America's CEOs and America's billionaires to enter the Washington political system," which is prompting a backlash among



**Anthony Scaramucci, the former White House communications director**

the Washington establishment.

Mr. Scaramucci did have one area of disagreement with the president. He said Mr. Trump should have been clearer in denouncing white supremacists in Charlottesville, Va. "It's actually terrorism," he said. "Whether it's domestic or international terrorism, with the moral authority of the presidency, you have to call that stuff out."

Mr. Scaramucci suggested that some White House officials are afraid to tell the president he made a mistake by not condemning the white supremacist protesters.

The White House didn't respond to a request for comment. On Sunday, a White House statement said the president condemned extremist groups including white supremacists.

## FROM PAGE ONE

### NETFLIX

*Continued from Page One*  
rerun sales and international licensing, according to people familiar with the matter—underscores that Netflix intends to poach the best talent from traditional studios, whether in front of or behind the camera.

In the past week alone, Netflix announced signing movie directors Joel and Ethan Coen to make a Western series and lured former late-night star David Letterman out of retirement to make new shows. It also acquired the comic book publisher Millarworld and intends to use its characters to create new franchises.

"We have continued to move up the food chain in terms of getting into the creation of content earlier," Netflix Chief Content Officer Ted Sarandos said in an interview.

When Netflix first entered the original programming arena, it relied mostly on outside suppliers for shows such as "House of Cards" and "Orange Is the New Black." More recent shows including last year's surprise success "Stranger Things" have been wholly owned by Netflix.

In an interview, Ms. Rhimes said she is going to Netflix to get "new fresh creative energy." Unlike broadcast television, where networks want shows to run at least five years and require anywhere from 18 to 24 episodes per season, there is more flexibility for creators at platforms such as Netflix or even Time Warner Inc.'s HBO to do fewer episodes.

"I'm thrilled by the idea of a world where I'm not caught in the necessary grind of network television," Ms. Rhimes said. In addition, since Netflix doesn't have advertising, Ms. Rhimes doesn't need to worry about language and nudity. Netflix, she said, provides "larger creative freedom."

Other producers echo Ms. Rhimes's desire to be free of the demands of broadcast television. David E. Kelley, whose broadcast resume includes the hits "The Practice" and "Ally McBeal," has more recently produced for HBO and Amazon



Netflix Inc. has recruited television producer Shonda Rhimes.

Prime and said he has no desire to go back to a broadcast or basic cable network.

"At this point in my career, I love the limited series format. I have no interest in doing 100 episodes of anything," Mr. Kelley said.

"We want to give creators a place to stretch out their muscles and have the environment do the best work of their lives," Mr. Sarandos said.

Ms. Rhimes's departure is a significant loss for Disney and ABC, which she has called home for 15 years. Her pact with ABC Studios had almost a year left on it, but the company agreed to release her early.

Ms. Rhimes will keep producing the shows still running on ABC, as well as a new legal drama debuting this upcoming season called "For The People," but Netflix will have the rights to new programs she creates.

In a statement, ABC Entertainment President Channing Dungey said, "I'm proud to have given a home to what have become some of the most celebrated and talked about shows on television." ABC Studios President Patrick Moran added, "The ShondaLand imprint will always be an important part of ABC Studios."

Terms of Ms. Rhimes's deal with Netflix weren't disclosed. Her production deal with ABC is worth more than \$10 million a year to produce shows, people familiar with the pact said.

On top of that, she is a profit participant in her shows, meaning she gets a cut of rerun and international sales.

Ms. Rhimes's longtime producing partner Betsy Beers will also go to Netflix, along with approximately 30 ShondaLand employees.

Netflix's heavy spending continues to raise eyebrows in Hollywood. It often doubles salaries to lure talent away from traditional players. The company's spending on new and acquired programs is expected to be more than \$6 billion this year, compared with \$5 billion a year ago. That is more than twice what HBO spends and five times as much as 21st Century Fox's FX or CBS Corp.'s Showtime.

Mr. Sarandos, the Netflix content chief, and Ms. Rhimes have known each for some time, and reruns of her shows have been hugely successful on Netflix. The pair grew closer when Netflix moved its Los Angeles offices from Beverly Hills to Hollywood, near where Ms. Rhimes makes her shows.

They began to bump into each other quite frequently and Mr. Sarandos said he would even solicit Ms. Rhimes's opinion on shows in development at the streaming service.

Once, he personally dropped a DVD off at her house.

"That is persistence," Ms. Rhimes said.

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## TERROR IN CHARLOTTESVILLE

# City Is Tense a Day After Clashes

Leader of white-nationalist event faces hostility; officials defend police response

By BEN KESLING  
AND DOUGLAS BELKIN

CHARLOTTESVILLE, Va.—Authorities on Sunday defended the police response to a series of highly charged, and ultimately deadly, confrontations between white nationalists and those who came to protest them on Saturday in Charlottesville.

The defense came after this Virginia city descended into chaos Saturday, culminating when a car smashed into a group of protesters, killing 32-year-old Heather Heyer and injuring 19 others. The alleged driver, James Alex Fields Jr., 20, of Ohio, was arrested and charged with second-degree murder.

Two state troopers died when their helicopter crashed while monitoring the clashes.

Hospital officials said Sunday that of the 19 injured, nine had been discharged and the remaining 10 were in good condition.

The Justice Department launched a civil-rights investigation into the car-ramming crash Saturday, federal officials said.

Saturday's events unfolded after the city cited the threat of civil disturbance and police ordered crowds to leave a park shortly before the white-supremacist rally had been scheduled to start at noon. Demonstrators dispersed across the city, clashing with counterprotesters.

Local leaders of the National Association for the Advancement of Colored People blamed the violence on the rally organizers.

"Violence did not have to be demonstrated in order to express freedom of speech. It appears that free speech was secondary to their main purpose,

which was to wreak havoc and violence in the community," Janette Martin, president of the Albemarle-Charlottesville NAACP, said in a statement.

On Sunday, Jason Kessler, a 33-year-old organizer of the "Unite the Right" rally, was booed by a seething crowd as he tried to address reporters. At the aborted press conference, Mr. Kessler said the



Protesters confronted Jason Kessler, an organizer of the 'Unite the Right' rally, as he tried to speak to reporters Sunday in Charlottesville.

### Profile Emerges of Rampage Suspect

James Alex Fields Jr., the 20-year-old man arrested and charged for allegedly driving a Dodge Challenger into a crowd of demonstrators in Charlottesville, Va., on Saturday and killing a 32-year-old woman, was recalled as a quiet student by a school principal, but a former teacher said he also espoused white-supremacist views.

Mr. Fields attended high school in northern Kentucky

and eventually settled near Toledo, Ohio. Michael Wilson, principal at Randall K. Cooper High School, in Union, Ky., confirmed Mr. Fields graduated in 2015.

"From what I remember, he was a quiet and reserved student," Mr. Wilson said.

Mr. Fields's mother, Samantha Bloom, couldn't be reached for comment on her son's arrest. She told the Associated Press on Saturday night that she knew her son was attending a rally but thought it was for President Donald Trump and not for white supremacists.

It wasn't immediately clear

who is legally representing Mr. Fields.

A former history teacher at the school, Derek Weimer, said Mr. Fields was a bright student who espoused white-supremacist beliefs throughout his high school years. Mr. Weimer said Mr. Fields would often steer class discussions on topics that had nothing to do with Nazism to "pro-Hitler stuff, pro-white supremacy stuff." Mr. Weimer said he had a good rapport with Mr. Fields, who he said wasn't combative.

—Jon Kamp

and Scott Calvert



James Alex Fields Jr.

weekend's violence was due in part to "police officers refusing to do their jobs."

After Mr. Kessler had spoken for a few minutes, members of the crowd starting making rude gestures and telling him to leave.

One man crowded in close and punched Mr. Kessler, who retreated into a flower bed. Police swept in, restrained the man and led Mr. Kessler away. Officers in riot gear cordoned off the area.

In an interview, Mr. Kessler contended that police inten-

tionally held back Saturday as counterprotesters attacked people trying to attend a rally to protest the removal of a statue of Confederate Gen. Robert E. Lee.

"They were using aerosol cans as flamethrowers, they were pointing rifles at us, they were throwing bricks at our vehicles," Mr. Kessler said. "And the Charlottesville police department stood down and allowed it all to happen."

A police spokeswoman said officers were in the area starting early Saturday morning,

and that they responded to various fights in and around the park. At no point was any order given for police to stand down, she said.

Mr. Kessler is an author, journalist, organizer and deft spokesman for a new generation of white-power activists who articulate a more polished vision of race-based politics than generations past.

A graduate of the city's University of Virginia, he says he isn't a white supremacist, although multiple videos show him marching in demonstra-

tions alongside men carrying flags adorned with swastikas.

As the sun started to set over the city on Sunday, a crowd gathered at the site where Ms. Heyer was run down. Hundreds of people formed a circle around a makeshift memorial of flowers, candles and balloons to sing songs and make impromptu speeches to memorialize Ms. Heyer and talk about the resilience of the people of Charlottesville.

—Alan Cullison

and Melanie Grady West contributed to this article.

## Civil Rights Probe Is Launched

By DEL QUENTIN WILBER

The Justice Department has launched a civil-rights investigation into the car-ramming crash on Saturday that left a woman dead and nearly 20 injured during a day of clashes at a white nationalist rally in Charlottesville, Va., federal officials said.

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

After a night and morning of protests in the city, a car slammed into a crowd demonstrating against the white nationalists who came to the city for the "Unite the Right" rally.

Mr. Sessions said the probe will have "full support of the Department of Justice" and pledged that "justice will prevail."

The investigation so far appears to be focused on what led to the death of 32-year-old Heather Heyer, a Virginia paralegal, and others injured in the crash.

Such an investigation would initially focus on whether the car's driver, James Alex Fields Jr., committed a hate crime in crashing into the demonstrators.

Some civil-rights advocates said the Justice Department's actions aren't aggressive enough.

Vanita Gupta, the leader of the Justice Department's Civil Rights Division in the Obama administration, said Mr. Sessions "should name this as a hate crimes and domestic terror investigation."

"White supremacists were the original domestic terrorists in this country," Ms. Gupta said, adding that such a designation would give prosecutors and agents more investigative tools.

Ms. Gupta, president and chief executive officer of the Leadership Conference on Civil and Human Rights, added that the Justice Department should broaden the inquiry to include other allegations of violence by white supremacists in Charlottesville.

Mr. Sessions has been dogged by criticism over his commitment to civil-rights enforcement since he was nominated in the 1980s to be a federal judge. He was accused at the time of improperly targeting civil-rights advocates for prosecution on voter-fraud charges and making racially insensitive comments. Those accusations helped torpedo his judicial nomination.

"These are damnable false charges," Mr. Sessions testified this January at his confirmation hearing to be attorney general.

Mr. Sessions has made overtures in recent months to his critics by emphasizing his support for prosecuting hate crimes, including those targeting the transgender and Muslim communities.

## Mother of Attack Victim 'Proud of How She Died'



SCOTT P. YATES FOR THE WALL STREET JOURNAL

A memorial on Sunday in Charlottesville, Va., shows a photograph of Heather Heyer, who was killed the day before.

mother, Susan Bro. "Hate cannot fix the world. Hate only creates more hate."

Ms. Bro recalled her 32-year-old daughter as head-

strong, the life of the party and passionate about bringing fairness into the world.

"Heather and I had talked a number of times in recent

months about the unrest in our country, and I had a feeling she might have gone" to protest the white nationalist rally Saturday, she said.

"I prayed for her safety, but I'm proud of how she died."

Heather Heyer, who was single, grew up in Ruckersville, Va., about 20 miles north of Charlottesville.

Her death also touched Alfred A. Wilson, who hired her at the Miller Law Group.

Mr. Wilson, 50, manages the bankruptcy support division for the local law firm and said he remembered clearly July 31, 2012, when Ms. Heyer took the job at the firm because on paper she had no business being there. She started as a receptionist and learned the legal ropes. He said she was one of

the hardest-working people he knew. Once she saw that she could help people save their homes from foreclosure or keep their car from being repossessed, she redoubled her efforts.

"I had to beg her to go on a vacation, she would stay late and work, worked at night and on weekends," Mr. Wilson said.

"She was a special woman," said Mr. Wilson. "She just wanted everybody to get a chance, to get the same fair treatment."

He recalled her compassion, diving into the case of a client who faced home foreclosure because of the costs of chemotherapy treatments for cancer.

The Miller Law Group will be closed Monday, he said.

In subsequent interviews and media appearances, he renounced the support of white supremacists and Mr. Duke in particular.

Democrats, for their part, saw the Virginia episode as evidence of the Trump-era Republican Party as beholden to extremists.

"The President's talk of violence 'on many sides' ignores the shameful reality of white supremacism in our country today, and continues a disturbing pattern of complacency around such acts of hate," House Minority Leader Nancy Pelosi (D., Calif.) said in a statement.

With images from Charlottesville dominating cable TV coverage, Mr. Trump is at a crossroads, Mr. Berger said.

"So the next few days will be crucial," he said. "President Trump is facing substantial political pressure to make a stronger statement about white nationalist violence."

—Dave Michaels,

Bob Davis and Alan Cullison contributed to this article.

## TRUMP

Continued from Page One

ter. "My brother didn't give his life fighting Hitler for Nazi ideas to go unchallenged here at home."

Other Republicans sought a middle ground between denouncing their party leader and seeming unwilling to single out racists and neo-Nazis.

"I stand with President Trump and leaders from both parties condemning these actions and encourage Americans to stand together in opposition to those who encourage hate or promote violence," said Sen. Luther Strange of Alabama.

The Virginia clash has also refocused attention on the White House role of Steve Bannon, who helped steer Mr. Trump's election victory. Mr. Bannon joined the campaign from Breitbart News, which he once described as a "platform for the alt-right."

The alt-right is shorthand for the "alternative right," a loose agglomeration of groups with far-right ideologies, some of which embrace the tenets of white supremacy, while others consider themselves rebels against mainstream Republicans.

Over the past seven months, Mr. Bannon has fallen in and out of favor with the president, advisers to Mr. Trump have said, and in the wake of the Charlottesville episode, some of Mr. Trump's supporters want to see his influence curtailed.

Anthony Scaramucci, who did a brief stint as White House communications director, appeared on ABC's "This Week" Sunday and decried what he called the "Bannon-bart influence" in the White House, a mashup of Mr. Bannon's name and the news site he used to run.

"I think the president knows what he's going to do with Steve Bannon," said Mr. Scaramucci.

Mr. Bannon declined to comment.

Many white nationalists made themselves known at Trump rallies in 2016.

The alt-right is shorthand for the "alternative right," a loose agglomeration of groups with far-right ideologies, some of which embrace the tenets of white supremacy, while others consider themselves rebels against mainstream Republicans.

Now, though, white nationalist groups are closely watching Mr. Trump's response to the crisis. They say they

weren't the ones to start the fighting.

Jared Taylor, editor of the white nationalist website American Renaissance, said that virtually all the violence between such groups were caused by counterprotesters.

"Whenever these confronta-

tions take place, it's where pro-white groups try to have a rally," said Mr. Taylor, who said he wasn't at the Charlottesville demonstration. "You will notice that pro-white groups never make a fuss or demonstrate when other groups have meetings that stand for things they abhor."

David Duke, a former Ku Klux Klan leader, in response

to a Trump tweet Saturday calling for unity and condemning "hate," tweeted in reply: "I would recommend you take a good look in the mirror & remember it was White Americans who put you in the presidency, not radical leftists."

As a candidate, Mr. Trump's campaign said it didn't rely on white nationalists to win. "The President has never considered this fringe to be part of his coalition," said Michael Caputo, a former Trump campaign aide.

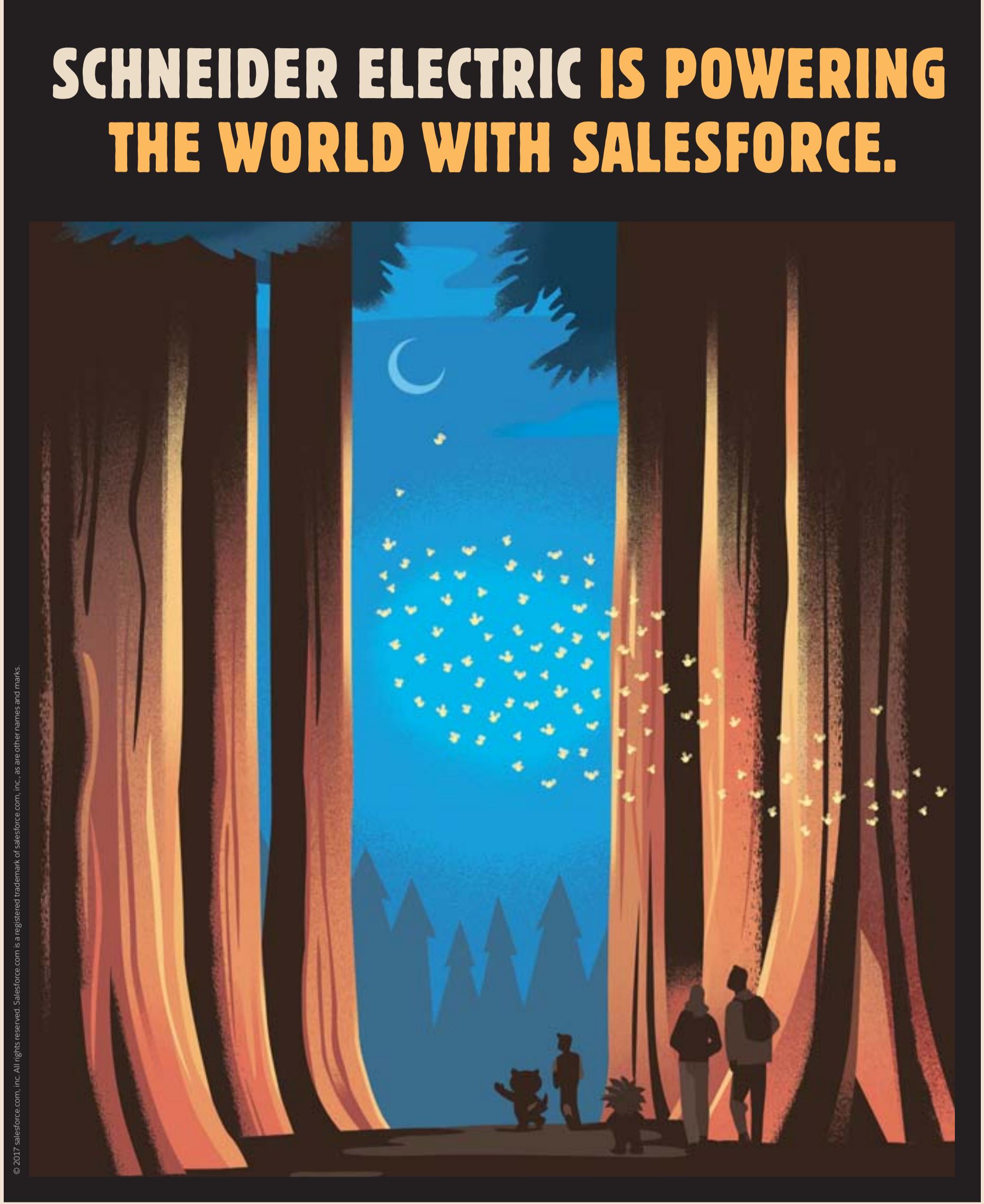
But some critics said that, as a candidate, he didn't denounce such supporters in unequivocal terms. They also said messages from the campaign seemed aimed at a white nationalist audience.

In a CNN interview in early 2016, Mr. Trump was asked about Mr. Duke's expressions of support.

"I don't know anything about David Duke," he said. "I don't know anything about what you're even talking about with white supremacy or white supremacists."

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## WORLD NEWS

# Iran Parliament Raises Military Spending

Response to imposition of new U.S. sanctions includes funds for forces and missiles

By ARESU EQBALI  
AND ASA FITCH

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

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

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

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

They were part of a package of sanctions also targeting Russia and North Korea. Mr. Trump signed the legislation early this month.

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

Iran sees the U.S. sanctions as violations of the landmark nuclear deal it reached in 2015 with six world powers including the U.S.

The deal sought to ensure Iran couldn't produce nuclear warheads by curbing its nu-



About half of Iran's increased defense spending will go toward its ballistic-missile program. Above, a Shahab-3 long-range missile was displayed during a June rally in Tehran.

clear enrichment program. In exchange, Tehran got relief from sanctions.

"If the Americans impose sanctions on Iran in violation of the [nuclear deal], the Iranian government...is obliged to take reciprocal action in nuclear and other affairs," parliament speaker Ali Larijani said, the official Islamic Republic News Agency reported.

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

The country has a large arsenal of such missiles, the most advanced of which can

reach Israel, Iran's sworn enemy and the U.S.'s closest regional ally.

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

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

wouldn't contravene the deal.

But Mr. Trump said in April that Iran was violating the spirit of the deal, which he

*Iran has asserted its missile development doesn't violate the nuclear deal.*

called a mistake during his presidential campaign and promised to undo should he be elected.

In February, shortly after

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

Mr. Trump's administration imposed sanctions on Iranian entities connected to ballistic missiles in February, May and July.

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

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

There have been 13 unsafe

or unprofessional interactions between Iranian and U.S. maritime forces this year, the U.S. said last week.

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

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

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Opposition leader Raila Odinga addressed supporters in Nairobi's Mathare settlement on Sunday.

## Kenya's Shaky Calm Holds

BY MATINA STEVIS

NAIROBI, Kenya—Defeated opposition leader Raila Odinga urged his supporters to go on strike and reject official election results that confirmed he had lost his fourth presidential bid to President Uhuru Kenyatta.

In an address to a thousands-strong crowd of supporters in Nairobi's Kibera slum on Sunday, Mr. Odinga reiterated allegations that the government of incumbent Mr. Kenyatta had stolen the election after a violent crackdown on opposition protests on Saturday.

The death toll from the weekend's postelection unrest climbed to at least 11, according to community leaders, families and medical organizations, with Kenya's independent government human-rights agency putting it at 24.

"This is a failed regime that is resorting to killing people instead of addressing the real issue. The vote was stolen," Mr. Odinga said from a stage. "We are not done yet. We will not give up. For now, I want to tell you: Don't go to work tomorrow," he added, sending a chorus of cheers skyward.

Mr. Odinga again offered no concrete evidence for his claim that the election had been rigged in favor of Mr. Kenyatta, who, according to Kenya's Independent Electoral & Boundaries Commission, received 54.3% of the vote, com-

pared with 44.7% for Mr. Odinga. Election observers from the European Union and the African Union have said the vote was free and fair and there was no evidence of widespread manipulation or the hacking of vote tallies claimed by the opposition.

The opposition also claims the real number of those killed in clashes between its supporters and police in some slums of Nairobi as well as towns in western Kenya is 100, but provided no evidence.

Kenya's police late Sunday said they had killed six people, all involved in looting, and rejected other estimates. They said they were investigating the death of a 9-year-old girl by a stray bullet on Friday.

Although the clashes between armed security forces and protesters have been confined to a few opposition strongholds, the upswing in violence this weekend has raised fears of a protracted bout of fighting in a country that has experienced huge loss of life around voting before. The fighting also has raised fears that the long-antagonistic political parties may struggle to end their differences through dialogue.

"It remains unclear how Odinga's supporters will react to his rejection of the results; sustained protests are possible if he refuses to concede," said the International Crisis Group, a conflict-resolution nongovernmental organization. "Still, this was an important election that could have gone very wrong. That it did not, at least for now, is cause for satisfaction."

Since Tuesday's elections, Nairobi and much of the rest of Kenya remained quiet. In areas where violence occurred, most residents stayed home and called for peace. Even areas that had seen violence until Saturday, including Kibera and another settlement called Mathare, were calm Sunday morning as people went to church. After Mr. Odinga spoke in Kibera, scuffles broke out anew between groups of protesters and security forces.

Mr. Odinga didn't offer a clear view of his strategy. His colleagues have said they won't take their grievances to court, but rather to "the court of public opinion," without specifying what that means.

"Wait for the next course of action, which I will announce the day after tomorrow," Mr. Odinga told supporters, who call him Baba, or dad.

It may be tough for even Mr. Odinga's most ardent supporters to stay away from work. Many residents from Nairobi's poorest pockets were back at work on Sunday.

"I want to do what Baba says, but I have to feed my children, too," said Mercy Ochieng, who runs a stall that sells food in Mathare.

## WORLD NEWS

# U.S. Faces Tight Path in Nafta Talks

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

By Jacob M. Schlesinger in Washington, Robbie Whelan in Mexico City and Paul Vieira in Ottawa

Trade Agreement, the 23-year-old pact he has branded a "disaster" for U.S. factory workers.

The negotiators' challenge: finding a way to address workers' concerns while keeping the promise to "do no harm" to the large number of industries and communities that have benefited.

The negotiations with Mexico and Canada, starting on Wednesday in Washington, mark Mr. Trump's first concrete attempt to translate his strong protectionist campaign rhetoric into policy.

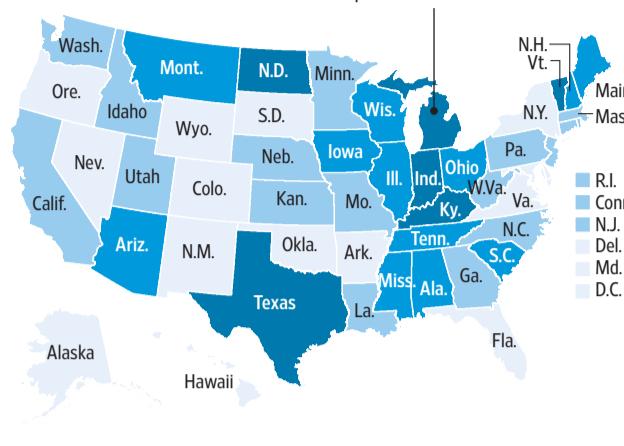
Early signs have been largely reassuring to business leaders and trade partners, who have worried that the president's demands would uproot rules that are by now embedded in the continent's commercial ecosystem. They say there is much they all can embrace in the Trump proposals,

### Trade Impact

States with heavy agricultural and manufacturing economies are most dependent on Nafta and can be expected to assert their interests in coming negotiations.

Total Nafta trade (% of GDP)

0% 3 5 8 27



Note: Total trade equals 2016 exports plus imports

Sources: U.S. Census Bureau (exports and imports); Bureau of Economic Analysis (GDP)

THE WALL STREET JOURNAL.

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

"While there are tough issues here for the other countries, I don't see any obvious poison pills," William Reinsch, a former Clinton administration trade official who has run

a free-trade advocacy group for 15 years, wrote in a recent essay.

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

who have lobbied intensively to preserve the agreement.

Few think that will be an easy needle to thread. The U.S. has floated some proposals tinged with Mr. Trump's "America First" philosophy that the two Nafta partners and many U.S. multinationals say they can't accept.

Those include a demand to give the U.S. more freedom to unilaterally restrict cross-border trade if it thinks foreign firms are cheating, and to tighten barriers against cheap imports from outside the region.

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

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

Mexico and Canada are entering the negotiations mainly playing defense, making few demands other than to try to protect and modernize an agreement that has generally been more popular in those countries than in the U.S.

# Pence Lessens Threat Of Venezuela Attack

By LOUISE RADNOFSKY  
AND JUAN FORERO

must be done quickly."

Mr. Pence replied that the U.S. was confident that peaceful solutions could be found, and that Mr. Trump's remarks on Friday had merely reflected his resolve to address the situation.

"We have many options for Venezuela, but the president also remains confident that working with all of our allies across Latin America we can achieve a peaceful solution," Mr. Pence said. "We will continue to act together."

"The president sent me here to continue to marshal the unprecedented support of countries across Latin America to achieve by peaceful means the restoration of democracy in Latin America, and we believe it is achievable by those means," Mr. Pence said in a response to a subsequent question.

The vice president, who is on the first stop of a six-day tour of Latin America, also said the U.S. was committed to escalating diplomatic and economic sanctions against the Venezuelan regime as needed, and that the "full range of additional economic sanctions" was still under consideration. He didn't make specific announcements on Sunday.

## WORLD WATCH

### ZAMBIA

#### Prosecutors Plan To Ease Political Crisis

Zambian prosecutors plan to drop treason charges against jailed opposition leader Hakainde Hichilema, two officials familiar with the decision said, a step that would ease the political crisis that has been roiling one of Africa's most stable democracies.

Mr. Hichilema, who had been charged with allegedly trying to overthrow the government, was set to go on trial on Monday. But two officials said prosecutors had decided to drop the charges to facilitate talks between Mr. Hichilema and President Edgar Lungu.

Mr. Hichilema was arrested in April, after a convoy of his supporters allegedly disrupted Mr. Lungu's motorcade. Police said at the time the incident posed a risk to the president's life.

Martha Mushipe, a lawyer for Mr. Hichilema, said his legal team hadn't been informed of any decision to drop the charges. A government spokesman declined to comment.

Mr. Hichilema narrowly lost last year's presidential election to Mr. Lungu and has insisted the vote was rigged.

—Nicholas Bariyo and Gabriele Steinhauser

### INDIA

#### Children's Deaths at Hospital Spark Probe

The deaths of 64 children at a state hospital in Gorakhpur in the northern state of Uttar Pradesh last week have triggered outrage and a debate about the condition of the stretched health-care system.

The state government said that there were issues with procuring oxygen at the hospital, Baba Raghav Das Medical College, last week, but that it didn't cause the deaths. Parents told local media they were asked to use hand air pumps to help their children breathe amid a shortage of ventilators, staff and oxygen.

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

—Corinne Abrams

### IRAQ

#### ISIS Says It Attacked Troops Near Karbala

Islamic State claimed responsibility for an attack on Iraqi troops outside Karbala that left one dead, according to a statement from the group.

The claimed suicide car bomb attack late Saturday struck a checkpoint outside Karbala and injured two others, said Iraqi Brig. Gen. Yahya Rasool, spokesman for the Joint Military Command.

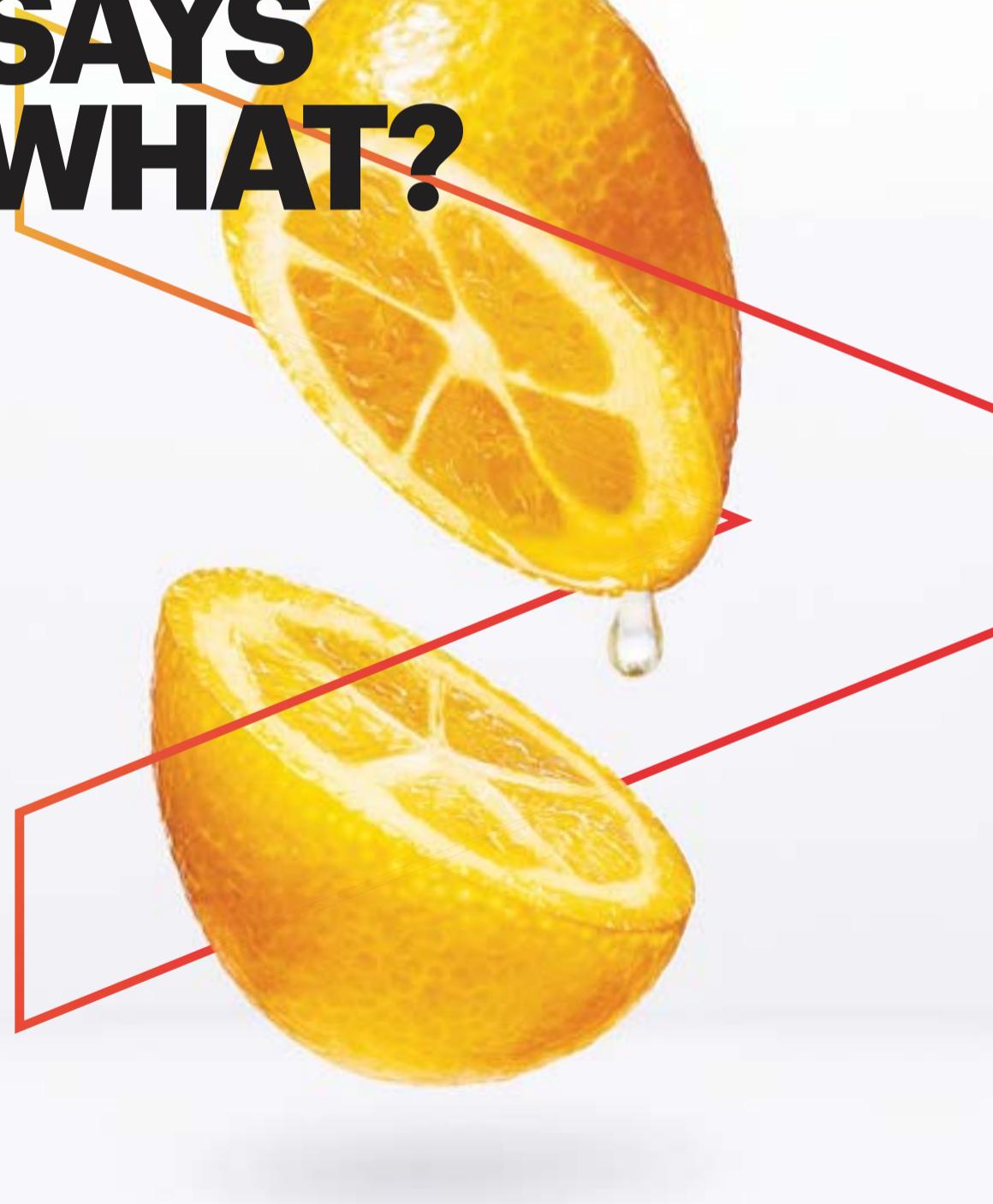
Karbala, some 55 miles south of Baghdad, is home to the Imam Hussein Shrine, one of the holiest sites in Shiite Islam.

—Associated Press

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## WORLD NEWS

# U.S. Presses China on Tech-Theft Allegations

Probe of government agencies is unrelated to North Korea nuclear crisis, officials say

BY JACOB SCHLESINGER

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

Aides said President Donald Trump would sign a directive on Monday ordering his trade representative to start a formal probe into whether Chinese government agencies and companies were unfairly acquiring valuable patents and licenses from U.S. firms, either through outright theft, or by pressuring Americans to turn over their inventions as the price of entry into China's market.

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

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

The administration made the announcement a day after Mr. Trump held a phone call with Chinese President Xi Jinping to discuss escalating tensions over North Korea's rapidly advancing



CHINATOPIX/ASSOCIATED PRESS

A magazine display in Shanghai features President Trump. A new U.S. probe signals a shift in the administration's China trade policy.

nuclear-weapons program. Mr. Trump has repeatedly said he would cut Beijing slack over trade issues if he felt the Chinese were being helpful in reigning in Pyongyang.

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

Asked if Mr. Trump discussed

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

The White House aides said the new trade probe wasn't tied to the administration's North Korea strategy, despite the president's earlier linkage of the subjects.

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

Mr. Trump regularly blasted the U.S.'s \$347 billion trade deficit with China, and vowed to take swift, drastic retaliation if he were elected, from across-the-board tariffs to branding Beijing a "currency manipulator."

But the early months of Mr. Trump's presidency have seen a considerably softer tone toward China over trade. He quickly dropped the campaign-trail threats, and during a genial April summit with Mr. Xi the two countries launched a new "comprehensive economic dialogue" aimed at resolving bilateral commercial disputes amicably. A month later, China announced

some modest market-opening moves, like ending a 14-year ban on U.S. beef imports, and Commerce Secretary Wilbur Ross declared economic ties between the world's two largest economies were "hitting a new high."

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

In focusing on China's voracious appetite for American intellectual property, the Trump administration is responding to a longstanding complaint by

Western trade groups, who say the country's industrial policies effectively force foreign companies in sectors such as autos to transfer technology to stay in the market.

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

Major U.S. tech companies like Microsoft Corp. and Qualcomm Inc. have set up Chinese joint-ventures in recent years that require them to share technology, in deals they call voluntary.

There have been some signs of conflict though. Microsoft announced this year the completion of a version of Windows 10 tailored for Chinese government use, a bid to sell to China's large state sector. But the product has yet to get Beijing's green light—a reflection in part of disagreement over how much Microsoft must cooperate, according to people familiar with the matter. Microsoft remains under a China antitrust investigation.

Apple Inc. said in July that it would shift control over iCloud operation for Chinese customers to a local partner because of the country's new regulations.

While many U.S. companies and policy makers agree Chinese forced technology transfer is a problem, they also say it is difficult to figure out a solution.

One challenge is that many U.S. firms are reluctant to lodge formal complaints, making it difficult for trade officials to make their case.

## KOREA

Continued from Page One

than a week ago, but we are closer to war than we were a decade ago," the White House's national security adviser, Gen. H.R. McMaster, said Sunday on NBC's "Meet the Press." Echoing that assessment on CBS's "Face the Nation," Central Intelligence Agency Director Mike Pompeo said he didn't believe an attack from North Korea was "imminent."

The military also didn't appear to be preparing for war. No additional forces have been sent to the Korean Peninsula as a result of the crisis, and there has been no new deployment of ships or submarines. The more than 28,000 U.S. troops stationed in South Korea haven't been put on special alert, military officials said.

And, the fact that Gen. Dunford and his wife, Elynn, are traveling in the region this week reinforces the sense that there is no imminent threat of war.

Still, both Gen. McMaster and Mr. Pompeo said that the president was committed to preventing North Korea from acquiring nuclear-tipped missiles that could hit the U.S. Accepting a nuclear-armed North

Korea wasn't an option, they said, because deterrence wouldn't work with the regime of Kim Jong Un, whom Mr. Pompeo called a "rogue leader."

"Classical deterrence theory, how does that apply to a regime like the regime in North Korea?" Gen. McMaster asked. "A regime that engages in unspeakable brutality against its own people."

Last week, former Obama administration national security adviser Susan Rice argued in a newspaper opinion piece that "we can, if we must tolerate nuclear weapons in North Korea—the same way we tolerated the far greater threat of thousands of Soviet nuclear weapons during the Cold War."

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

Still, as Mr. Trump continues to tweet about U.S. posture, saying Friday the military is "locked and loaded," and ready to fight, the military

hasn't shied away from sending its own signals. In recent days, the U.S. touted a flyover of the Korean Peninsula by a pair of its B-1B strategic bombers, an event it rarely acknowledges publicly.

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

Mr. Pompeo, the CIA director, said that Mr. Trump's words had put Mr. Kim on notice that the U.S. was serious about addressing the challenge from North Korea. The president "was communicating to many audiences—certainly the rogue leader in North Korea—communicating to him that the strategic patience of the past decades is no longer," Mr. Pompeo said.

Naturally, the U.S. military is declining to talk publicly about what it might do militarily. A pre-emptive strike on North Korea remains unlikely, though, military officials have said.

Dissuading Mr. Trump from a certain course of action typically requires advisers to make the argument repeatedly, officials have said. Military advis-

ers who don't support a pre-emptive strike believe they will have to keep the president convinced that the U.S. would be unwise to take that approach, according to people in Washington familiar with the matter.

Gen. Dunford said the purpose of his Monday visit to Seoul, which sits just 35 miles

south of the border with North Korea, is to reassure a critical ally. He is expected to examine the options U.S. and South Korean militaries could execute if a conflict were to come to pass, officials said.

He is also set to discuss with Mr. Moon the deployment of the Terminal High Altitude

Area Defense, or THAAD missile defense system, Pacific Command officials said. The U.S. and South Korea are now in talks to deploy the system with its full complement of launchers, U.S. Pacific Command officials said.

—Bob Davis in Washington contributed to this article.

## CEO

Continued from Page One

In April, when Arconic Inc. announced that then-CEO Klaus Kleinfeld was stepping down by mutual agreement after he sent an unauthorized letter to an activist investor that the board determined showed poor judgment, Mr. Schaeber's formula gave his exit a maximum score of 10.

Arconic declined to comment on the score, and Mr. Kleinfeld couldn't be reached for comment.

On the other end of the scale, Rex Tillerson's decision to leave Exxon Mobil Corp. to become secretary of state in Donald Trump's administration generated a Push-Out Score of zero.

More often, the score ends up somewhere in between, suggesting some signs of pressure on an executive to go. Therein lies Mr. Schaeber's challenge.



MANDEL NGAN/AGENCE FRANCE PRESSE/GETTY IMAGES

Mario Longhi recently retired as CEO of U.S. Steel Corp.

When Mario Longhi recently retired as CEO of U.S. Steel Corp., the company's written statement offered no information about his plans and didn't express regret over his departure, adding a point to his score. So did the announcement's timing—two weeks after the steelmaker's stock price plunged on an earnings miss. It didn't help that Mr. Longhi relinquished the post two days before the May 10 announcement.

Nevertheless, the statement included praise from the chairman for Mr. Longhi's service and allotted the departing

executive 65 words to reflect on the progress the company made during his tenure. These clues, in addition to his age, 63, kept the score from climbing higher.

Mr. Longhi's final Push-Out Score: 5.

U.S. Steel declined to comment on the score, and Mr. Longhi didn't respond to a message seeking comment. In the May announcement, he said that "when I came to the company, I envisioned a five-year tenure, which I have now completed."

Mr. Schaeber says he became interested in the subject

during his university years studying linguistics and literature. While examining the works of Goethe, among others, he started collecting and poring over seemingly formulaic corporate announcements.

"I was fascinated," says Mr. Schaeber, who has analyzed thousands of corporate announcements and their patterns. "It looks like boilerplate language, but if you look really closely at each word and how the words are weighed, each corporation has its own code. If there are deviations from that norm, there may be information there."

Mr. Schaeber, who also is an editor at the German financial newspaper *Börsen-Zeitung*, says Executives' clients include executive recruiters and investors—particularly those interested in smaller companies whose management changes get little or no press coverage.

Fuzzy language such as "decided to leave the company," or omissions, such as words of appreciation but no praise for concrete successes, add to the Push-Out Score. So does quick departure timing, such as "effective next week," or statements that don't mention a permanent successor. If a de-

parting CEO is under 60 and no concrete plans or new job is mentioned, that also adds to the score.

Mr. Schaeber acknowledges that executives sometimes step down for different reasons altogether, despite a high number of possible push-out factors. The reverse also is possible.

In February, when CSX Corp. announced that longtime CEO Michael Ward had decided to retire, his departure scored a relatively low 4. That was partly because of his age, 66, a notice period of more than three months until his retirement, a recent run in the share price and the praise the board heaped on him in the statement. Mr. Ward had delayed earlier plans to retire when CSX's then-president left in 2015 to become CEO of another company.

Yet the move came amid a public campaign by activist investor Mantle Ridge LP to install railroad veteran Hunter Harrison in the top spot. Two weeks later, the company announced Mr. Harrison as its new CEO. Both CSX and Mr. Ward declined to comment.

Occasionally, Mr. Schaeber is stumped. He stays away from scoring resignations at

tributed to "health reasons" because of the complex, unknown issues involved.

At times, companies and executives have disputed his analysis or asked him to remove it from his website. He says he has never changed a score and would do so only if it had been based on incorrect data.

Some CEO departures need no decoding. In 2013, Groupon's then-CEO Andrew Mason announced his ouster in a staff memo. "I've decided that I'd like to spend more time with my family. Just kidding—I was fired today," he wrote.

Former Yahoo Inc. CEO Carol Bartz informed employees of her departure in a two-sentence email in 2011: "I am very sad to tell you that I've just been fired over the phone by Yahoo's Chairman of the Board. It has been my pleasure to work with all of you and I wish you only the best going forward."

Mr. Schaeber says he often thinks about how his own departure statement might read. He isn't sure how clear-cut he would want to be. "Of course, I'd like to be sitting in the driver's seat in making the announcement," he says.

# GREATER NEW YORK



## New Protection in Hamptons

Police force creates a counterterrorism unit to defend partygoers from potential threats

By JOSEPH DE AVILA

Hamptons partygoers expect celebrity sightings, briny oysters and flowing rosé during the summer. Now, they also can expect local counterterrorism forces patrolling many events.

The Southampton Police Department has formed a counterterrorism unit to add specialized protection for the dozens of large soirees held in the town during the summer that often draw hundreds of attendees, including top executives, politicians and celebrities.

Southampton Police Chief Steven Skrynecki said when he started the job in May, he saw a need to beef up the department's ability to deter and respond to potential attacks. There are about 117 full-time and seasonal members on the force, including about 15 officers on the counterterrorism unit.

"There is a significant community here that could be potentially targeted, and these events would potentially lend themselves to that," said Chief Skrynecki, former chief of department with the Nassau County Police Department. "Big police departments all across the country are doing this. I felt that this department and the community that it serves would benefit from this type of pack-



The Southampton police's counterterrorism unit provided an extra layer of security at a gala this month in Bridgehampton.

age as well."

On a recent Saturday, the department's counterterrorism unit was out in force patrolling a breast-cancer fundraiser hosted by TV personality Ryan Seacrest on a farm in the hamlet of Bridgehampton. The officers, outfitted with bullet-proof vests and patrol rifles, have received some training from the Secret Service and extra firearms schooling, Chief Skrynecki said.

The new unit reviews events to determine what type of protection is needed. Risk factors include how many people will attend, who will attend and where the venue is located, he said.

The unit also works with the event planners to take precautions to avoid an automobile or truck attack like the one that

occurred in Nice, France, in 2016, he said.

The Breast Cancer Research Foundation hosted the fundraiser in Bridgehampton. Lucretia Gilbert, chief development officer of the Breast Cancer Research Foundation, said her organization has coordinated with the police department in the past on its annual event and appreciates the new security measures put into place this year.

"The Foundation has always worked closely with the Southampton Police Department as safety of our guests is always top priority," Ms. Gilbert said. "We could not be more grateful for the department's commitment and professionalism."

The Riverhead Police Department on Long Island also has added what it calls a criti-

cal-incident response team, armed with semiautomatic rifles and trained to respond to active shooters, to patrol events such as parades, said David Hegermiller, chief of police. The force also uses dump trucks to block off streets to limit access to vehicles, he said.

"It's just where we are at in the time," Chief Hegermiller said. "Everyone has a heightened awareness of what's going around us."

The Riverhead department has about 85 members, with 13 part of the specialized unit.

In Southampton, the counterterrorism unit stays in touch with the intelligence units of the New York City Police Department, the Suffolk County Police Department and federal authorities to check for chatter or other potential concerns that may arise from incidents occurring around the world and regionally, Chief Skrynecki said. Since the department launched the unit, there hasn't been any intelligence suggesting specific concerns for gatherings in Southampton, he said.

"This is done in an abundance of caution," Chief Skrynecki said.

Jay Schneiderman, the supervisor of Southampton, said creating the counterterrorism unit is the right thing to do if it discourages attacks.

The increased training and overtime for the police department has been negligible for the town at this point, Mr. Schneiderman said.

"It's money well spent," Mr. Schneiderman said. "I'd rather spend a few thousand dollars and prevent a horrific tragedy."

## Refugee Children Get Help Preparing for School

By KATE KING

UNION, N.J.—Haitham Khawog was nervous to start school.

In addition to the usual jitters that accompany the first day of classes, Haitham is a refugee and didn't speak English when his family arrived in New Jersey last year after fleeing the war in Syria.

When school started, Haitham said he was surprised to encounter female teachers and classmates, since in Syria the schools were segregated by gender after the fourth grade.

"It was something new," Haitham, 14 years old, said through an interpreter. "I was afraid that the other students would laugh at me because I didn't speak English, but this was not the case."

Haitham is now preparing for his second school year in the U.S., and, like last year, is participating in a three-week summer camp program that helps newly arrived refugee children transition to American classrooms. The International Rescue Committee, a resettlement agency contracted by the federal government to find housing and coordinate social services for refugees, organized the camp after hearing from local teachers about adjustment and behavioral issues some children were having.

Refugees that have resettled in New Jersey since October

More than 350 refugees have resettled in New Jersey since October, according to federal statistics. IRC, which is one of several resettlement agencies operating in the state, has resettled 248 of those refugees, 113 of which were minors.

Julie Sugarman, policy analyst at Migration Policy Institute, a Washington-based think tank, has studied the edu-



Haitham Khawog, 14, and his family fled the war in Syria and now live in New Jersey.

tional experiences of refugee children and said American classes, which often have students choose books or projects that interest them, can be an adjustment for foreign students who are more used to lectures by teachers and fact memorization.

"In Africa you would have an open-air setting or a very big room where there's maybe 50 or 100 kids and it's basically the teachers speaking to them and the kids repeat orally back to the teacher," Ms. Sugarman said.

She added that refugee children have often never participated in the "group work" activities with their peers that are standard in American classrooms.

IRC's camp, called the Refu-

gee Youth Summer Academy, has enrolled 82 students in this year's program, which offers English classes as well as yoga, music and drama activities. The camp, which is held at Kean University in Union and now in its second year, is funded by private donations, including St Urban, a Manhattan-based chamber music salon series.

Megan Bergert, IRC's youth program coordinator, said many refugees never went to school or saw their education interrupted before arriving in the U.S., and are unfamiliar with typical school routines. Camp instructors teach children how to pack their backpacks, share with their classmates and raise their hands for permission to use the bathroom.

"We know our kids are smart and interesting and bright and funny," she said. "We're trying to help them with these routines so they're familiar and those sorts of behaviors don't get in the way of teachers seeing that."

Haitham, the Syrian refugee now entering his second year of school in the U.S., said his goal is to improve his English so he can go to college and study to become a doctor. His favorite memory from his first school year was a field trip to New York City. "The buildings—so big," he said, in English.

## Party Brass to Set Democratic Line For Senate Race

By MIKE VILENSKY

The resignation of state Sen. Daniel Squadron is putting new scrutiny on New York election laws that will enable party insiders to decide who will replace him on the ballot instead of voters.

Because of the timing of Mr. Squadron's departure last week, his successor on the Democratic line in a November special election will be handpicked by a few dozen Democratic Party committee members.

In his overwhelmingly Democratic district, which comprises parts of both lower Manhattan and south Brooklyn, whoever has the Democratic Party line is heavily favored to win. Republicans have said, though, that they would put up a candidate for the empty seat.

"This is not democratic," said Alex Camarda, a policy analyst for the government watchdog group Reinvent Albany. "We think the process should be changed to allow for party primaries or nonpartisan elections."

Keith Wright, chairman of the Manhattan Democratic Party, said: "We're adhering to state law, there's nothing nefarious." The governor and legislative leaders declined to comment.

The process by which vacant legislative seats are filled isn't new, but critics said it is hypocritical of Mr. Squadron to leave under these circumstances, given that he pushed legislation to overhaul the special-election process.

In Southhampton, the counterterrorism unit stays in touch with the intelligence units of the New York City Police Department, the Suffolk County Police Department and federal authorities to check for chatter or other potential concerns that may arise from incidents occurring around the world and regionally, Chief Skrynecki said.

"This is done in an abundance of caution," Chief Skrynecki said.

Jay Schneiderman, the supervisor of Southampton, said creating the counterterrorism unit is the right thing to do if it discourages attacks.

The increased training and overtime for the police department has been negligible for the town at this point, Mr. Schneiderman said.

"It's money well spent," Mr. Schneiderman said. "I'd rather spend a few thousand dollars and prevent a horrific tragedy."

national democratic process only within a certain window, after which a traditional primary is replaced by a local committee vote.

Mr. Squadron took office eight years ago, after replacing an incumbent Democrat in a primary, and has spent much of his tenure trying to change New York's election and campaign laws. He sponsored a bill that would end the practice of letting committees fill vacancies for special elections and replace it with nonpartisan elections.

Though he sits in a minority seat and his successor is unlikely to affect the Senate makeup, his seat is coveted among activists.

Mr. Squadron would have enabled a conventional primary if he had resigned between the end of the legislative session in June and mid-July, though it would give aspiring candidates little time to organize.



Daniel Squadron, a Democrat, resigned from the New York state Senate last week.

Ethics watchdogs said Mr. Squadron should have finished his term or indicated his plans earlier to thwart the committee-selection process.

"Since he was a champion of this kind of reform, it looks hypocritical," said Dick Dadey, who runs the good-government group Citizens Union. "I wish he had chosen a better time to leave so voters could decide who their nominee is."

In an interview, Mr. Squadron said: "A more open process would have been vastly preferable had this opportunity to focus on changing the tide nationally allowed for it. It's another sign that Albany needs to be reformed."

## Reveling in Dominican Day Parade



LOOKING UP: Sixth Avenue floats had the crowds smiling Sunday.

## Podcasts Boom in the City

By MARIANA ALFARO

Podcaster Alex Laughlin left a job earlier this year as a social media editor at a Washington, D.C., newspaper and took a pay cut to become an audio producer in New York City.

"The time came for me to make a decision of what my next move was," she said. "And I was like—well, I like D.C. but I think there's a lot more opportunities in New York, at least right now."

She has company. The number of podcast jobs in New York City rose 33% in 2017 from two years earlier, according to a report from the Mayor's Office of Media and Entertainment out Monday.

Programs produced by the four NYC-based networks produce almost 200 podcasts, employ nearly 600, and occupy nearly 140,000 square feet of office space.

The report called the New York the "podcasting capital" of the U.S.

The largest podcast producer in the city is WNYC Studios, which is responsible for "2 Dope Queens" and podcast versions of "All Things Considered" and "Radiolab." With nearly 6.4 million unique monthly listeners nationwide, WNYC trails only behind National Public Radio.

According to WNYC Studios, a subsidiary of New York Public Radio, podcast audiences grew 70% between fiscal 2015 and 2016. Laura Walker, New York Public Radio president and chief executive, credits this increase to New York City's long history with radio and New Yorkers' life patterns that draw them to listen to podcasts daily.

"You go in the subway, and you actually see people consuming podcasts," she said.

## GREATER NEW YORK



Scenes from Midtown's Garment District, clockwise from top left, clothes are delivered, a store selling mannequins and a factory.

# Garment Trade Finds Midtown Is Still Best Fit

BY KEIKO MORRIS

Low rents in Brooklyn's fledgling fashion cluster likely won't be enough to draw many companies from Midtown Manhattan's Garment District hub, a new survey suggests.

The study comes as a contentious proposal announced in the spring to **PROPERTY** end zoning protections of Midtown manufacturing space is expected to begin a public review process at the end of August.

The change would make it easier for landlords to invest in building upgrades and convert space for office use. Some in the fashion industry fear that could mean higher rents that could displace apparel firms.

Meanwhile, Mayor Bill de Blasio's administration is investing in a budding fashion industry in Brooklyn's Sunset Park neighborhood. But the new survey, released by the Municipal Art Society of New York, shows the industry is hesitant to relocate.

Commute times would increase by 45 minutes or more for 83% of workers, the study

said. The vast majority—80%—say they would be unlikely to travel to Sunset Park.

The survey drew responses from 234 fashion-related business owners and workers in the district as well as 96 customers.

Thirty-five percent of workers surveyed live outside the five boroughs in New Jersey, Long Island, Connecticut and other parts of New York state. And 65% of customers said they probably wouldn't visit companies relocated in Sunset Park.

The survey's results highlight what is at stake, fashion industry executives said. Over the decades a complex network of businesses has developed with firms relying heavily on their proximity to each other as well as the district's central location to draw skilled workers.

"What the zoning did do, it enabled the ecosystem to be sustained through some very, very hard times," said Yehlee Teng, a Municipal Art Society board member and a designer and owner of an apparel company, Yehlee Inc.

Larger economic forces of globalization and automation have diminished local apparel

manufacturing.

The zoning protections preserve more production space than is used for that purpose, but "you still need to have some real estate solution if you want to keep the industry in place," said Elizabeth Goldstein, president of the Municipal Art Society, an organization that focuses on planning and urban-development policies.

While many say they support the idea of retaining a central garment-industry hub in the existing Garment District, how to do so has drawn impassioned debate. Removing protections for manufacturing space without other supportive measures has raised concerns that such a move would threaten the sector's foundation in the district.

A steering committee of stakeholders in the district, put together by Manhattan Borough President Gale Brewer, Council member Corey Johnson and the city, is expected to release recommendations to maintain a manufacturing core in the Garment District as early as this week.

Members of the steering committee, which include Ms. Teng, area organizations and the Real Estate Board of New York, declined to comment on the committee's discussions. But they continued to express starkly different views on the proposal.

The 1987 preservation mandate requires property owners who convert manufacturing and warehouse space in specific areas for other uses to preserve an equal amount of space for the garment industry elsewhere in the district.

The measure was intended to preserve about 4 million square feet on certain side streets, but current estimates of the amount of space in this

protected area used for production range from 715,000 square feet to 900,000 square feet.

Another 500,000 square feet to 750,000 square feet of manufacturing take place outside the protected zones but within the Garment District, according to different surveys.

Officials with the New York City Economic Development Corp. said the measure has been ineffectual in the district, which is bounded roughly by West 40th and West 35th streets and Broadway and Ninth Avenue.

Representatives of the Real Estate Board of New York and the Garment District Alliance, the area's business improvement district, called the zoning protection a failed policy.

Over the years, garment manufacturing employment has declined dramatically despite the zoning protection, while companies from other sectors have migrated to the district to fill the gaps, said Barbara Blair, president of the Garment District Alliance.

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The Festival promotes responsible drinking. 100% of the net proceeds go to Food Bank For New York City and the No Kid Hungry® campaign. Photos: Courtesy of Getty Images | Sponsors confirmed as of 7.28.17

## District Remains an Industry Hub

BY KEIKO MORRIS

Apparel manufacturing in Manhattan's Garment District isn't the economic powerhouse it once was in the first half of the 20th century, but the district has kept its reputation as a center for fashion startups and innovation, said industry professionals and experts.

The district, situated roughly between West 35th and West 40th streets and Broadway and Ninth Avenue, draws young designers, fashion students and theater costume designers—all seeking convenient niche services such as embroidery, beading, fabric cutting, sewing and patternmaking.

There are more than 400 fashion-related firms in the district today, according to city estimates.

"It's true there are designers and manufacturers all over the city, but they come into the Garment Center for highly skilled functions, supplies, stimulation, ideas and camaraderie," said Adam Friedman, executive director of the Pratt Center for Community Development, an urban planning and

research organization. "It has created an incredible competitive advantage for the city."

Designer Cally Rieman, whose brand Kal Rieman is in its seventh year, said she benefits from factories that are a block away as well as in her Garment District building, where she has a design studio, showroom, and online sales and shipping operation.

## 400

Fashion-related companies in the Garment district today

"I can't think of one other place that has such a concentration of everything in one area," Ms. Rieman said.

To be sure, garment production in the district has taken a pounding from globalization, the shift toward mass production with cheaper labor abroad and automation.

When the city created the special Garment Center District in 1987 and requirements to

preserve manufacturing space in certain portions of the district, the area claimed over 30,000 apparel production jobs.

By 2015, that number had fallen to 5,123, an 83% decline, according to the New York City Economic Development Corp.

The area also faces real estate pressures from the influx of other industries such as tech, media, architecture and advertising, pushing north from popular Midtown South neighborhoods with little space available.

Rising to the district's west, the emerging Hudson Yards district is filling up with office tenants as well.

But Joe Ferrara, president of Ferrara Manufacturing, a 30-year-old Garment District manufacturer said he is hoping the city will come up with an investment plan specifically aimed to keep and expand the varied network of businesses in the Garment District. His company employs 90 high-skilled workers mostly from Queens.

"There are a lot of hard facts that say there is more than a pulse here," Mr. Ferrara said.

## GREATER NEW YORK WATCH

### CONNECTICUT

#### Rabbi Facing Charges Will Appear in Court

A rabbi accused of repeatedly raping and molesting a teenage boy is set to make his first court appearance since being arrested last month.

Rabbi Daniel Greer is scheduled to be arraigned Monday in New Haven Superior Court on charges of sexual assault and risk of injury to a minor. His lawyer said he would plead not guilty.

The 77-year-old Rabbi Greer is accused of assaulting a teenage boy who attended the Yeshiva of New Haven school from 2001 to 2005.

Rabbi Greer was a founder and principal of the school, which was established in 1977.

A federal jury in May awarded \$15 million in damages to the former student in his lawsuit against Rabbi Greer and the school.

—Associated Press

### NEW JERSEY

#### Suspect Drowns While Fleeing Police

Authorities say a shoplifting suspect in New Jersey drowned when he ran from police and then tried to swim away in a lake.

Gloucester County prosecutors said officers approached the 20-year-old man at a Woodbury convenience store around 3:50 a.m. Saturday and tried to speak with him. They said he ran and jumped into nearby Woodbury Lake.

The officers ordered the man to leave the water but lost sight of him when he swam under a bridge. Emergency responders searched the water but couldn't find him. A state police dive team eventually found his body around 10:30 a.m.

An autopsy determined the death was an accidental drowning.

—Associated Press

### AVIATION

#### Ceremony to Mark Claimed First Flight

Connecticut officials who say a hometown aviator beat the Wright brothers by two years will honor him Monday in Bridgeport.

A ceremony will recognize Gustave Whitehead and the 116th anniversary of what state officials have called the "first manned, controlled flight of a powered, heavier-than-air aircraft."

A replica of Whitehead's aircraft will be displayed.

Connecticut officials say the German-born Whitehead, who lived in Bridgeport and Fairfield, took off from Fairfield on Aug. 14, 1901, and flew about a half mile at a height of about 50 feet. The Wright brothers' flight was in 1903 in Kitty Hawk, N.C. Officials in North Carolina and the Wright brothers' home state of Ohio dispute the claim about Whitehead.

—Associated Press

—Associated Press

# LIFE & ARTS



MUSIC

## What Happened to The Negative Review?

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

BY NEIL SHAH

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

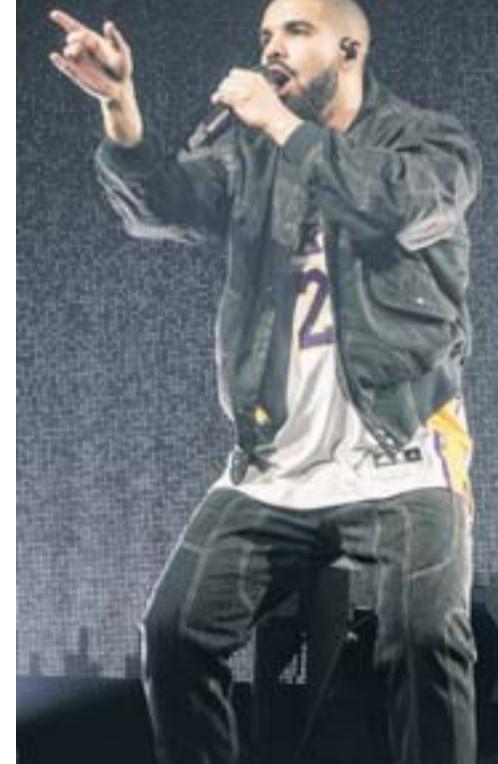
Between 2012 and 2016, Metacritic, a website that aggregates critics' reviews for music, films, television and video-games, gave just eight out of 7,287 albums a "red" score—a designation that means reviews were "generally unfavorable" or worse.

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

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

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

Reviewers generally herd together—especially in praise of megastars like Adele, Beyoncé and Taylor Swift—instead of dissenting or championing less-known artists. With shrinking staff, growing competition and limited space, publi-



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

cations may simply not write about a bad album at all, says Jim Merlis, a veteran publicist who has worked with Nirvana and the Strokes.

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

band out?" Radiohead declined to comment.

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

Music fans can try out new albums on streaming services such as YouTube or Spotify, so often music critics aren't as necessary as consumer guides. In the age of Twitter, Amazon.com and review

aggregators, individual reviews by elite critics may matter less.

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

view that day. Quicker reviews can sometimes be less thoughtful and hard-hitting, critics say.

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

Some negative album reviews  
*Please see MUSIC page A13*

TELEVISION REVIEW | By Dorothy Rabinowitz

## INTIMATE PORTRAIT OF A PRINCESS



Princess Diana in London, above, and in Gloucestershire, right

The filmmakers take pains to point out that this portrait Diana and of her marriage to the Prince of Wales, presents just one side of the story—Diana's. It's hard to imagine any viewer needing to be told that about this work based on recordings of secret interviews Diana gave, in 1991, for a book about the realities of her life as Princess of Wales. Though the facts are

by now well known, and were even at the time, there's no denying the seductive power of the details transmitted in Diana's own words, in her voice. More often than not her tone carries a tinge of unappeasable rage. Listening, it's possible to grasp what that wedding night with Charles was like, what that marriage would be like, with the shadow of Camilla everywhere brutally evident.

Diana had not known much hap-



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

Few of her memories, though, evoke as deep a sense of anger

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

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

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

**Diana: In Her Own Words**

Monday, 9 p.m., National Geographic

## LIFE & ARTS



WHAT'S YOUR WORKOUT? | By Jen Murphy

# He's Hardcore Into Softball At 81

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

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

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

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

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

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



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

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

Softball and racquetball have provided Mr. Krasnow social net-



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

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

### The Workout

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

He rides the stationary bike for 30 minutes twice a week.

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

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

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

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

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

### The Diet

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

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

### The Gear

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

### The Playlist

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

### BURNING QUESTION

# DO SHORT HAIRCUTS CAUSE BALDNESS?

BY HEIDI MITCHELL

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

### Blame Your Mother (Mostly)

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

consistent is found on the X chromosome, "which means it came from your mother's side," she says.

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

### Short Cuts

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

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

### Let It Grow?

Other than topical prescriptions—which may be absorbed more easily into the scalps of



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

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

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

## LIFE & ARTS

### EXHIBITION REVIEW

# A Painter Onstage

BY DAVID MERMELSTEIN

Los Angeles

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

These preoccupations, some might say obsessions, also made Chagall a desirable partner in the performing arts, and esteemed companies sought his services over many decades. (Not for nothing was he selected to create the two giant murals that flank the glass facade of the Metropolitan Opera in New York or paint the ceiling at the venerable Opéra Garnier in Paris.) Now his collaborative work is the subject of a relatively small but potent exhibit at the Los Angeles County Museum of Art. "Chagall: Fantasies for the Stage" displays to great advantage 41 costumes and some 100 sketches prepared for four productions from 1942 to 1967. The exhibition was organized by LACMA's Stephanie Barron from a more wide-ranging Parisian show called "Chagall and Music" that moved to Montreal earlier this year as "Chagall: Color and Music." But Ms. Barron's conceit would seem to prove the adage that less is more, by reshaping a laudable but more generic notion into a sharply focused examination of the famous artist's less familiar endeavors. And her ideas and choices have been placed in attractive relief thanks to a fluid and flattering design scheme courtesy of Yuval Sharon, a rapidly rising young opera director,



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

and crudely hand-painted shirt).

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

A small gallery of nine paintings caps the show by connecting Chagall's collaborative efforts with his more famous solo work. None specifically relate to a ballet or opera production, but all, save a well-known whimsical self-portrait from 1912, are linked to performance. And even here the show's layout enhances the experience by allowing unexpected dialogue between items—as when a sidelong glance reveals that the cow costume from "Magic Flute" echoes the distinctive purple, green and orange of "Green Violinist" (1923-24), lent by the Guggenheim.

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

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

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

and Jason H. Thompson, who specializes in projections and lighting.

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

of an early performance gives some indication of how Chagall's work appeared while in motion.

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

above oxblood sleeves that, when outstretched, reveal appliquéd salmon-colored flames. In a bravura move, three costumes are mounted on slowly rotating turntables, lending a welcome kinetic component to the viewing experience.

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



Pitchfork gave the new album by Arcade Fire, above, a 5.6 out of 10. But such negative reviews are rare.

## MUSIC

*Continued from page A11*  
happen. Last month, for example, the music website Pitchfork gave Arcade Fire's new album, "Everything Now," a 5.6 out of 10—a U-turn from the 9.2 score it bestowed on the indie-rockers' prior album, "Reflektor," which had divided fans. Katy Perry and Ed Sheeran also have received low scores from Pitchfork.

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

Public shaming on social media can dissuade critics from being negative. While discussions between critics and angry artists once were private, now they are public, with pop stars sometimes haranguing critics on Twitter. Even without an artist prodding them, fans can attack a writer online. A critic

being paid \$75 for a quick review may seek to avoid being berated for a week on the Internet, critics say.

With arts coverage shrinking, music critics and journalists have an economic incentive to chase web traffic by writing positively about megastars, experts say. Pop stars often have bigger Twitter followings than politicians. If a

were "awful" to build relationships with artists. "You have a lot of

people that want to be so connected to the industry... that they don't give their 100% honest opinion," she says. While negative stories can go as viral as positive ones, they can affect access to artists, exclusive premieres and advance album copies.

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

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

'It's actually news at this point when an album does get a bad review.'

star re-tweets or puts on Facebook a positive review or think-piece, he or she can drive millions of fans to a website.

Several observers complain that the line between critics, who review works, and journalists, who report news and conduct interviews, has blurred. TT Torrez, music director for New York hip-hop radio station HOT 97, says she's seen bloggers praising albums that



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# SPORTS

## PREMIER LEAGUE

# Soccer's Most Lethal Sub

BY JOSHUA ROBINSON

### London

Ever since he turned professional 12 years ago, Arsenal's Olivier Giroud has earned his living as a good—but not brilliant—center forward. Over the past season, however, it's become clear that the 6-foot-4 Frenchman is world class, just in a slightly different role.

Giroud is the rare soccer player whose most dangerous position might be on the bench.

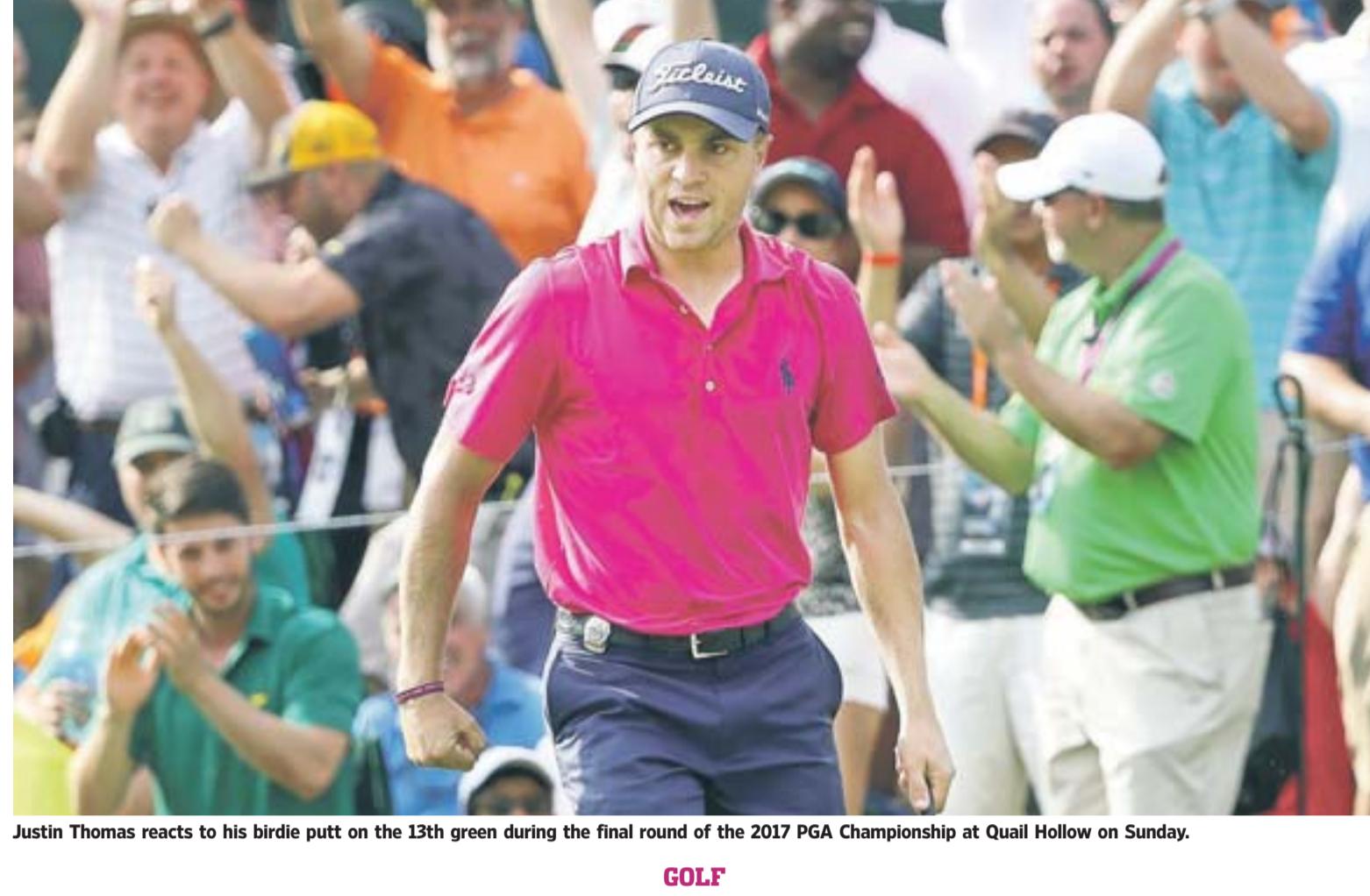
Since the beginning of the 2016-17 campaign, Giroud has scored seven goals after coming on as a substitute, three more than anyone else in the English Premier League. His latest came on Friday night when he scored an 85th-minute winner in Arsenal's 4-3 victory over Leicester City. Giroud had only been on the field for 18 minutes.

"It's a long time since we've had so much quality because Giroud is in his prime, he is at the top of his game," Arsenal manager Arsène Wenger said.

Moments of magic like Friday's—or his instantly viral scorpion-kick goal last season—have ingratiated him to Arsenal fans, but there has never been a consensus on him in these parts. For every driven header, there has been a clumsy miss, or an afternoon of baffling decisions.

And when the club broke its transfer record this summer to add another French striker, the \$60 million Alexandre Lacazette from Lyon, Giroud's days with the Gunners appeared to be numbered. If Giroud wanted to leave for more minutes on the field—especially in a season when he is auditioning for a World Cup place in the French national team—Wenger would have let him.

"I must say I opened the door for him at some stage, because I know that it's important for him to play," Wenger said on Friday. But I didn't want him to go. And he decided to stay. It was a great day for the club."



SAM GREENWOOD/GETTY IMAGES

Justin Thomas reacts to his birdie putt on the 13th green during the final round of the 2017 PGA Championship at Quail Hollow on Sunday.

### GOLF

# Thomas Outplays PGA Field

BY BRAD REAGAN

### Charlotte, N.C.

Justin Thomas is nobody's sidekick.

Before Sunday, the 24-year-old had won four times on the PGA Tour and routinely defied all laws of physics by lashing his 145-pound frame at the ball in such a violent fashion that he is somehow one of the game's longest hitters.

But most people know him, if they know him at all, simply as Jordan Spieth's buddy.

That all changed Sunday afternoon, when in the fading light at Quail Hollow Country Club Thomas rolled in a 14-foot birdie putt on the 17th green that all but gave him the PGA Championship. The victory, Thomas's first major, cements his place as one of golf's bright young stars at a time when it is suddenly awash in them.

Thomas finished with a 68, giving him a two-stroke victory over the threesome of Patrick Reed, Francesco Molinari and Louis Oosthuizen.

Thomas prevailed on a tension-filled Sunday, in which third-round leader Kevin Kisner, Japanese phenom Hideki Matsuyama and others had chances to gain control of the tournament, only to falter. At one point late in the final round, five players were tied for the lead.

Thomas jumped to the front with a

dramatic chip-in for birdie on number 13 and solidified his lead with the clutch birdie putt on the treacherous par-3 17th. Only four other players birdied the 17th on Sunday, but it was the chip on 13 that Thomas said propelled him to the title.

"That was probably the most berserk I've ever gone on the golf course," he said.

Thomas owns one of the few things in golf that Jordan Spieth does not: the Wanamaker Trophy.

In what will likely be the signature moment of this week, Thomas also got a huge break on 10, when his birdie putt hung on the lip a full 10 seconds before tipping over and dropping into the cup.

Thomas, who had turned to his caddie, didn't even see it fall.

Thomas previously won three other times on the PGA Tour this season and Sunday's victory will make him a favorite to claim 2016-17 player of the year.

That would be yet another entry on what is already a remarkable golfing resume. After growing up in Louisville, Ky., Thomas made the cut in a PGA event when he

was only 16. He was named the country's outstanding college golfer as a freshman at the University of Alabama, and later led the team to a national championship.

But his close friend Spieth, who he met when they were 14 years old after they were teamed together in an event, enjoyed earlier success on the PGA Tour. As a result, Thomas arguably got more attention as a supporting player in Spieth and Rickie Fowler's social-media antics, such as their Instagram-friendly annual getaway to Baker's Bay in the Bahamas.

Yet Thomas, who is three months older than Spieth, now owns one of the few things in golf that his younger pal does not: His name on the Wanamaker Trophy.

"He's a stud," Kisner said after the round, marveling that Thomas is a full decade younger.

Thomas's heroics at Quail Hollow highlight one of the curiosities of the PGA Tour in the post-Tiger era: It is skewing younger and younger. In addition to Spieth and Thomas, the leaderboard Sunday included 25-year-old Matsuyama, 28-year-old Fowler and Brooks Koepka, the 27-year-old U.S. Open champ who finished 13th. Many of the thirtysomethings who were expected to thrive without Tiger have instead been surpassed by a new crop of fearless young stars.

Another young gun turned in the most disappointing perfor-

mance of the week: Rory McIlroy finished tied for 22nd after coming to Quail Hollow as the favorite due to his previous success on the course. McIlroy said after the round that the rib injury that sidelined him for part of the year continues to bother him, and that he isn't sure how much golf he will play the rest of the year.

No one will leave Quail Hollow more disappointed than Matsuyama. With his unsmiling demeanor and deliberate style, Matsuyama can seem at times if the whole world is on his shoulders—in fact, it is only an entire country.

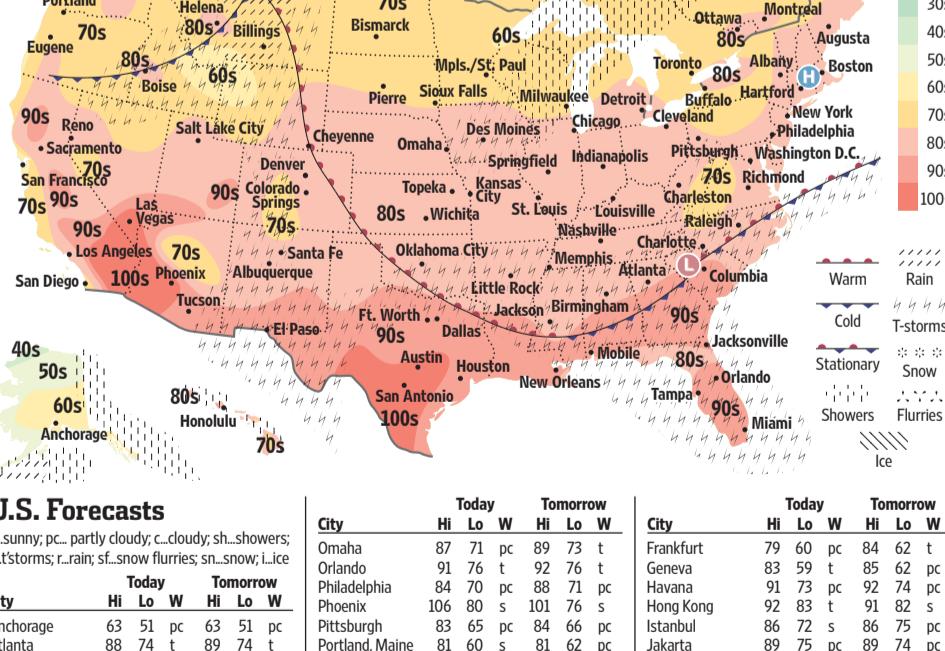
Japan is the second-biggest golf market in the world, even after a steep decline from the 1990s when the sport was a full-blown craze, and Matsuyama has become the country's great hope to capture its first major championship. At times on Sunday it seemed every Japanese in the greater Charlotte area was in Matsuyama's gallery, and his face registered the disappointment as the tournament slipped away from him on the back nine.

Thomas's father and grandfather were both PGA professionals and for that reason, he said this win has special significance. While his grandfather couldn't attend the tournament, Thomas called him after he accepted the Wanamaker Trophy. Thomas said his grandfather had a simple message: "This will be the first of many."



Since the 2016-17 season, Olivier Giroud has scored seven goals after coming off the bench as a sub.

## Weather



## U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...tstorms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Today Hi Lo W

City Anchorage 63 51 pc 63 51 pc

Atlanta 88 74 t 89 74 t

Austin 102 76 s 101 77 s

Baltimore 83 67 pc 84 68 pc

Boise 80 56 pc 85 56 s

Boston 81 66 pc 83 67 pc

Burlington 83 63 pc 83 61 pc

Charlotte 86 72 t 89 70 pc

Chicago 83 66 pc 83 68 pc

Cleveland 85 65 pc 85 65 pc

Dallas 97 79 c 97 78 pc

Denver 87 58 pc 83 56 t

Detroit 84 65 pc 86 66 pc

Honolulu 87 77 pc 87 76 pc

Houston 97 80 pc 95 80 pc

Indianapolis 85 68 pc 88 71 pc

Kansas City 85 69 t 86 73 t

Las Vegas 102 78 s 96 75 pc

Little Rock 84 72 t 89 75 t

Los Angeles 80 65 pc 74 63 c

Miami 92 79 t 91 79 sh

Milwaukee 78 65 s 79 66 pc

Minneapolis 74 62 s 80 67 pc

Nashville 83 72 t 87 73 pc

New Orleans 90 77 c 89 77 t

New York City 82 70 pc 84 70 pc

Oklahoma City 86 72 t 91 75 t

## International

Today Hi Lo W Today Hi Lo W

City Amsterdam 74 59 pc 73 57 t

Athens 91 78 s 92 79 s

Baghdad 116 85 s 114 84 s

Bangkok 95 81 t 93 79 t

Beijing 87 72 t 88 72 t

Berlin 73 59 pc 82 65 pc

Brussels 76 60 p 74 56 s

Buenos Aires 65 45 s 67 46 s

Bukit 110 93 s 108 92 s

Dublin 66 51 t 64 51 sh

Dublin 62 51 r 64 48 sh

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## OPINION

# Imperialists Invade Venezuela



AMERICAS  
By Mary Anastasia O'Grady

Asked on Friday about the deteriorating situation in Venezuela, President Trump said "I'm not going to rule out a military option." But he has yet to articulate the geopolitical dimension of the Venezuelan crisis.

An Aug. 5 rebel raid on a weapons arsenal at Fort Paramacay, Valencia, suggests that factions of the armed forces are ready to break with strongman Nicolás Maduro. This is logical since rank-and-file military from middle-class families have been hit hard by food shortages. And some soldiers are constitutional loyalists. They have kept silent to preserve their careers, but they are surely unhappy.

Venezuela's civilian population, particularly in rural areas, is well-armed. With 80% of the country opposed to the Maduro regime, a fracture inside the military raises the odds that a popular rebellion might succeed.

But the opposition has an uphill climb. Some of the army's would-be rebels oppose Mr. Maduro only because they believe he sold out the revolutionary values of Hugo Chávez. If they prevail, the democrats get nowhere.

Consider also that although a counterrevolution threatens the status quo, it also presents opportunities for the dictatorship. The regime is likely to respond to an uprising by

unleashing unprecedented repression.

The opposition to Mr. Maduro also is up against an array of international antidemocratic forces. The cabal is run by Cuba on the ground but backed financially and strategically by Iran, Russia and Syria. These countries have been preparing for many years for a conflict that would establish Latin America's "new world order." They would also welcome the inevitable refugee crisis.

The key to understanding the danger is to assess properly Venezuela's vice president, Tarek El Aissami. He is close to Raúl Castro but also to Iran and Syria.

I reported on Mr. El Aissami's shady Middle Eastern connections in a 2014 Americas column. Back then he was governor of the Aragua state, where two companies owned by the Iranian military were engaged in secretive joint ventures with the Venezuelan military industry.

Mr. El Aissami's immigrant father is from Syria's As-Suwayda governorate, a stronghold of Bashar Assad. The younger Mr. El Aissami maintains close ties to the area.

In 2003, before Mr. El Aissami was a governor, Hugo Chávez assigned him to work with Cuban intelligence to overhaul the Venezuelan immigration agency. Earlier this year I interviewed Misael López Soto, a former legal attaché in the Venezuelan Embassy in Iraq. He told me he left the job in 2015 because he objected to selling Venezuelan documents to people

suspected of membership in foreign terrorist organizations. The regime pushed back against that claim, but CNN reported this April that six Venezuelans had been arrested for selling passports to Syrians.

A former director of Venezuela's immigration agency, Vladimir Medrano Rengifo, has asserted that Mr. El Aissami turned the office into a passport mill for Middle Easterners. Mr. Medrano told the

took charge of training law enforcement. Joseph Humire, executive director of the Washington-based Center for a Secure Free Society, says field research suggests a high probability that Mr. El Aissami places his imported Middle Eastern extremists in Hezbollah-style training camps around the country. "Hezbollah/Iranian operatives turned Venezuelan police and military instructors" conduct arms, internal defense, and specialized technical training, he says. They also travel between Venezuela and the Middle East.

The ideology of Venezuela's minister of defense, Vladimir Padrino López, is captured in a 2015 photo of him kneeling before Fidel Castro. But he is reputed to be even closer to the Kremlin. This January, Venezuela launched a series of civil-military exercises around the country, dubbed Plan Zamora, under the guidance of advisers from Iran, Russia and Cuba.

Russia supplies arms to Venezuela. In November the Kremlin sent new aviation and air-defense technology to Caracas. Reuters reported in May that Venezuela now has "5,000 Russian-made MANPADS surface-to-air weapons," representing "the largest known stockpile in Latin America."

Venezuelan democrats are ready to rebel. But they are starving, and also confronting an invasion by some of the world's most experienced dictators. Perhaps the place for the free world to begin a rescue is to name the enemy.

Write to O'Grady@wsj.com

### Maduro depends on Russia, Iran and Syria for financial and strategic backing.

Miami Herald in April that when he tried to detain and deport Syrians with irregular documents, Mr. El Aissami would not allow it: "He pressured us in an excessive manner so that these procedures would not be carried out and to let his 'cousins,' as he called them, pass."

Mr. Medrano estimated that within one year Venezuela issued some 10,000 illegal passports. "Today we don't know where these people are, nor what they are doing," he said. "They could be anywhere in the world, traveling with Venezuelan documentation."

During Mr. El Aissami's 2007 stint as vice minister of the interior and then as minister of the interior from 2008-12, he created the Bolivarian National Police and

Russia supplies arms to Venezuela. In November the Kremlin sent new aviation and air-defense technology to Caracas. Reuters reported in May that Venezuela now has "5,000 Russian-made MANPADS surface-to-air weapons," representing "the largest known stockpile in Latin America."

Venezuelan democrats are ready to rebel. But they are starving, and also confronting an invasion by some of the world's most experienced dictators. Perhaps the place for the free world to begin a rescue is to name the enemy.

Write to O'Grady@wsj.com

## Studies Are Usually Bunk, Study Shows

By Andy Kessler

An interesting detail went overlooked in the fury over fired Google engineer James Damore's "diversity memo." At the end of the document he calls for an end to mandatory "Unconscious Bias training." Large corporations often force employees into re-education classes, this one a dull, hour-long, 41-slide seminar supported by study after study. Can these studies be trusted? Doubtful. Hands down, the two most dangerous words in the English language today are "studies show."

The world is inundated with the manipulation of flighty studies to prove some larger point about mankind in the name of behavioral science. Pop psychologists have churned out mountains of books proving some intuitive point that turns out to be wrong. It's "sciency," with a whiff of (false) authenticity.

Malcolm Gladwell is the master. In his 2008 book, "Outlier," he argues that studies show no one is born better than anyone else. Instead success comes to those who put in 10,000 hours of practice. That does sound right, but maybe Steph Curry shoots hoops for 10,000 hours because he is better than everyone at basketball in the first place. Meanwhile I watch

10,000 hours of TV. Facing criticism, Mr. Gladwell somewhat recanted: "In cognitively demanding fields, there are no naturals." News alert: Professional sports are cognitively demanding.

When reading people like Mr. Gladwell, you're probably thinking many of the studies' conclusions sound right but don't really reflect your own experience. That's probably

### If a conclusion sounds wrong to you, you're probably not a hung-over grad student.

because you're not a hung-over grad student. Andrew Ferguson of the Weekly Standard studied behavioral economic studies and discovered many are done by grad students observing their peers doing trivial tasks. Then researchers draw hard conclusions from this. Rather than a study of human nature, behavioral science is, Mr. Ferguson observes, "the study of college kids in psych labs."

Many of the studies quoted in newspaper articles and pop-psychology books are one-offs anyway. In August 2015, the Center for Open Science published a study in which 270 researchers spent

four years trying to reproduce 100 leading psychology experiments. They successfully replicated only 39. Yes, I see the irony of a study debunking a study, but add to this a Nature survey of 1,576 scientists published last year. "More than 70% of researchers have tried and failed to reproduce another scientist's experiments," the survey report concludes. "And more than half have failed to reproduce their own experiments."

Bunk medical studies are worrisome, but who really cares about pop behavioral science? It's easy to write this off as trivial, except millions take these studies and their conclusions seriously. The 2008 book "Nudge," from academics Richard Thaler and Cass Sunstein, called for "libertarian paternalism" to push people in the right direction. But who decides what's the right direction? Turns out the answer is Mr. Sunstein. He was hired by the Obama administration in 2009 to run the Office of Information and Regulatory Affairs. Call it psychobabble authoritarianism.

In his best seller "Blink," Mr. Gladwell finds studies suggesting we are all unconsciously biased sexists, racists, genderists, ableists, and a litany of other "ists"—victimhood's origin story. Newer research has deflated this

theory, but the serious conclusions, and boring training seminars they inevitably lead to, remain. In her first debate against Donald Trump, Hillary Clinton channeled her inner Malcolm Gladwell and declared: "Implicit bias is a problem for everyone, not just police." Everyone? Speak for yourself. It's as if she called an entire slice of society deplorable.

Psych labs are being replaced. In the past decade, companies have built vast platforms to probe, test and study humans every time they search, like or snap. Google runs what are called Split A/B tests, dividing users into groups and testing usability and other features to see what works best. In 2014, Facebook caused a bit of a stir after altering 689,000 users' newsfeeds to see if the company could manipulate their emotions. It could. Good or bad, this is the future of studies.

The world is not binary, but conclusions drawn from studies always are. These studies show whatever someone wants them to. So stay skeptical and remember: Correlation doesn't equal causation. If only I could find a study that shows this.

Mr. Kessler writes on technology and markets for the Journal.

## Qatar Will Not Be Intimidated

By Mutlaq Al-Gahtani

As the Gulf crisis enters its third month, it is clear the blockade against Qatar has not succeeded.

If Saudi Arabia and the United Arab Emirates—the countries driving the confrontation, despite the appearance of a unified bloc—hoped to bring Qatar to its knees, they have failed. If they hoped to damage Qatar's reputation and improve their own, they have failed. If they hoped to enhance their relationship with the U.S. at Qatar's expense, again, they have failed.

Instead, the anti-Qatar smear campaign has put a spotlight on the shameful history and unsavory practices of the Saudis and Emiratis themselves. Saudi Arabia justifies the blockade by alleging that Qataris authorities "support extremists and terrorist organizations." But the accusation only reminds observers

that the Saudis have consistently failed to prevent the radicalization of their citizens.

Fifteen of the 19 hijackers in the 9/11 attacks were Saudis. Thousands of Saudi citizens have taken up arms to join Islamic State and other

### It's time to resolve the dispute, which is driven by Saudi and Emirati hypocrisy.

radical groups. Saudi textbooks are used in ISIS schools. Many of the five dozen groups that the U.S. State Department designates as terror organizations are funded by Saudi nationals.

The Emirates have taken a similarly hypocritical stance.

While the U.A.E. falsely portrays itself as America's best ally in the region, its track record is no better than

Saudi Arabia's. Two Emiratis participated in the Sept. 11 hijackings, and the staff report to the 9/11 Commission revealed that much of the funding for the attacks flowed through the U.A.E., which was a world hub for money laundering.

The U.A.E. has fared no better with regard to freedom of speech and press. In 2014 authorities arrested a man for plotting a terrorist attack on a Formula One racetrack in Abu Dhabi. But the Emirates prohibited international media outlets from reporting on the trial. The U.A.E.'s recent clampdown on free speech has been widely condemned, especially after the country's Justice Ministry said in June that supporting Qatar on social media could be punishable by fines and even prison time.

Meanwhile, leaked emails show that Emirati officials were conspiring with a variety of interest groups and lobbyists on a campaign to

slander Qatar long before the blockade was imposed. Now intelligence experts and Qatar's cybersecurity services have identified the U.A.E. as the perpetrator of the hacking of Qatar News Agency, which set the entire Gulf crisis in motion.

Surely this kind of publicity can't be what the Saudis and Emiratis hoped for when they instigated this crisis. Yet the longer the blockade goes on, the more damaging information the world will learn about them—and the more difficult it will be to resolve their differences with Qatar.

It's time to abandon the public-relations campaigns, the blockade, the ultimatums and the pressure tactics and meet at the negotiating table, so we can broker a fair and just resolution to the Gulf crisis.

Mr. Al-Gahtani is special envoy for Qatar's foreign minister for counterterrorism and mediation of conflict resolution.

BOOKSHELF | By Bryan Burrough

## The Battle Of Battle Creek

### The Kelloggs

By Howard Markel  
(Pantheon, 506 pages, \$35)

If by chance you are reading this over your morning cornflakes, be warned. First, it turns out that the turn-of-the-last-century origin and evolution of the cereal industry was a very nasty and unpleasant bit of business, as Howard Markel chronicles in "The Kellogg: The Battling Brothers of Battle Creek." And second, well, let's just say that getting to the bottom of this long, tangled story requires more discussion of gastroenterology than you may desire with your breakfast.

So let's focus on corporate rather than bodily functions, which is easily done. Dr. Markel, a professor of medical history at the University of Michigan, tells the story not only of two titans of American commerce and medicine, the brothers John Harvey and William Keith Kellogg, but of the institutions they founded, John's Battle Creek Sanitarium and Will's Kellogg cereal colossus—not to mention their long-running feud, one of the more spectacular in the annals of business.

The Kellogg story began when the brothers' father left Massachusetts in the 1830s for the Michigan frontier, where he ended up running a successful broom factory and became an influential backer of the Seventh-day Adventist church and a respected elder of the new town of Battle Creek. Among the Kellogg children, John, born in 1852, was by adolescence tagged the brilliant one, a flamboyant young intellectual who, with the church's help, journeyed east to earn his medical degree at Bellevue Hospital Medical College in New York.

In 1876 John returned to Battle Creek to take over the church's tumbledown Western Health Reform Institute, whose few patients were indoctrinated in the Adventists' strict ideas about diet, hygiene and chastity. Many of John's patients struggled with the age's great scourge, "dyspepsia," a medley of gas, diarrhea, heartburn and upset stomach. An American diet long on animal fat, salt and sugar produced what one historian called "the great American stomach ache." Walt Whitman termed indigestion "the great American evil."

The Kellogg (and others) thought that an easily digestible corn cereal might solve all the problems. The birth of breakfast cereal is a tortured tale. Both Kellogg brothers would insist on having made the crucial innovations, as would others, including the most successful copycat, C.W. Post, who moved to Battle Creek to make his new Shredded Wheat. Shredded Wheat became a top seller after John failed to conclude a deal to buy Post's company and, worse, refused to aggressively sell the Kellogg cereal because he thought it unseemly for a medical doctor, and his increasingly famous sanitarium ("the San"), to sell a commercial product.

When Will Kellogg broke from his brother John to start his own cereal company, litigation began before the first box of Corn Flakes was shipped.

Through it all, John's younger brother, Will—a plump, colorless, diligent numbers man—served as his long-suffering factotum. "The doctor was the San's showman and carnival barker," Mr. Markel writes, "while Will kept the place running smoothly and served as a brake to his brother's tendency to make poor and costly business decisions." Mr. Markel's portrayal of the sibling dynamic edges a bit into a Scrooge-and-Cratchit stereotype, though it is amply backed up by anecdotes, such as the many times poor Will was obliged to take dictation while John sat on the toilet.

In 1905, after 25 years of this, Will said "enough." He made a deal with John to leave the San and start a cereal company of his own, which in time became a global conglomerate. Litigation between the two brothers began almost before the first Corn Flakes box could be shipped from Will's factory. John sued. Will countersued when John finally sold a cereal of his own. The litigation went on for years, finally ending only in 1920, by which point the damage was irreparable.

In the end, the Kellogg brothers' fortunes reversed. Will, dour and lonely, became one of the country's wealthiest men, built a mansion in Southern California and collected a stable of thoroughbred racehorses before dying in 1949. John, though internationally famous well into the 1930s, slowly lost many of his holdings, including, in 1920, the sanitarium itself.

As compelling as their story may be, "The Kellogg" has its flaws. The most irritating is that, after a straightforward chronicle of the family's early years, Mr. Markel abandons chronology; the book jumps around in time more than a Quentin Tarantino movie. Major characters are introduced on one page only to die three pages later—after 40 years. Mr. Markel devotes a long section to Will's success in the newfangled world of advertising—taking the story from 1905 all the way into the 1930s—before circling back to tell the story of litigation that heated up in 1910.

This kind of thing robs the book of narrative drive. The other problem isn't really the author's fault. The main characters are so deeply defined by their hatred of each other, and so much larger than life—John sporting a bushy white beard, Will driving one of his sons to suicide—that a reader yearns for vivid scenes of their conflict. Some dialogue, maybe, or a few more anecdotes about their fights. Alas, despite Mr. Markel's efforts, century-old history tends not to yield such detail, and the book is poorer for it. Even what should be a climactic moment, a letter of apology that John wrote to Will before dying, turns out to be anticlimactic: It was never sent. The two, we are told, met to discuss their differences for five hours, shortly before John died in 1943. One can only imagine the drama, because it isn't here.

If they ever loved each other, there is little sign of it. Will Kellogg loved his horses, and he left a fortune to charity. John, a runaway narcissist, is remembered today as a medical charlatan, though Mr. Markel makes it clear that, despite his backing of eugenics, some of John's positions were indeed visionary, especially his warnings against smoking. To the end, though, John remained proudest of his gastroenterological achievements, using his own body as an example. In his last years he would entertain dinner guests by passing around containers of his own byproducts. There is no mention of whether anyone ever stayed for dessert.

Mr. Burrough is the author, most recently, of "Days of Rage: America's Radical Underground, the FBI, and the Forgotten Age of Revolutionary Violence."

## OPINION

### REVIEW & OUTLOOK

## The Poison of Identity Politics

**A**s ever in this age of Donald Trump, politicians and journalists are reducing the violence in Charlottesville, Virginia, on Saturday to a debate over Mr. Trump's words and intentions. That's a mistake no matter what you think of the President, because the larger poison driving events like those in Virginia is identity politics and it won't go away when Mr. Trump inevitably does.

The particular pathology on display in Virginia was the white nationalist movement led today by the likes of Richard Spencer, David Duke and Brad Griffin. They alone are to blame for the violence that occurred when one of their own drove a car into peaceful protesters, killing a young woman and injuring 19 others.

The Spencer crowd courts publicity and protests, and they chose the progressive university town of Charlottesville with malice aforethought. They used the unsightly Klan symbolism of torches in a Friday night march, and they seek to appear as political martyrs as a way to recruit more alienated young white men.

Political conservatives even more than liberals need to renounce these racist impulses, and the good news is that this is happening. The driver has been charged with murder under Virginia law, and Attorney General Jeff Sessions opened a federal civil-rights investigation and issued a statement condemning the violence: "When such actions arise from racial bigotry and hatred, they betray our core values and cannot be tolerated." Many prominent conservatives also denounced the white-nationalist movement.

Mr. Trump was widely criticized for his initial statement Saturday afternoon that condemned the hatred "on many sides" but failed to single out the white nationalists. Notably, David Duke and his allies read Mr. Trump's statement as attacking them and criticized the President for doing so.

The White House nonetheless issued a statement Sunday saying Mr. Trump "includes white supremacists, KKK, Neo-Nazi and all extremist groups" in his condemnation. As so often with Mr. Trump, his original statement missed an opportunity to speak like a unifying political leader.

Yet the focus on Mr. Trump is also a cop-out because it lets everyone duck the deeper and growing problem of identity politics on the right and left. The politics of white supremacy was a poison on the right for many

decades, but the civil-rights movement rose to overcome it, and it finally did so in the mid-1960s with Martin Luther King Jr.'s language of equal opportunity and color-blind justice.

That principle has since been abandoned, however, in favor of a new identity politics that again seeks to divide Americans by race, ethnicity,

gender and even religion. "Diversity" is now the all-purpose justification for these divisions, and the irony is that America is more diverse and tolerant than ever.

The problem is that the identity obsessives want to boil down everything in American life to these categories. In practice this means allocating political power, contracts, jobs and now even salaries in the private economy based on the politics of skin color or gender rather than merit or performance. Down this road lies crude political tribalism, and James Damore's recent Google dissent is best understood as a *cri de cœur* that we should aspire to something better. Yet he lost his job merely for raising the issue.

A politics fixated on indelible differences will inevitably lead to resentments that extremists can exploit in ugly ways on the right and left. The extremists were on the right in Charlottesville, but there have been examples on the left in Berkeley, Oakland and numerous college campuses. When Democratic politicians can't even say "all lives matter" without being denounced as bigots, American politics has a problem.

Mr. Trump didn't create this identity obsession even if as a candidate he did try to exploit it. He is more symptom than cause, though as President he now has a particular obligation to renounce it. So do other politicians. Yet the only mission of nearly every Democrat we observed on the weekend was to use the "white supremacist" cudgel against Mr. Trump—as if that is the end of the story.

It isn't, and it won't be unless we confront this underlying politics of division. Not long ago we were rereading Justice Clarence Thomas's prophetic opinion in *Holder v. Hall*, a 1994 Supreme Court ruling on dividing voting districts by race.

"As a practical political matter," he wrote, "our drive to segregate political districts by race can only serve to deepen racial divisions by destroying any need for voters or candidates to build bridges between racial groups or to form voting coalitions." Writ large, Justice Thomas was warning that identity politics can destroy democratic trust and consent.

## Philadelphia's Soda Tax Bust

**T**he best laid plans of politicians often go awry, and then there's Philadelphia's soda tax. A new Tax Foundation report finds that the 1.5-cent-ounce levy that took effect in January is hurting low-income workers and producing less revenue than promised, but at least it's helping beer sales.

Allow us to explain.

Mayor James Kenney and the City Council sold the tax as a revenue boon that would finance universal pre-K education. But the Tax Foundation reports that only 49% of the revenue is going to pre-K in practice in the first five years while the rest is going to fund government worker benefits and other city programs. Actual soda tax collections in the first six months were already \$6.9 million below the city's estimate of \$46.2 million.

This is no surprise to anyone who knows the iron economic law that when you tax something you get less of it. In this case that means fewer soda sales. Daniel Grace, secretary-treasurer of Teamsters Local 830, estimates that soft-drink sales within the city are down by as much as

45%. His truck drivers earn money based in part on how many cases of soda they deliver, and he says the tax has halved their income. As bode-

gas, supermarkets and gas stations struggle to make up the lost sales of a core item, 165 of his members are out of work. Several ShopRite stores

slashed employee hours this spring, and in March Pepsi announced it was laying off about 20% of its local workforce. Both blamed the soda tax.

The oddest twist is the beer boon. Pennsylvania's excise tax for beer is eight cents a gallon, but in Philadelphia the tax on the same unit of soda amounts to \$1.92, including on diet drinks. That means low-cost beer has a slight price advantage over soda for the thirsty.

This is also no surprise given that a 2013 Cornell study, "From Coke to Coors," examined a small-town soda tax and concluded that while long-term soft-drink consumption didn't diminish, ale purchases increased. We'll await a future report on whether these trends continue, but other cities might note that excise taxes don't repeal the laws of economics.

## Dan Loeb's Political Offense

**M**ost of the world knows Daniel Loeb as the activist hedge-fund investor who sometimes shakes up complacent corporate managers. But he's also a disrupter of the status quo in New York education as a major supporter of charter schools. This explains why he has become a target of progressive politicians for a single ill-phrased Facebook post.

Mr. Loeb donates to New York politicians of both parties who support charter schools, including Governor Andrew Cuomo. Most Albany Democrats are beholden to the teachers unions, including Senator Andrea Stewart-Cousins, who is opposed by a group of independent Democrats led by Jeffrey Klein who sometimes join with Republicans on education policy.

Mr. Loeb responded with a Facebook post. "Thank God for Jeff Klein and those who stand for educational choice and support Charter funding," Mr. Loeb wrote. "Meanwhile hypocrites like Stewart-Cousins who pay fealty to powerful union thugs and bosses do more damage to people of color than anyone who has ever donned a hood."

The hood reference was unfortunate, not least because it gave unions and the left a chance to pounce. Mayor Bill de Blasio, who tries to undermine charters at every opportunity, demanded that Mr. Loeb resign as chair of Success Academy schools. Randi Wein-

garten, the union chief who recently said the school-choice movement has its roots in "racism, sexism, classism, xenophobia and homophobia," also piled on. Mr.

Loeb took down his Facebook post and apologized by saying "I regret the language I used in expressing my passion for educational choice."

But Mr. Loeb has the right enemies, and no one should think their main objection is his Facebook post. Mr. Loeb's real offense is that he donates his time and money to providing children, especially poor and minority children, a path out of the dead end that is so many failing New York public schools.

Union leaders and their political subsidiaries know they can't defend their school record on moral grounds, so they seek to label anyone who favors choice as racists. That's the point of Ms. Weingarten's recent speeches, including a letter last week in these pages after we called her out in an editorial.

Ms. Weingarten has also bullied government pension funds to stop investing in Mr. Loeb's Third Point hedge fund and other funds whose owners donate to charters. Mr. Loeb has the investing track record to withstand such a boycott, and to his credit he has remained a public supporter of charters. The shame is that so few other rich Americans are willing to stand up to political bullies on behalf of poor children.

The investor is a target because he supports charter schools.

## LETTERS TO THE EDITOR

### Should Everything Mirror Our Demography?

Regarding your editorial "What Is Harvard Hiding?" (Aug. 7): Many years ago, my late father told me that after graduating with honors from Stuyvesant High School in the 1930s, he was told by the admissions people at Columbia University that he couldn't be admitted to the engineering department, as they "did not allow Jews in that department."

While studying under a prestigious fellowship for my Ph.D. at NYU, I and a close friend were the only fellows who were denied the option of teaching a course in our department. We were informally told it was because we were both Republicans and Vietnam veterans.

Racial, religious, political and intellectual discrimination are widespread in our colleges and universities. They need to be put out in the sunshine, or they will continue for additional generations.

HARVEY GOLDSTEIN

Punta Gorda, Fla.

At my Harvard Business School 50th reunion in June a classmate said a former dean, who was asked about his most difficult challenge, said: "Admissions. If we went by test scores, HBS would be filled with students only of Indian descent."

Our son's family lives in an excellent school district. Increasing numbers of families led by Indian immigrants are moving in. The children of the Indian immigrants study

harder. The non-Indian parents are concerned that their children are falling behind academically. Perhaps instead of complaining, Americans should recognize how dysfunctional many of our schools are and that all our children may need to be studying harder for longer hours during the year. We are in a global competition.

BOB ARMOUR  
Virginia Beach, Va.

Harvard isn't hiding anything. It's attempting to reflect more of what we see around us. Harvard is using its judgment to take some of the best and brightest from various ethnic groups that make up our nation and give them an opportunity. I find it odd that some would find fault with the communist model of education that pushes the best young athletes or science students ahead with no remorse for those left behind, but find no fault in a pure higher-education meritocracy based entirely on academic achievement. That type of achievement is easy to measure, but it's irresponsible not to consider the effects on the social fabric of the nation and what we desire to become.

JOHN VASI  
Santa Barbara, Calif.

Must we make everything into a race issue?

REX JOHNSON  
Cincinnati

### Trade Policy Is More Than Just Trade Balance

Regarding "Free-Trade Is a Two-Way Street" (op-ed, Aug. 1): Secretary of Commerce Wilbur Ross correctly points out that American businesses face numerous tariff and non-tariff barriers in accessing global markets, and that China can hardly be considered a market economy. However, the administration's obsession with imports and trade deficits is fundamentally misguided.

Adopting policies to reduce imports risks jeopardizing inputs that U.S. manufacturers rely on to create globally competitive goods. While such policies could lead to shifting some American jobs, in the long term they will undercut the roughly 11 million export-supported American jobs, as well as lowering foreign investment, including in U.S. manufacturing plants.

Further, one of the primary drivers

of the trade balance is the relative value of the dollar to the currencies of our trading partners. The weakening U.S. dollar, which has been on a steady decline since President Trump took office, will inevitably lead to increased exports, as our goods become cheaper to foreign buyers. The key is that our focus should be on increasing overall demand for U.S. goods rather than closing the door to imports.

The temptation to "use every available tool" and retaliate to support U.S. businesses may play well politically, but tit-for-tat protectionism undermines American leadership and will undoubtedly lead to a race to the bottom in today's global economy.

STEFAN M. SELIG  
New York

Mr. Selig was undersecretary of commerce for international trade 2014-16.

### Korea: Let's Think Things Through This Time

In "The Military Options for North Korea" (op-ed, Aug. 3), John Bolton provides some good insight, particularly in calling for long-term negotiations to deal with the North Korea problem, but he fails to appreciate the nuance of the North Korea threat. The assumption that the U.S. could mitigate the artillery (and ballistic missile, nuclear, chemical and biological) threats to Seoul (and Tokyo) seems to be a weak assumption considering the military challenge of pre-emptively destroying thousands of artillery pieces and WMD components that have been deployed for decades.

How many deaths is Mr. Bolton willing to accept in Seoul and Tokyo to keep Denver safe? The implication of his article seems to be that the U.S. should be willing to strike North Korea's nuclear weapons even if the Defense Department can't completely mitigate the artil-

lery threat to Seoul. But what level of risk is acceptable when a mistake by the U.S. poses an existential risk to an ally? Presumably, Seoul and Tokyo have some thoughts about their citizens who have lived under the threat of North Korea for decades, being considered expendable the first day that North Korea has a credible threat against the continental U.S.

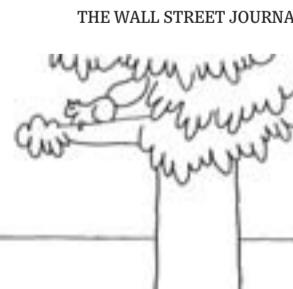
NICHOLAS A. REINHOLD  
New York

It should seem a bit too obvious to all that at this point there has far too much "carrot" and not enough "stick." Inform North Korea and China that any additional missile launches or nuclear tests will be interpreted by the U.S. and its allies as a violation of the Korean cease-fire and armistice signed in 1953. Shoot down the missile after launch and make it clear to all that allied retaliation will come at a place and time of our own choosing. Concurrently, inform China that the U.S. will now seriously consider arming South Korea, Japan and potentially Taiwan with additional anti-ballistic-missile systems and a nuclear deterrent as soon as possible. Then sit back and wait.

DOUGLAS ELSLAGER  
Jupiter, Fla.

### Pepper ... And Salt

THE WALL STREET JOURNAL



"That makes me want to bark.  
Then again, everything  
makes me want to bark."

VICTOR CHOLEWICKI

Washington

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## OPINION

# We're Holding Pyongyang to Account

By Jim Mattis  
And Rex Tillerson

In the past few months, multiple illegal North Korean ballistic-missile and ICBM tests—coupled with the most recent bellicose language from Pyongyang about striking the U.S., Guam, our allies and our interests in the Asia-Pacific region—have escalated tensions between North Korea and America to levels not experienced since the Korean War.

In response, the Trump administration, with the support of the international community, is applying diplomatic and economic pressure on North Korea to achieve the complete, verifiable and irreversible denuclearization of the Korean Peninsula and a dismantling of the regime's ballistic-missile programs. We are replacing the failed policy of "strategic patience," which expedited the North Korean threat, with a new policy of strategic accountability.

**The U.S., its allies and the world are united in our pursuit of a denuclearized Korean Peninsula.**

The object of our peaceful pressure campaign is the denuclearization of the Korean Peninsula. The U.S. has no interest in regime change or accelerated reunification of Korea. We do not seek an excuse to garrison U.S. troops north of the Demilitarized Zone. We have no desire to inflict harm on the long-suffering North Korean people, who are distinct from the hostile regime in Pyongyang.

Our diplomatic approach is shared by many nations supporting our goals, including China, which has dominant economic leverage over Pyongyang. China is North Korea's neighbor, sole treaty ally and main commercial partner. Chinese entities are, in one way or another, involved with roughly 90% of North Korean trade. This affords China an unparalleled opportunity to assert its influence with the regime. Recent statements by members of the



A rally in Pyongyang against U.N. sanctions, Aug. 11.

ZUMA PRESS

Association of Southeast Asian Nations, as well as other regional and global voices, have made clear the international community holds one view regarding North Korea's provocative and dangerous actions: They must stop. Pyongyang must stand down on those actions.

China has a strong incentive to pursue the same goals as the U.S. The North Korean regime's actions and the prospect of nuclear proliferation or conflict threaten the economic, political and military security China has worked to build over decades. North Korea's behavior further threatens China's long-term interest in regional peace and stability. If China wishes to play a more active role in securing regional peace and stability—from which all of us, especially China, derive such great benefit—it must make the decision to exercise its decisive diplomatic and economic leverage over North Korea.

Our diplomatic approach also proceeds through the United Nations. The Security Council's recent unanimous vote imposes new sanctions on North Korea and underscores the extent to which the regime has chosen to isolate itself from the international community. This vote, which also had Russia's support, reflects the international will to confront the North Korean regime's continuing threat to global security and stability.

We urge all nations to honor their commitments to enforce U.N. Security Council sanctions against North Korea

and to increase diplomatic, economic and political pressure on the regime, specifically through the abandonment of trade, which finances the development of ballistic and nuclear weapons. The U.S. continues to consolidate international unity on the North Korean issue through increased engagement at the U.N., at regional diplomatic forums, and in capitals around the world.

While diplomacy is our preferred means of changing North Korea's course of action, it is backed by military options. The U.S. alliances with South Korea and Japan are strong. But Pyongyang has persistently rebuffed Seoul's attempts to create conditions whereby peaceful dialogue can occur, and has instead proceeded on its reckless course of threats and provocation. As a result of these dangers, South Korea's new government is moving forward with the deployment of U.S. Terminal High-Altitude Area Defense against the threat. We commend South Korea's decision to deploy this purely defensive capability.

Installing Thaad launchers on the Korean Peninsula and conducting joint military exercises are defensive preparations against the acute threat of military actions directed against the U.S., our allies and other nations. China's demand for the U.S. and South Korea not to deploy Thaad is unrealistic. Technically astute Chinese military officers understand the system poses no danger to their homeland.

Absent China using its influence to show the world how a great power should act to resolve such a well-defined problem as North Korea's pursuit of nuclear weapons and long-range missile capability, others in the region are obliged to pursue prudent defensive measures to protect their people. China's Security Council vote was a step in the right direction. The region and world need and expect China to do more.

The U.S. is willing to negotiate with Pyongyang. But given the long record of North Korea's dishonesty in negotiations and repeated violations of international agreements, it is incumbent upon the regime to signal its desire to negotiate in good faith. A sincere indication would be the immediate cessation of its provocative threats, nuclear tests, missile launches and other weapons tests.

The U.S. will continue to work with our allies and partners to deepen diplomatic and military cooperation, and to hold nations accountable to their commitments to isolate the regime. That will include rigorous enforcement of sanctions, leaving no North Korean source of revenue untouched. In particular, the U.S. will continue to request Chinese and Russian commitments not to provide the regime with economic lifelines and to persuade it to abandon its dangerous path.

As always, we will embrace military preparedness in the defense of our homeland, our citizens and our allies, and in the preservation of stability and security in Northeast Asia. And we will say again here: Any attack will be defeated, and any use of nuclear weapons will be met with an effective and overwhelming response.

North Korea now faces a choice. Take a new path toward peace, prosperity and international acceptance, or continue further down the dead alley of belligerence, poverty and isolation. The U.S. will aspire and work for the former, and will remain vigilant against the latter.

*Mr. Mattis is U.S. secretary of defense. Mr. Tillerson is U.S. secretary of state.*

## Business Rivals Agree On Policy

By David Abney  
And Frederick W. Smith

At a time when the U.S. needs unity and bold reforms, American businesses must be partners in building the future. While the business community has diverse interests, every company should agree on basic policy priorities if we want to be globally competitive. That's why we are speaking out together—two fierce competitors, UPS and FedEx, who battle daily in the global marketplace but stand shoulder to shoulder on the need to make government policies more equitable, growth-oriented and simple.

The U.S. is at an inflection point as we experience an explosion of technological innovation and urban population growth. But we are not seizing the opportunity to grow our economy fast enough. From our discussions with diverse audiences—entry-level workers to fellow CEOs, from city councils to the highest levels in Washington—we believe that business and government can forge a consensus on policies that work for America.

## Simplify taxes, invest in transport infrastructure, and expand international trade while keeping it fair.

Broadly, we need to embrace ambitious targets for growth in our national economy. The 2% annual growth of recent years isn't enough. Thinking bigger will encourage company planners to innovate and unleash productivity. Both UPS and FedEx are competing to stay ahead of the booming e-commerce market by expanding and launching new technologies. With the right policies in place, everyone can prosper:

• **Simplify taxes.** The principles of simple, fair and progressive taxation are vital. If you lower rates, eliminate loopholes, and otherwise simplify the code, you create opportunity for growth. Studies show that permanently lowering the corporate rate by even 10 percentage points would increase GDP by 1% to 2% without lowering tax revenue. That means our government could still fund programs critical to success while allowing individuals and businesses to invest more for growth.

• **Invest in infrastructure.** We must expand and modernize our roads, bridges, airports, seaports and other modes of transportation. China, India, and others are investing big in infrastructure while the U.S. lags. We need a long-term national approach with accountability and multiple funding mechanisms, including user fees and innovative partnerships with the private sector.

UPS and FedEx are major users of the transportation system, and we are prepared to pay our share for the use of new roads, bridges, and aviation systems. But we also believe those funds should be dedicated specifically to transportation infrastructure. And the time is now to find new ways of encouraging productivity, such as longer combination vehicles and safety enhancements.

• **Free and fair trade.** In a globally interconnected world, trade is vital to every American. With 95% of the world's consumers located outside the U.S., we need to lead globalization through negotiation of high-standard free-trade agreements. Similarly, policies like Open Skies have enabled companies like ours to serve a global marketplace.

The effort to negotiate new, modern trade deals, like the renegotiation of the North American Free Trade Agreement, will be game-changers in moving beyond tariff barriers to enable U.S. export and e-commerce growth. Establishing the right framework for commercial ties with all countries is an essential part of American competitiveness. U.S. companies don't fear competition, but we need policies that keep it fair.

Some may think that American business and the administration are out of sync on trade. We're not. We all agree on the need to grow and reach new markets, and we recognize the importance of not just making but enforcing fair and objective rules. If we can all play by the same rules, competition will thrive, and so will innovation, entrepreneurship and growth.

Now is the time for Americans to think and act boldly. By coming together and rallying around these key initiatives, we can increase global prosperity. If fierce competitors can agree on these fundamental policy priorities, can't we all?

*Mr. Abney is chairman and CEO of UPS. Mr. Smith is chairman and CEO of FedEx Corp.*

## White Nationalists Give Up Trying to Be Respectable

By Benjamin R. Teitelbaum

Amid the chaos of Saturday's "Unite the Right" rally in Charlottesville, Va., one white nationalist, Daniel Friberg, walked the streets with relative ease. Dapper in a smart suit and sunglasses, and speaking to camera crews calmly with a Johnny Cash bass voice, he stood out from the howling, baton-wielding masses that surrounded him.

Mr. Friberg, 39, has been a central figure of radical anti-immigrant activism in his native Sweden for more than two decades, and he is no stranger to confrontation. Still, his appearance in Charlottesville was a surprise. Virtually all of his projects from the early 1990s until recently have focused on moderating and mainstreaming the white-nationalist cause—on counteracting the stereotypes of brutishness and chauvinism that were on display in Charlottesville.

His participation in the rally reflects a shifting zeitgeist within organized white nationalism, which is moving from accommodating critics to ignoring them. Although the media coverage of Saturday's events focused on its scenes of violence, the appearance of figures like Mr. Friberg has the most to teach us about the current state and future of this movement.

More so than the careers of sensationalized figures like David Duke and Richard Spencer, Mr. Friberg's path shows the broader trends and transformations of latter-day white nationalism in the West. He grew up during the 1990s, when skinhead subculture attracted waves of disgruntled young white men.

Despite its mobilizing power, skinhead subculture rarely led to

much beyond petty violence and rabble-rousing, especially in Mr. Friberg's home country. By 2000, Sweden had an oversized nationalist skinhead scene with a world-leading white-power music industry but no serious anti-immigrant political party in Parliament to show for it. And while Mr. Friberg had entered activism through neo-Nazi

**Daniel Friberg, a media-savvy Swede, stood there in Charlottesville alongside the hooligans.**

skinheadism—shaving his head and doing most of his political networking at concerts—he quickly began cultivating alternatives, striving, like many of his reformist-minded colleagues, to be everything skinheads were not.

He co-founded newspapers, book wholesalers, blog portals, publishing houses and an online encyclopedia. Whereas he once staged music-centered festivals, he gradually turned toward organizing seminars.

He likewise sought to transform the rhetorical and ideological content in these channels. Some of his early projects voiced Third Reich nostalgia and demonized nonwhite minority groups, but anti-Semitism and racial supremacy later were replaced with calls for a purportedly nonchauvinistic ethnic separatism.

His campaign of reform even trafficked in fashion: Throughout these years he moved from looking like a skinhead, to an "average Joe" in jeans and sneakers, to a sharp banker.

Mr. Friberg's assumption—that a white nationalism cast in this methodological, ideological and stylistic mold would be more politically formidable—seemed validated. By 2015 his portfolio of projects included Arktos Publishing and the Wikipedia-inspired site Metapedia, both of which command a considerable global following. His ideas and the language featured in his initiatives have shaped the activism of anti-immigrant causes, both mainstream and fringe.

Then came the alt-right and Donald Trump's candidacy. The movements of 2016 suggested to white nationalists that major political advance was possible even when striking an unrefined and unapologetic posture. The alt-right, after all, does not project the erudite, upstanding and inoffensive image to which people like Mr. Friberg once aspired. Nor did Mr. Trump. The alt-right's true distinguishing features are not ideological but methodological and stylistic—it's tactics of vulgar antagonism waged in the lowbrow, juvenile arenas of online trolling and meme culture. Sympathetic spectators were also able to

witness Mr. Trump challenge feminist and multiculturalist dogma with unabashed swagger while vying for power in the liberal West—and win.

All this is poised to change white nationalists' calculation that only accommodation and covert infiltration of the mainstream can lead to success. Perhaps now they will move about the public square as their true selves, whatever that may mean.

While they may be wrong to draw such conclusions—overestimating the acceptance of explicit white identity politics in Western society—figures like Mr. Friberg seem to be acting on what they see as a newfound freedom to appear wherever and however they like. Don't expect to see them at their rallies with shaved heads and swastika armbands. But do expect to see them walking next to the hooligans, now unashamed.

Mr. Friberg's assumption—that a white nationalism cast in this methodological, ideological and stylistic mold would be more politically formidable—seemed validated. By 2015 his portfolio of projects included Arktos Publishing and the Wikipedia-inspired site Metapedia, both of which command a considerable global following. His ideas and the language featured in his initiatives have shaped the activism of anti-immigrant causes, both mainstream and fringe.

Being a Jewish fella, I don't hold much brief for white supremacists and neo-Nazis. But until this Saturday, I hadn't seen a lot of them around lately. And I've been going about the country quite a bit for the last couple of years, hitting roughly half the states, including some like Mississippi where the Klan was once riding high.

I'm happy to report that on my visit to the black-owned Two Sister's Kitchen in the capital of that state, Jackson, blacks and whites were both equally, and contentedly

in my eyes, braving the criticism of their cardiologists for what is reputed to be the best fried chicken in town. I recommend it wholeheartedly (no pun intended).

Nevertheless, the types who surfaced in Charlottesville on Saturday are certainly human beings of the

most repellent and disgusting sort, murderous too—pretty much violent, evil sociopaths. I wouldn't mind if they were all rounded up, put in a space ship, and sent on a one-way trip to Alpha Centauri.

But how many of them are there really in this land of ours and is this an epidemic?

Well, it's hard to tell because

statistics are scant and various organizations have their reasons for inflating or deflating the numbers. But we could start with the History Channel . . . which informs us that the Klan, at its height in the 1920s, had four million members. Since the population then was just over one hundred million, that's close to four percent of the country. . . .

By the 1990s, however, the same source tells us the Klan was down to a paltry 6,000-10,000 . . . nationwide. Has it gone up since then? Hard to say, but if so, not much.

Well, okay, the Klan, although it's the most famous and features the ever-popular David Duke, is not the only organization of wretched white supremacists. There are a number of others. So for the sake of argument, let's say there are as many as 100,000 white supremacists in America today. (This is undoubtedly a vast exaggeration, but let's use it, as I said, for the sake of argument.)

Meanwhile, since the 1920s, our population has more than tripled to some 325 million. Using the figure of 100,000 white supremacists (not many of whom made it to Charlottesville fortunately), this puts the percentage of white supremacists in the U.S. at a puny 0.03%. Terrible people, yes, but no epidemic by any stretch of the imagination.

Now is the time for Americans to think and act boldly. By coming together and rallying around these key

initiatives, we can increase global prosperity. If fierce competitors can agree on these fundamental policy priorities, can't we all?

Some may think that American business and the administration are out of sync on trade. We're not. We all agree on the need to grow and reach new markets, and we recognize the importance of not just

making but enforcing fair and objective rules. If we can all play by the same rules, competition will thrive, and so will innovation, entrepreneurship and growth.

Now is the time for Americans to think and act boldly. By coming together and rallying around these key

initiatives, we can increase global prosperity. If fierce competitors can agree on these fundamental policy priorities, can't we all?

## THE WALL STREET JOURNAL.

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## WORLD NEWS

# German Campaign Is All for Show

BY ANTON TROIANOVSKI

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

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

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

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

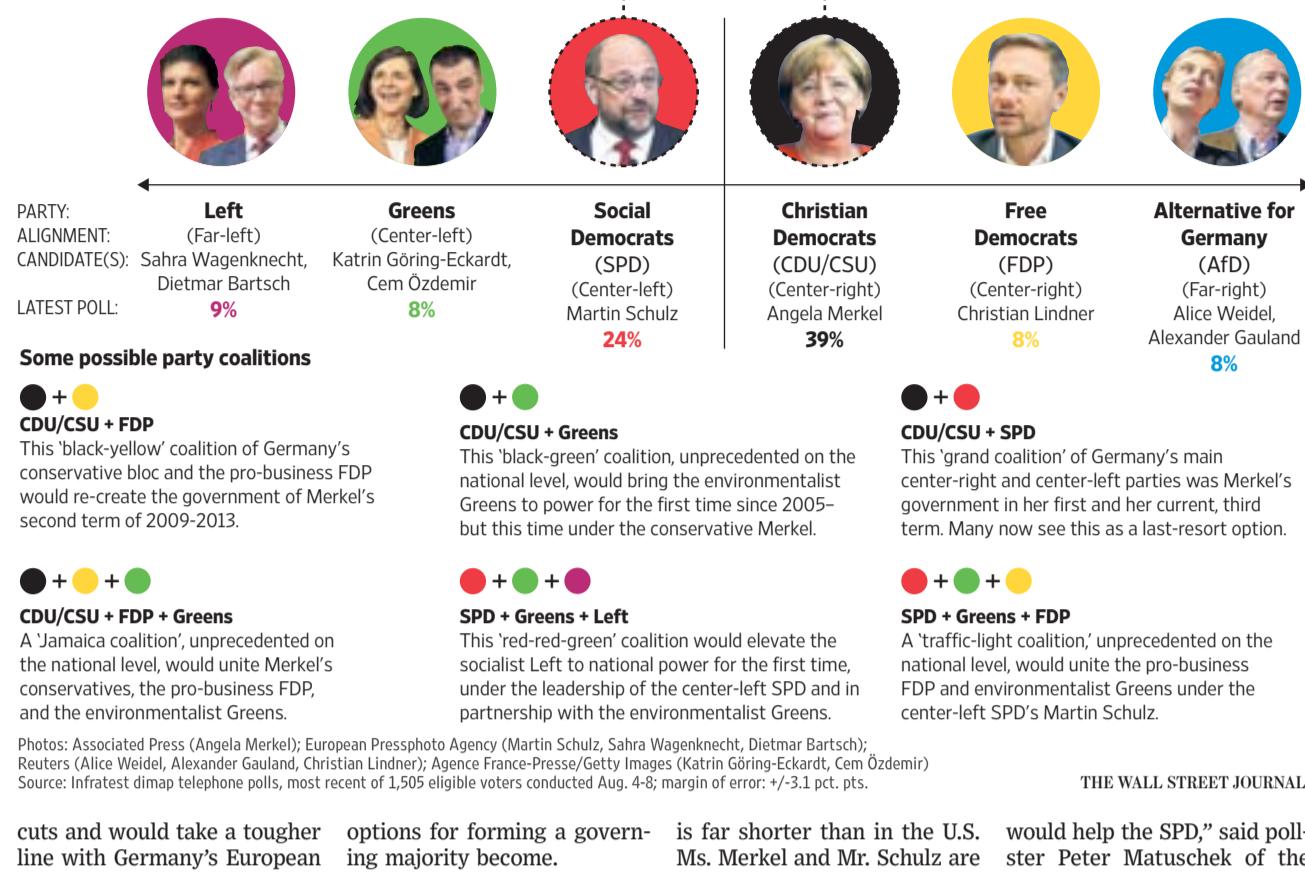
Ms. Merkel's current government is a "grand coalition" bringing together Germany's two main political blocs—her conservatives and Mr. Schulz's Social Democrats. His party increasingly disdains governing in Ms. Merkel's shadow, and conservatives also say that such a broad coalition should be the exception rather than the rule in German democracy.

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

They have starkly different policy positions. The Free Democrats want \$35 billion in tax

### Kaleidoscope of Coalitions

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



Source: Infratest dimap telephone polls, most recent of 1,505 eligible voters conducted Aug. 4-8; margin of error: +/-3.1 pct. pts.

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

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

The better those two parties do, the narrower Ms. Merkel's options for forming a governing majority become.

If neither the Free Democrats nor the Greens do well enough to have a majority in parliament with Ms. Merkel's conservative bloc, she will be forced to decide between two

*Behind the chancellor and her main rival are four parties in a dash for the bronze.*

less-palatable options: continuing her current grand coalition with the Social Democrats, or trying an unprecedented three-way coalition uniting her conservatives, the Greens and the Free Democrats.

Germany's campaign season

is far shorter than in the U.S. Ms. Merkel and Mr. Schulz are set to hold only one televised debate, scheduled for Sept. 3.

A key polling metric to watch as the Sept. 24 election approaches is whether smaller parties keep their support above 5%—the minimum threshold for seats in Parliament. The Alternative for Germany, founded in 2013, could win seats for the first time; the Free Democrats are looking to regain a presence in the national legislature after losing all their seats four years ago.

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

"It's hard to see an issue that could still come up that

would help the SPD," said pollster Peter Matuschek of the Forsa institute in Berlin. "And foreign-policy crises, of course, are also more likely to help Merkel."

Ms. Merkel has an unlikely ally in Mr. Trump, who analysts and politicians across the political spectrum say has unsettled Germans and pushed voters toward the stability the longtime chancellor represents.

In Bavaria, the southern German region that was the epicenter of Germany's migrant crisis in 2015, the state's conservative Christian Social Union party is backing Ms. Merkel despite intensely criticizing her refugee policy in recent years. One reason, a top CSU politician, Bavarian Finance Minister Markus Söder, said, is the uncertainty caused by Mr. Trump and his criticism of Germany.

# Japanese Growth Outpaces Forecasts

BY YOKO KUBOTA AND MEGUMI FUJIKAWA

TOKYO—Japan's economy grew at a faster-than-expected pace of 4% in the April-June period, with strong spending by consumers and businesses driving the sixth straight quarter of growth under Prime Minister Shinzo Abe.

The figure gave the world's third-largest economy its longest expansion streak since 2006 and was faster than 2.6% growth in the U.S. for the same quarter.

Japan's pace of expansion, its quickest since January-March 2015, was also faster than the 2.5% growth expected by economists polled by The Wall Street Journal.

Unlike recent quarters, when foreign demand for items such as smartphone components and semiconductor equipment drove Japan's economy, strong private spending was the key factor in the April-June period. Private spending grew at an annualized 3.7% pace.

The improvement is a welcome sign for Mr. Abe, who this month said boosting the economy was his priority. His ruling party suffered a defeat in local Tokyo elections in July.

Since he took office in late 2012, Mr. Abe has been trying to end decades of sluggish growth and deflation through his Abenomics policy package, aimed at getting the economy into a virtuous cycle of rising wages, prices and spending.

"We want to ensure that domestic demand continues to drive the economic expansion," Economy Minister Toshimitsu Motegi said. To grow sustainably, Japan must also boost productivity, he said.

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# BUSINESS & FINANCE

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## Bitcoin Price Jumps Past \$4,000

Virtual currency has quadrupled in value this year and climbed 45% so far this month

By PAUL VIGNA

The price of the digital currency bitcoin crossed over the \$4,000 mark for the first time in its nine-year history, despite a widespread selloff in other major digital currencies.

Bitcoin was trading at \$4,156.73 at 6 p.m. Sunday, according to the news and re-

search site CoinDesk, up 6.1% on the day and 45% in August. The price, which rose as high as \$4,225.40 on Sunday, has more than quadrupled so far this year.

Unlike stocks and other traditional assets that trade on exchanges with set hours, bitcoin trades electronically 24 hours a day and during weekends. Its method of validating every transaction eliminates the need for a central party like a government to control the currency.

The gains Saturday and Sunday seemed to be coming at

the expense of other digital currencies, many of which have been issued just this year in a developing trend called "initial coin offerings."

Startups have been issuing coins that operate as tokens for online services, and have been raising hundreds of millions of dollars. So far this year, they have raised \$1.33 billion, according to research firm Smith & Crown.

A highly publicized coin offering from a firm called Protocol Labs, for a service it is building called Filecoin, raised about \$250 million this week

in a record token offering. The offering, which was continuing Sunday, was so heavily bid

**\$1.3B**  
Amount raised this year through 'initial coin offerings'

that the firm was forced to suspend it after only one hour Thursday. It was reopened Saturday afternoon.

Later Saturday, coin-offering tokens and digital currencies across the board started falling, and it appeared that the liquidated capital was flowing directly into bitcoin. Of the top 20 tokens listed on the site CoinMarketCap, 18 were negative. Qtum was down 6.3%, OmiseGo was down 18%, and EOS was down 11%.

Meanwhile, digital currency ether was down 5.7% at \$292. Ripple was down 8.4% at 16 cents, and Bitcoin Cash—a newly created offshoot of bitcoin—was down 3.7% at \$308.

## Fund's Target Is Far, Far Away

By DAISY MAXEY

Vanguard Group is urging investors to think far ahead when it comes to retirement planning.

The Malvern, Pa., asset manager recently launched Vanguard Target Retirement 2065, a target-date fund geared to investors 18 to 22 years old who would be in line to retire about 50 years from now.

It is believed to be the first such fund pegged to a year that far out and is one of the longest-dated funds from inception to target with a 48-year investment runway.

Billed as one-stop solutions for passive retirement investors, target-date funds generally take an aggressive initial allocation heavy on stocks. Then they automatically shift their asset allocations to what the industry considers a more age-appropriate, conservative mix of stocks and bonds and sometimes other assets as an investor ages and his or her expected year of retirement, or target, approaches.

The funds are commonly used as defaults in many retirement plans for workers who don't choose from among their investment options, but are also chosen by investors and used by financial advisers. Assets in target-date mutual funds have grown to \$959 billion in this year's first quarter from \$133 billion in the first quarter of 2007, according to the Investment Company Institute. Of those assets, 67% are in employer-sponsored defined-contribution plans, it says.

William Koehler, president of FCI Advisors, an investment firm in Overland Park, Kan., says the funds offer a predetermined, thoughtful and diversified allocation and make sense for a lot of investors. "As a father of an 18-year-old, 48 years is a long time horizon and a [stock-heavy] mix is not inappropriate for someone with a half-century time horizon," he says.

But critics say target-date funds' allocation paths could disrupt retirement-savings success in certain market scenarios.

For instance, critics say, funds with a 2010 target date lost 30% on average in 2008, and their losses ranged as high as 41%, a big hit for an investor who had planned to retire in just a few years. The S&P 500 lost more than 38% in 2008.

Jude Boudreux, founder of Please see TARGET page B10

## Liberty Global Quietly Shapes 5G Strategy

By STU WOO

LONDON—Decades after earning the nickname the "Cable Cowboy" for building an American cable-television empire, John Malone is at it again. This time, he has set his sights on internet delivery overseas.

Mr. Malone's investments have been making plenty of headlines in the U.S. recently. He owns a nearly one-third voting stake in **Discovery Communications Inc.**, the television-programming company that agreed on July 31 to buy rival **Scripps Networks Interactive Inc.** for \$11.9 billion. Another big Malone investment, **Charter Communications Inc.**, last month rejected a one-on-one tie-up with **Sprint Corp.**

But he and his lieutenants have also been building, more quietly, a cable colossus far from American shores that has the potential to be the backbone for 5G, the next generation of wireless communications that promises to turbocharge mobile download and upload speeds. **Liberty Global PLC**, which is incorporated in London but run out of Mr. Malone's hometown of Denver, is the world's biggest international cable company. Currently, it has 25 million subscribers across 30 countries in Europe and Latin America. The company said last Monday it planned to spin off the Latin American business later this year.

The company's ambition when it started in 2005 was to be a cable-TV and broadband-internet provider, but its focus has shifted to include wireless networks, too.

Liberty Global and its investors believe it has positioned its networks to take advantage of 5G technology if and when it gains traction. The strategy echoes Mr. Malone's moves in the U.S. in the 1990s, when he

### Cable Guy

John Malone's Liberty Global has stitched together networks spanning Latin America and Europe that deliver cable and internet.

Number of fixed-line customers by country/region, in millions\*



\* Can include cable, internet or landline-phone customers  
† Includes both fixed-line and satellite customers in Switzerland, Austria, Czech Republic, Hungary, Romania, Slovakia, Poland

Photo: Drew Angerer/Getty Images

Source: the company

transformed cable into high-speed pipes for the internet.

Currently, Liberty Global's focus is selling customers its so-called quad play, a bundle of cable, internet, fixed-line telephone, and mobile services—all for one price. Liberty mostly rents the use of cellular towers and other wireless infrastructure from carriers for its mobile offerings. But for the other three products, it owns the infrastructure: miles of coaxial copper and fiber-optic cables.

It is those cables where more value potentially can be unlocked.

The telecom industry's vision of 5G, which is expected to go live in 2019 or 2020, is to connect the cables to small

cellular antennas to transmit the gobs of data required for top-quality videos, self-driving cars, virtual reality and other technologies of the near future.

**Malone has been building a colossus with the potential to be a backbone for 5G.**

ture. Those antennas would be close to the ground, or atop buildings and streetlights. These antennas would send that data on its final journey—to customers in a radius as short as 300 feet.

"much of what was in that memo is fair to debate."

Google has yet to clarify what it thought was debate-worthy, but it's a good bet that it had something to do with two of Mr. Damore's admissions: that Google should be more inclusive of conservatives and their viewpoints and that it should consider the potential cost of Google's diversity programs. But this controversy, as often

Please see MIMS page B4

"There are two things that are going great for us," said Balan Nair, Liberty Global's chief technology and innovation officer. "We have fiber to many neighborhoods" and power, he said. The company has utility cabinets in neighborhoods already connected to power, which would allow the company—or a mobile-carrier partner—to quickly set up a 5G cellular site there.

Liberty Global's fiber-optic landlines could make the company an acquisition target for a mobile carrier that wants to buy 5G infrastructure, said Citi analyst Simon Weeden. "There's obviously going to be demand for this stuff," he said.

But one potential downside: Many wireless carriers are al-

ready building out their own fiber-optic networks for their own 5G services. If that happens, customers might just use their existing wireless carrier's 5G and skip Liberty Global's offerings. "5G may not be good news" for Liberty Global, Mr. Weeden said.

Mr. Nair said it would be difficult for mobile carriers to invest in laying the landlines for their own 5G network. "The economics of building that infrastructure are high," he said, referring to costs.

He said Liberty Global would decide whether to form a partnership with a mobile carrier for 5G or whether to become a 5G carrier on its own in each market.

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KEYWORDS | By Christopher Mims

## Making a Business Case for Diversity



The memo written by a Google employee that went viral earlier this

month hit a raw nerve. The tech industry is already beset by accusations of widespread sexism and discrimination, and suddenly here was someone arguing that genetic differences rather than bias alone might explain why there are more men than

women in tech jobs.

That assertion led Google CEO Sundar Pichai to fire its author, James Damore. The reason, as Mr. Pichai put it in a companywide memo: "To suggest a group of our colleagues have traits that make them less biologically suited to that work is offensive and not OK." But Mr. Pichai's memo also said it's not OK for Google employees to feel they can't safely express their views at work, and that

"much of what was in that memo is fair to debate."

Google has yet to clarify what it thought was debate-worthy, but it's a good bet that it had something to do with two of Mr. Damore's admissions: that Google should be more inclusive of conservatives and their viewpoints and that it should consider the potential cost of Google's diversity programs. But this controversy, as often

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## BUSINESS NEWS

# China Frees Crown Resorts Executive

By MIKE CHERNEY

A senior **Crown Resorts** Ltd. executive—the last of three Australians held in China after being convicted of gambling-related crimes—has been released from prison, the Australian government said Saturday.

When Jason O'Connor, who led the international VIP program for the Australian casino operator, walked free, it capped a case that captivated the global casino industry, amid concerns business from lucrative Chinese VIPs would dry up.

One of 19 current and former Crown employees detained starting in October last year, Mr. O'Connor's release was expected. He was sentenced to a 10-month prison term—including time served—by a Chinese court in June. Some of the other employees, including two other Australians, were handed nine-month sentences and released last month.

"We are very pleased that our employees are being reunited with their families," Crown Executive Chairman John Alexander said in a written statement Saturday. "Crown is deeply appreciative of the support provided by our legal counsel over the last few months and thanks the Department of Foreign Affairs and the Australian government for their professionalism and assistance."

A statement from Australian Foreign Minister Julie Bishop said Mr. O'Connor was returning to Australia.

Most of the detained Crown employees held sales and marketing positions targeting different regions of China. Casino gambling is illegal in mainland China and foreign casinos aren't allowed to directly advertise their gambling operations, though they can promote themselves more broadly by touting beaches and shopping.



A solar panel at a SolarWorld plant in Germany last year. SolarWorld and Suniva claim Asian manufacturers dump solar panels into the U.S. market.

## Solar-Panel Tariff Fight Looms

Unusual alliance forms to support the view of foreign firms in a clash with U.S. makers

By ERIN AILWORTH

A fight is brewing over possible trade protections for U.S. solar equipment and is uniting disparate groups, including green-energy advocates and conservative free-trade policy organizations.

The U.S. International Trade Commission this week will hear initial arguments, for and against, a petition filed by bankrupt solar-panel maker **Suniva** Inc. to levy a 40-cent per watt tariff on imported solar cells, the piece of equipment that converts sunlight into electricity. The company has also asked the ITC for a minimum price of 78 cents a watt, including the 40-cent tariff, on solar panels made by

foreign manufacturers.

The ITC will make a final recommendation to the Trump administration by November.

Without that help, "we will be extinct," said Matt Card, Suniva's executive vice president of commercial operations. "I would like nothing more than to compete on a level playing field."

A glut of low-cost solar panels—mainly made in Asia—have pushed prices down. The phenomenon has hurt Suniva, which filed for chapter 11 protection in April and closed two manufacturing facilities in Michigan and Georgia. But low-cost Asian imports have been a boon for U.S. solar installers, helping spur the adoption of rooftop solar panels, according to the trade group Solar Energy Industries Association, or SEIA.

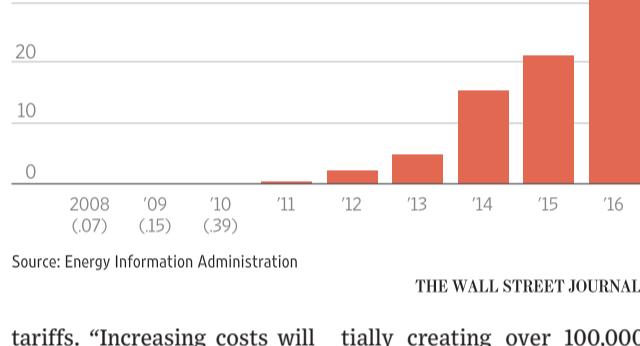
A bipartisan group of 16 senators and 53 congressmen sent letters on Friday to the ITC urging it to reject any new

tariffs. "Increasing costs will stop solar growth dead in its tracks," the Senate letter said.

Suniva and its co-petitioner, SolarWorld Americas Inc., say the tariff would boost domestic manufacturers and force overseas rivals to move plants to the U.S., potentially creating over 100,000 jobs.

### Green Energy Growth

As solar-panel prices dropped, sun-powered electric capacity in the U.S. soared.



Source: Energy Information Administration

THE WALL STREET JOURNAL

one-third of the U.S. solar-industry workforce. "We think it is too blunt an instrument to use," said Abigail Ross Hopper, chief executive of SEIA.

The American Legislative Exchange Council, which advocates for free markets, and other conservative policy groups are supporting the efforts to thwart a new tariff. "The government should not be expected to bail out a few companies that just couldn't compete," said Sarah Hunt, director of ALEC's Center for Innovation and Technology.

Suniva, which is majority-owned by a company based in Hong Kong, and SolarWorld, whose German parent filed for insolvency this year, blame their financial troubles on Asian manufacturers dumping solar panels into the market. A report issued this month by the International Trade Commission said nearly 30 U.S. solar-production facilities have been closed since 2012.

## Regional Grocery Stores Feel Squeeze Amid Upheaval

By HEATHER HADDON AND LILLIAN RIZZO

Bishop found. The number of stores is expected to drop to roughly 19,000 by 2021, the firm says.

Bankers who handle food-retail deals say the squeeze is creating more acquisition opportunities for big grocers, particularly as smaller family-run companies face an older generation of leaders stepping back.

"The U.S. is clearly in another wave of grocery-store consolidation," said Mike Fordney, managing director of the Food, Consumer and Retail Group at BMO Harris Bank, whose clients include many family-run grocers in the Midwest.

Grocers have weathered previous rounds of bankruptcies over the past decade, but executives say the headwinds are stronger this year. Already, **Marsh Supermarkets** LLC and **Central Grocers** Inc. have sought bankruptcy protection in 2017.

There were 25,380 stores offering a full range of groceries with at least \$2 million in annual sales last year, down 6% from 2015, Inmar Willard

Other food retailers, such as Gordy's Market and Brennan's Market in Wisconsin, have closed locations or sold stores to bigger chains to cut losses. Several grocers have been added to distressed-asset watch lists that circulate

**Bankers say the stress is creating acquisition opportunities for some big chains.**

among investment bankers and lawyers, according to people familiar with the matter.

S&P Global Market Intelligence found a food-retailer default within a year was 30% more likely given the increased competition after **Amazon.com** Inc. announced it was buying **Whole Foods Market** Inc. **Moody's Investors Ser-**

**vice** said regional chains with high debt are at risk. Moody's has downgraded debt owned by four smaller food-retail chains in the past year.

"I think what you're seeing at a very high level is a lot of distress and disruption in the space," said Keith Daniels, a partner at financial advisory firm Carl Marks Advisors.

Marsh and Central Grocers, once major Midwest food sellers, filed for bankruptcy protection in May. Central Grocers declined to comment, and Marsh didn't respond to requests for comment.

Larger grocery chains, **Kroger** Co. and Fresh Encounter Markets, received court approval in June to buy 26 of the 44 Marsh locations. "It's never been this busy," said Scott Moses, managing director for Peter J. Solomon Company, the investment bank selling Marsh's and Central Grocers' assets.

Central Grocers, the Illinois-

based wholesaler, laid off hundreds of workers and stopped supplying more than 100 grocers. The company's troubles accelerated after news of financial stress prompted some suppliers to demand deposits and payments in advance, according to court papers. Suppliers including **Coca-Cola** Co., **General Mills** Inc., and Mars Financial Services had earlier filed an involuntary chapter 7 petition for Central Grocers claiming they were collectively owed \$1.8 million. General Mills, Coke and Mars declined to comment.

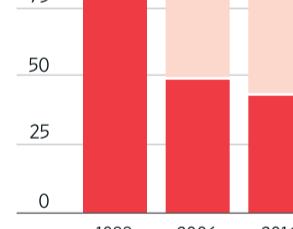
Some grocers in the Chicago area, who relied on Central to fill their shelves, say they scrambled to find other sources of meat and produce. Some products couldn't be immediately replaced. Strube Celery and Vegetable Co., a Chicago wholesaler, lost business as a distributor of Central produce, but is roughly breaking even after finding new suppliers.

### Grocery Grab

More shoppers are gravitating away from traditional supermarkets.

**Share of spending on food and consumables**

Convenience stores  
Wholesale clubs/discount stores\*  
Traditional grocery



\*Includes military commissaries and drugstores  
Note: Totals may not equal 100 due to rounding.  
Source: Inmar Willard Bishop Analytics  
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## Vehicle Sales Rally in China

By TREFOR MOSS

sold. Sales for the first seven months of 2017 were up 2% from the year-earlier period.

U.S. auto makers' sales in China this year have failed to keep pace with the overall market, though, with **Ford Motor** Co. in particular struggling.

Total vehicle sales in China in July were up 6.2% from a year earlier, at 1.98 million, boosted once again by red-hot demand for commercial vehicles, whose sales rose 18% to 292,800 units.

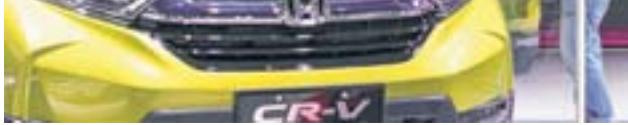
Total vehicle sales for January-

July were up 4.1%.

Passenger-car sales had declined in April and May, the biggest drop in two years, but July's strong sales put them on track to achieve the association's forecast of 5% growth this year, said Ye Shengli, the association's deputy chief.

Ford and **General Motors** Co. both had a disappointing first half of 2017 in China, with sales down 7% and 2.5%, respectively, compared with the first six months of 2016. They ended the half with strong June sales—Ford up 15%, GM up 4.3%—but that turned out to be the start of a rebound only for GM. Its sales in July were up 6.3% from a year earlier, while Ford's were down 7%.

Ford, and to a lesser extent GM, have suffered in China this year from fierce Japanese competition. The Japanese makers' new products—notably in-demand SUVs—have matched Chinese market trends, said Yale Zhang, managing director of Automotive Foresight.



A recent car expo in Harbin, China. Auto sales have strengthened.

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## TECHNOLOGY

WSJ.com/Tech

# Amazon, SoftBank Lock Horns in India

Both lift investments in bid to capture slice of nation's untapped internet economy

BY NEWLEY PURNELL  
AND MAYUMI NEGISHI

**NEW DELHI—Amazon.com** Inc. founder Jeff Bezos appears set to tangle with a formidable new adversary in India: Masayoshi Son, the brash billionaire who helms Japan's **SoftBank Group**.

The prize: e-commerce superiority in one of the last great untapped internet economies.

After failing to capture much of the market in China, Mr. Bezos is investing \$5 billion to expand Amazon's India operations.

Since launching in 2013, the firm has used its technological expertise and slick advertising campaigns to pull neck-and-neck with home-grown e-commerce leader **Flipkart Group** in a country where many consumers are only now shopping online for the first time via inexpensive smartphones.

Meanwhile, Mr. Son's conglomerate is set to inject roughly \$2.5 billion into Flipkart, a person familiar with the matter said on Thursday. While declining to confirm the amount, Flipkart said the investment, combined with \$1.4 billion raised in April from Tencent Holdings Ltd., **eBay Inc.** and **Microsoft Corp.**, would lift Flipkart's cash level to more than \$4 billion.

The funds would come from SoftBank's nearly \$100 billion Vision Fund—the world's largest technology fund—that Mr. Son is using to invest in emerging fields and promising markets.

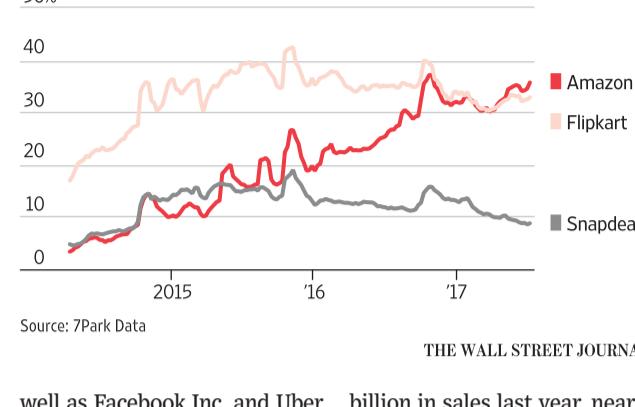
The talks with Flipkart come after SoftBank attempted in recent months to push India's No. 3 online retailer, Snapdeal.com, which it has backed, into a merger with Flipkart. Those talks broke down late last month.

"We want to support innovative companies that are clear winners in India because they are best positioned to leverage technology," Mr. Son said in announcing the deal.

The focus on India underscores the global battle for the country's internet users. U.S. tech giants like Amazon—as

### Gaining Steam

Percentage of mobile-phone users in India opening these apps at least once a month.



Source: 7Park Data

THE WALL STREET JOURNAL.

well as Facebook Inc. and Uber Technologies Inc.—are squaring off against Japanese and Chinese firms like SoftBank, Alibaba Group Holding Ltd. and Tencent, with all parties betting that even a modest slice of the growing Indian market is worth the fight.

India's e-commerce market alone should be worth some \$63.5 billion by 2021, according to Satis Meena, an analyst at research firm Forrester, up from one-third of that this year. By comparison, China had \$681

billion in sales last year, nearly double the U.S., making it the world's biggest e-commerce market, said Mr. Meena.

As part of a transaction with Flipkart, SoftBank would provide the local player not only with a substantial cash infusion that it could use to invest in infrastructure and expand its services, but Flipkart would also benefit from the know-how of executives at Chinese e-commerce giant Alibaba, according to a person familiar with the negotiations.

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

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

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

He said SoftBank investments in India will surpass \$10 billion over 10 years. Alok Sama, president and chief financial officer of the company's international arm, wrote in a local Indian newspaper column last month that online shopping in India was poised to take off as consumers leapfrog organized retail and "gravitate directly toward mobile e-commerce."

According to corporate filings last month, Amazon has just received its latest tranche

of cash, some \$260 million, which it can use to fuel its operations.

"Amazon has clearly made India a top priority," said Oscar Orozco, an analyst at research firm eMarketer.

India's e-commerce companies don't share their sales numbers, but some 35% of mobile-device users in India opened Amazon's app at least once between May 10 and June 10, according to New York-based research company 7Park Data.

That was up from 25% a year earlier, and higher than the 33% who opened Flipkart's app and 9% who opened Snapdeal's. Rates for both Flipkart and Snapdeal dropped slightly over that time.

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

—Laura Stevens  
in San Francisco  
contributed to this article.

## MIMS

*Continued from page B1*  
happens with debate over diversity, has obscured the core business issues involved.

### Diversity = Dollars

Research has established the business case for diversity. This isn't an argument about addressing historical inequities or even present-day fairness. More diverse companies have better financial returns, are more innovative and are just plain smarter than their more homogeneous competitors.

One reason diversity is good is that it's hard, says research done by Katherine W. Phillips and others while at Northwestern University's Kellogg School of Management. Diverse teams tend to have more disagreement but better outcomes.

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

Company cultures that are unfriendly or even hostile to women and minorities not only lead to less diverse workforces, but they also harm the performance of the women and minority employees they do have, says Aubrey Blanche, head of diversity and inclusion at enterprise software company

### Meritocracy Paradox

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

The trouble with this idea is that true meritocracies don't exist. Indeed, a study of individuals with managerial experience found that they were more likely to favor men in a simulated compensation scenario when the instructions emphasized meritocratic values, according to an oft-cited 2010



Workers at enterprise software company Atlassian

### Female Flight

Growth in the number of women in math and computer science isn't keeping pace with the industry overall.

#### Percentage growth in number of people employed, 2006-15



Note: Only occupations with more than one million employed are charted.  
Source: Bureau of Labor Statistics via the National Science Foundation

THE WALL STREET JOURNAL

### How to Move Ahead

To become a place where merit is truly rewarded, a tech company must commit to a continuing and systematic evaluation of its corporate culture, says Atlassian's Ms. Blanche. It's easier for companies not to undertake the hard work of transparency, accountability and orga-

nizational change required. But in the long run, failing to do so can make them less competitive.

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

There are a wide and growing array of tools for ac-

complishing this, including structured behavioral interviews, where all candidates are asked the same set of questions, agreed upon in advance.

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

Google is working on it:

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

For an issue that affects so many people, at least the vociferous public discussion

that is following Mr. Damore's memo might be viewed as a form of progress. When I spoke to Jonna Gerken, president of the Society of Women Engineers and a manufacturing engineering manager at Pratt & Whitney, she said, "If it promotes more discussion about organizational climate, I think that's a good thing."

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#### What does the Settlement provide?

The Settlement will create a \$120 million Settlement Fund that will be used to pay eligible Class Members who submit valid claims. Additionally, Barclays will cooperate with the Plaintiffs in their ongoing litigation against the Non-Settling Defendants.

#### How can I get a payment?

You must submit a Proof of Claim to get a payment. You can submit a Proof of Claim online or by mail. The deadline to submit a Proof of Claim is **December 21, 2017**. You are entitled to receive a payment if you have a qualifying transaction with Barclays or a Non-Settling Defendant. At this time, it is unknown how much each Class Member who submits a valid claim will receive.

#### What are my rights?

Even if you do nothing, you will lose your right to sue Barclays for the alleged conduct and will be bound by the Court's decisions concerning the Settlement. This Settlement will not result in a release of your claims against any Non-Settling Defendant, and the litigation against Non-Settling Defendants is ongoing. If you want to keep your right to sue Barclays, you must exclude yourself from the Settlement Class by **October 9, 2017**. If you stay in the Settlement Class, you may object to the Settlement by **October 9, 2017**.

The Court will hold a hearing on **October 23, 2017** to consider whether to approve the Settlement and approve Class Counsel's request of attorneys' fees of up to one-third of the Settlement Fund, plus reimbursement of costs and expenses. You or your own lawyer may appear and speak at the hearing at your own expense.

#### Am I included?

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- In the United States; and
- Owned the instruments at any time between August 2007 and May 2010.

1-888-568-7640 [www.BarclaysLiborSettlement.com](http://www.BarclaysLiborSettlement.com)

## Facebook Takes Peek at Rivals

BY DEEPA SEETHARAMAN  
AND BETSY MORRIS

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

Late last year, Facebook employees used an internal database of a sampling of mobile users' activity to observe that usage of Snap's flagship app, Snapchat, wasn't growing as quickly as before, people familiar with the matter said.

They saw that the shift occurred after Facebook's Instagram app launched Stories, a near-replica of a Snapchat feature of the same name.

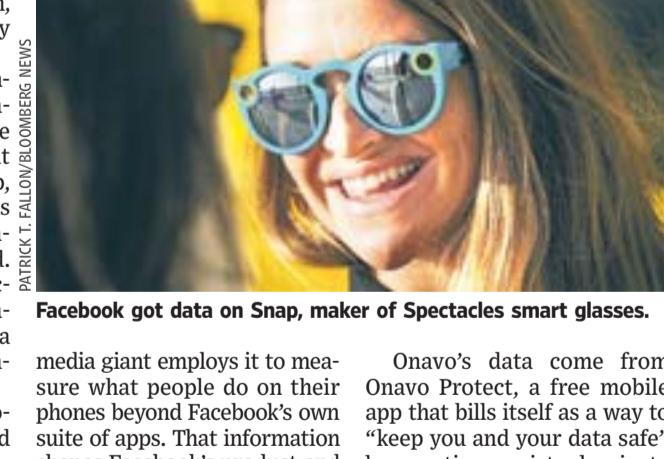
In February, just before going public, Snap confirmed that its user base grew more slowly in the last three months of 2016 than the prior year.

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

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

Interviews with more than a dozen people familiar with Facebook's use of Onavo data show in detail how the social-

PATRICK T. FALLON/BLOOMBERG NEWS



Facebook got data on Snap, maker of Spectacles smart glasses.

media giant employs it to measure what people do on their phones beyond Facebook's own suite of apps. That information shapes Facebook's product and acquisition strategy—furthering its formidable competitive edge, the people said.

A Facebook spokesman said it is clear when people download Onavo what information it collects and how it is used. "Websites and apps have used market-research services for years," the spokesman said.

Alphabet Inc., through its Google Android operating system for smartphones, and Apple Inc. also have the ability to monitor how rivals' apps perform on their mobile platforms, but it isn't clear whether they use that to shape their product road maps. Apple declined to comment. Alphabet unit Google didn't immediately respond.

—Tripp Mickle

and Jack Nicas contributed to this article.



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## BUSINESS NEWS

# CFOs Learn to Survive

Financial chiefs who stay for a decade or more become more common

BY JOANN S. LUBLIN

Few chief financial officers hold their high-pressure post for a decade, but that elite club is growing.

**MANAGEMENT** Jeff Julien belongs to this rare breed, whose longevity often reflects their sustained performance. Named CFO of brokerage **Raymond James Financial** Inc. 30 years ago, he helped lead his 118th quarterly earnings call last month.

Not a single analyst question surprised the 61-year-old executive. "We prepare days ahead of time for the call," he says.

Mr. Julien's tenure is longer than that of any other finance chief at the 673 biggest U.S. businesses—a group that comprises all companies belonging to the S&P 500 or Fortune 500, or to both—according to an analysis for The Wall Street Journal conducted in late July by executive recruiters Crist|Kolder Associates.

Ten years ago, 64 CFOs of the largest companies had served for more than a decade. Today, 85 have.

"Most of the 85 companies have been efficient users of capital," notes Peter Crist, Crist|Kolder's chairman.

Seven of the 10 most-tenured finance chiefs help run companies whose investors reaped far better returns during the past decade than the S&P 500 index, Crist|Kolder found.

Those businesses include Raymond James, health-care information-technology company **Cerner** Corp. and energy-drinks maker **Monster Beverage** Corp.

Total shareholder return at Raymond James—which consists of stock-price changes



Jeff Julien has been the CFO of brokerage Raymond James Financial for the past 30 years.

plus reinvested dividends—was 182% as of July 25, compared with 86% for the S&P 500 index. The 10-year return at Cerner was 378% and 64% at Monster Beverage.

Mr. Julien partly attributes Raymond James's performance to "consistent, long-term focus instead of overreacting to the crisis du jour."

Monster Beverage couldn't be reached for comment. Cerner CFO Marc Naughton "has played a critical role" in helping Cerner to outperform the S&P 500, company President Zane Burke said in an emailed statement.

There are signs of boards' growing preference for experienced finance chiefs to remain longer in their posts. While decadelong stints are rare, the average tenure of CFOs at Fortune 500 companies rose to 5.7 years in 2016 from 4.7 years in 2005, according to search firm **Spencer Stuart**.

"Longevity is important in the CFO role," said Judy Bruner, who occupied the highest finance spot at **Sandisk** Corp. for 12 years until the disk-drive maker merged

with **Western Digital** Corp. last year. "You may have to manage through economic downturns and upturns," she said.

A new chief executive frequently replaces the finance chief—an effort now underway at **Mattel** Inc., where 17-year CFO Kevin Farr is set to depart once the toy maker picks his successor.

Mr. Julien and several other CFOs tracked by Crist|Kolder have rarely experienced upheaval in the corner office.

**Berkshire Hathaway** Inc., for example, has been run by Warren Buffett since 1970—and had Marc Hamburg as its top finance officer for nearly 26 years so far.

Mr. Julien has served only two Raymond James CEOs. He has enjoyed close ties with incumbent Paul Reilly and his predecessor Thomas A. James because he began playing tennis with each of them while he was in high school, he said.

At **Home Depot** Inc., 60-year-old Carol Tomé has worked for three chief executives since her 2001 promotion to CFO. She lost its CEO suc-

cession race to colleague Craig Meneau in 2014. He asked her to stay.

"I did a lot of soul searching," Ms. Tomé said.

She considered retiring, running for office or switching employers. She decided she would leave only if she landed a CEO spot elsewhere.

One reason Ms. Tomé remained is that she also is Home Depot's executive vice president of corporate services, overseeing such critical areas as strategic business development. Ms. Tomé relishes driving strategy while keeping a healthy cash position—a number she scrutinizes every day.

She realized she would have the most impact by staying. "My fingerprints are all over this company," she added.

Most of the 85 longest-serving finance chiefs of big businesses hold an EVP title, according to an exclusive analysis by Patricia M. Flynn, a Bentley University economics and management professor. She believes their wide-ranging responsibilities explain why they have remained CFOs for so long.

## 'Conjuring' Sequel Scares Up a Big Win

Associated Press

NEW YORK—The "Conjuring" spinoff "Annabelle: Creation" scared up an estimated \$35 million in North American theaters over the weekend, making it easily the top film and giving the lagging August box office a shot in the arm.

The opening came close to matching the film's predecessor, "Annabelle," which opened with \$37.1 million in October 2014. Warner Bros. could celebrate not only the month's biggest debut but also having the week's top two films. Christopher Nolan's "Dunkirk" followed in second place with \$11.4 million in its fourth weekend, according to studio estimates Sunday.

Even amid an especially weak August, the well-reviewed horror sequel and modestly budgeted "Annabelle: Creation" found eager audiences.

"That we were able to do \$35 million in what is a very sluggish marketplace was very impressive," said Jeffrey Goldstein, Warner Bros.' distribution chief.

"We all know that moviegoing begets moviegoing and right now it's a dip in the content overall."

The film, the third to spiral out of 2013's "The Conjuring," cost only about \$15 million to make. More sequels and spinoffs are being developed in what has become for Warner Bros. a steadily profitable horror franchise bent on old-school frights. The "Annabelle" offshoot cen-

ters on a possessed doll.

Last week's top film, the poorly received Stephen King adaptation "The Dark Tower," slid dramatically. The Sony Pictures release, starring Idris Elba and Matthew McConaughey, toppled nearly 60% on its second weekend with an estimated \$7.9 million.

The week's other new entry, the Open Road animated release "Nut Job 2: Nutty by Nature," edged above "The Dark Tower" with \$8.9 million. That was well below the 2014 debut of the original, "The Nut Job," which opened with \$19.4 million.

But the solid returns for "Annabelle: Creation" did little to counter the box-office slide. The box office was down 31.6% from the same weekend last year, when "Suicide Squad" was No. 1 despite brutal reviews, and Seth Rogen's "Sausage Party" opened. The summer altogether is down 12.4% from last year, according to comScore.

"This is a great weekend to be a really scary doll and Warner Bros., but for everyone else, it's just plain scary," said Paul Dergarabedian, senior media analyst for comScore. "It proves the horror genre is alive and well."

The summer's top comedy, "Girls Trip," will soon surpass \$100 million domestically. The movie, starring Jada Pinkett Smith and Queen Latifah, took in \$6.5 million in its fourth week to bring its cumulative total to \$97.2 million.

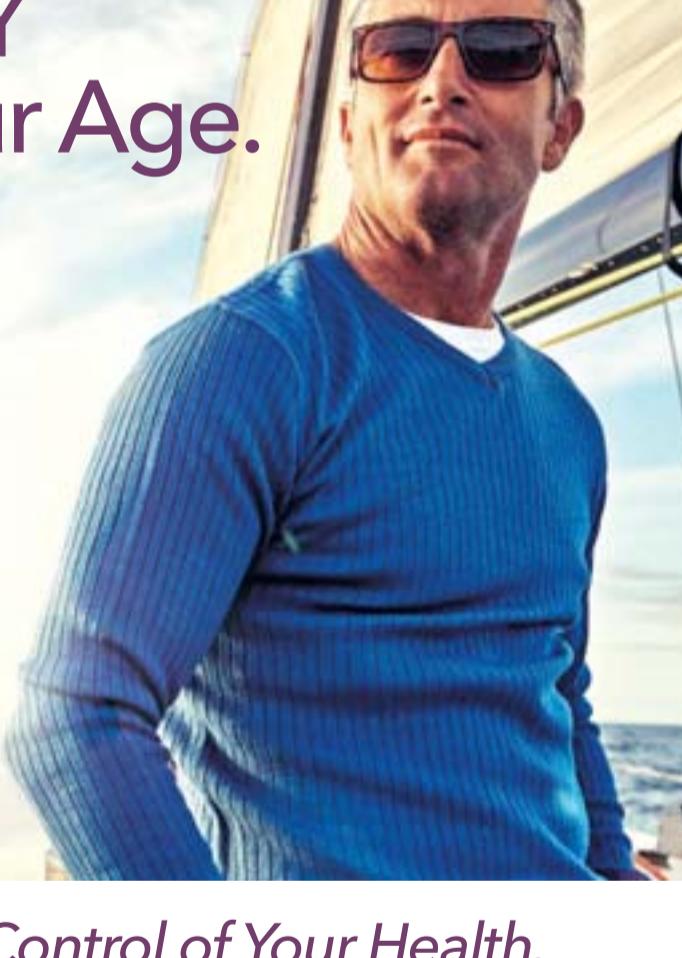
### Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILE	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. <i>Annabelle: Creation</i>	Warner Bros.	\$35	\$35	--
2. <i>Dunkirk</i>	Warner Bros.	\$11.4	\$153.7	-33
3. <i>Nut Job 2: Nutty by Nature</i>	Open Road	\$8.9	\$8.9	--
4. <i>The Dark Tower</i>	Sony	\$7.9	\$34.3	-59
5. <i>The Emoji Movie</i>	Sony	\$6.6	\$63.6	-45

\*Friday, Saturday and Sunday Source: comScore

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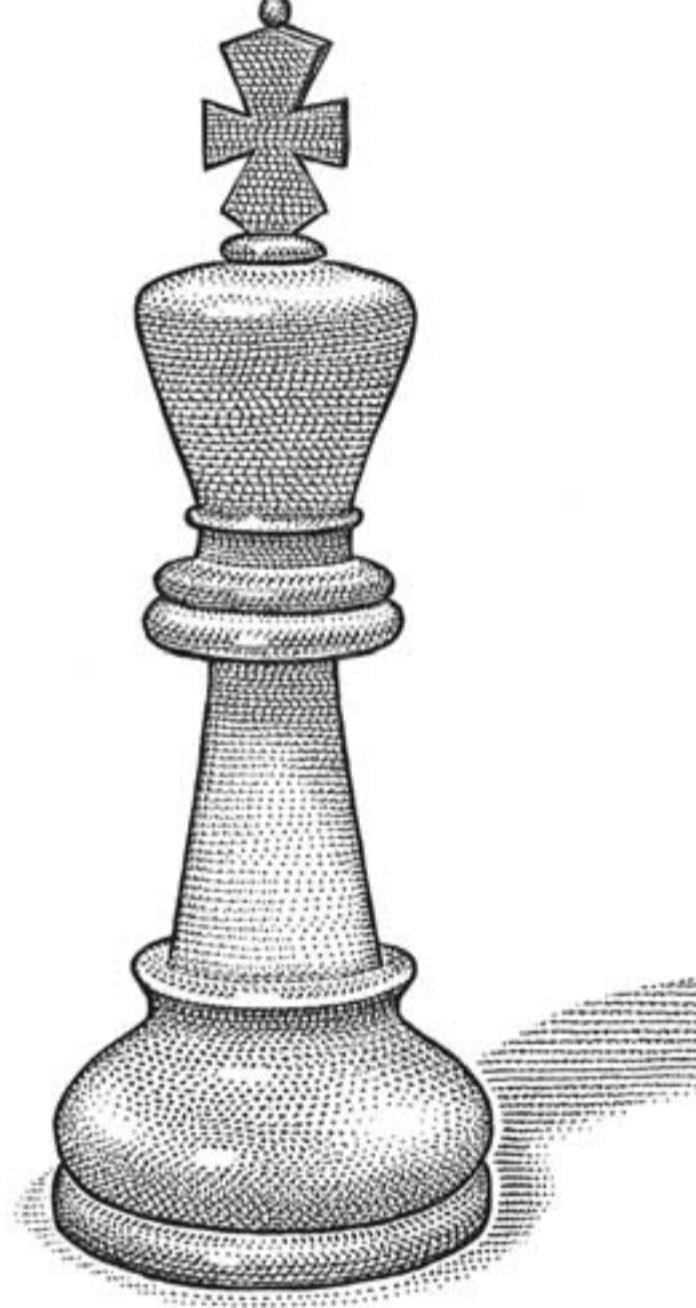


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November 13–14, 2017 | Washington, D.C.

**Asia Meeting**  
May 15, 2018 | Tokyo

WSJ editors, policy makers, business leaders and members gather to discuss the most pressing global business issues.

#### Editor's Dinner Series

August 28, 2017 | New York, NY

September 28, 2017 | New York, NY

October 25, 2017 | Singapore

November 27, 2017 | Tokyo

December 5, 2017 | New York, NY

Moderated by WSJ Editor in Chief Gerard Baker, these engagements bring together executives from around the world for dinner and discussion focused on issues facing global business.

#### D.LIVE

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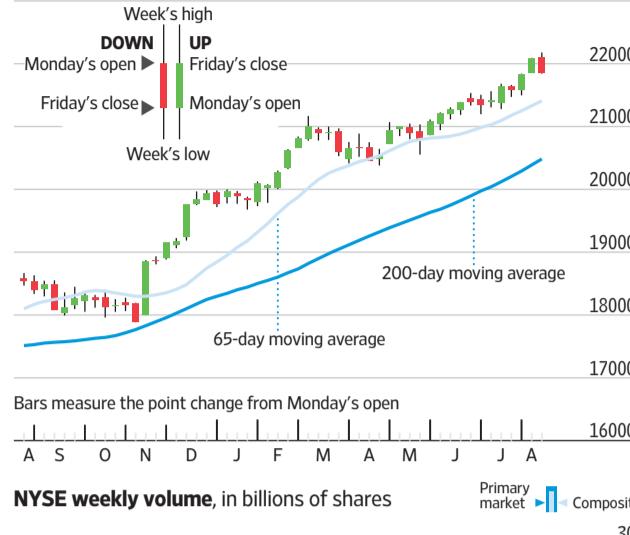
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## MARKETS DIGEST

### Dow Jones Industrial Average

**21858.32** ▼234.49, or 1.06% last week  
 High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 20.06 20.20  
 P/E estimate \* 18.45 18.04  
 Dividend yield 2.31 2.50  
 All-time high 22118.42, 08/07/17



Current divisor 014602128057775

Week's high  
 DOWN Monday's open UP Friday's close  
 Friday's close Monday's open  
 Week's low  
 200-day moving average  
 65-day moving average

Bars measure the point change from Monday's open

A S O N D J M A M J J A

16000 17000 18000 19000 20000 21000 22000 23000

1925

NYSE weekly volume, in billions of shares Primary market Composite

30 20 10 0

A S O N D J M A M J J A

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

### Major U.S. Stock-Market Indexes

Dow Jones	High	Low	Latest Week Close	Net chg	% chg	Low	Close (●)	High	% chg	YTD % chg	3-yr. ann.
Industrial Average	22179.11	21842.74	<b>21858.32</b>	-234.49	-1.06	17888.28	● 22118.42	17.7	10.6	9.7	
Transportation Avg	9328.85	9117.17	<b>9199.05</b>	-78.58	-0.85	7755.40	● 9742.76	17.8	1.7	4.1	
Utility Average	737.43	728.19	<b>730.45</b>	-1.42	-0.19	625.44	● 737.51	5.5	10.7	10.6	
Total Stock Market	25758.64	25158.62	<b>25203.15</b>	-406.75	-1.59	21514.15	● 25692.25	11.7	8.3	7.6	
Barron's 400	655.73	632.15	<b>635.90</b>	-13.49	-2.08	521.59	● 661.93	15.9	5.7	6.6	
<b>Nasdaq Stock Market</b>											
Nasdaq Composite	6423.35	6214.41	<b>6256.56</b>	-95.01	-1.50	5046.37	● 6422.75	19.6	16.2	12.4	
Nasdaq 100	5972.93	5783.36	<b>5831.53</b>	-68.37	-1.16	4660.46	● 5950.73	21.3	19.9	14.2	
<b>Standard &amp; Poor's</b>											
500 Index	2490.87	2437.75	<b>2441.32</b>	-35.51	-1.43	2085.18	● 2480.91	11.8	9.0	8.0	
MidCap 400	1762.50	1701.97	<b>1711.05</b>	-40.43	-2.31	1476.68	● 1791.93	9.8	3.0	7.3	
SmallCap 600	862.18	827.59	<b>831.01</b>	-23.59	-2.76	703.64	● 876.06	11.7	-0.8	8.1	
<b>Other Indexes</b>											
Russell 2000	1426.29	1368.33	<b>1374.23</b>	-38.09	-2.70	1156.89	● 1450.39	11.7	1.3	6.4	
NYSE Composite	12019.85	11753.30	<b>11763.22</b>	-221.67	-1.85	10289.35	● 12000.02	8.7	6.4	3.1	
Value Line	526.80	509.18	<b>510.99</b>	-12.63	-2.41	455.65	● 533.62	5.8	1.0	1.5	
NYSE Arca Biotech	3979.89	3784.13	<b>3833.38</b>	-114.86	-2.91	2834.14	● 4075.95	14.8	24.7	10.9	
NYSE Arca Pharma	525.90	518.32	<b>519.28</b>	-6.62	-1.26	463.78	● 549.2	-3.3	7.8	1.3	
KBW Bank	98.36	93.51	<b>93.76</b>	-3.46	-3.56	69.05	● 99.33	35.8	2.1	10.9	
PHLX Gold/Silver	84.54	81.26	<b>84.09</b>	2.06	2.51	73.03	● 111.73	-24.7	6.6	-6.4	
PHLX Oil Service	132.66	122.63	<b>123.08</b>	-10.56	-7.91	123.08	● 192.66	-23.3	-33.0	-24.7	
PHLX Semiconductor	1107.23	1052.72	<b>1066.22</b>	-13.22	-1.23	768.37	● 1138.25	36.7	17.6	20.3	
CBOE Volatility	17.28	9.52	<b>15.51</b>	5.48	54.64	9.36	● 22.51	34.3	10.5	2.9	

Philadelphia Stock Exchange

### S&P 500 Index

**2441.32** ▼35.51, or 1.43% last week  
 High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 23.59 24.91  
 P/E estimate \* 18.78 18.57  
 Dividend yield 1.99 2.09  
 All-time high 2480.91, 08/07/17



Bars measure the point change from Monday's open

A S O N D J M A M J J A

1925

Primary market Composite

30 20 10 0

A S O N D J M A M J J A

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

### New to the Market

#### Public Offerings of Stock

None expected this week

#### Lockup Expirations

None expected this week

#### IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	IPO date/Offer price	Friday's close (\$)	% Chg From Offer	Company SYMBOL	IPO date/Offer price	Friday's close (\$)	% Chg From Offer
Ranger Energy Svcs RNGR	Aug. 11/\$14.50	14.22	-1.9	Redfin		24.85	65.7
YogaWorks YOGA	Aug. 11/\$5.50	4.85	-11.8				
Zealand Pharma ZEAL	Aug. 9/\$17.87	17.90	0.2	RBB Bancorp RBB		22.23	-3.3
Venator Materials VNTR	Aug. 3/\$20.00	19.55	-2.3	PetIQ		22.26	39.1
Clementia Pharmaceuticals CMTA	Aug. 2/\$15.00	16.08	7.2	Calysta CLXT		11.82	47.8

Sources: WSJ Market Data Group; FactSet Research Systems

#### Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

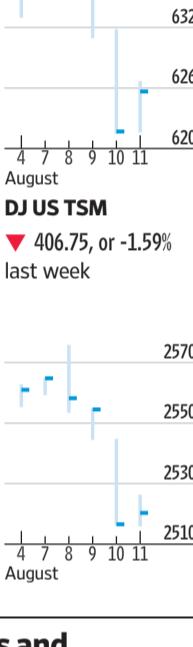
None expected this week

#### Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

#### Nasdaq Composite

▼ 95.01, or -1.50% last week



6380

6320

6260

6200

25700

25500

25300

25100

25000

24800

24600

24400

24200

24000

23800

23600

23400

23200

23000

22800

22600

22400

22200

22000

21800

21600

21400

21200

21000

20800

## BUSINESS & FINANCE

# Loeb Vanishes at Snap, Back to Alibaba

Investor's Third Point also adjusts positions at major U.S. banks; stake in BlackRock

BY MARIA ARMENTAL

Billionaire investor Daniel Loeb's **Third Point** LLC exited his investment in **Snap** Inc., parent of disappearing-message app Snapchat, and re-

turned to Chinese internet giant **Alibaba Group Holding** Ltd.

Mr. Loeb, in his latest 13F filing with the Securities and Exchange Commission, continued to adjust his positions in several big U.S. banks, closing his stake in **J.P. Morgan Chase** & Co. but adding to his position in **Bank of America** Corp. As of June 30, Mr. Loeb held 15 million shares in the U.S. bank, his third-largest

stake by shares.

Alibaba, in which Mr. Loeb has invested directly or indirectly through positions in **Yahoo** and **SoftBank** over the past years, also became one of Mr. Loeb's top 10 positions by shares and value in the June quarter. As of June 30, the firm held 4.5 million shares.

In a letter last month to investors, Mr. Loeb disclosed his new equity investments in Alibaba and **BlackRock**, the

world's largest money manager. At the time, Mr. Loeb highlighted Alibaba's changes to its advertising platform and BlackRock's potential beyond its asset-management business.

Mr. Loeb, known for his fiery-worded letters to executives and big-name corporate battles, has taken a more conciliatory tone of late. Among his current public campaigns is DowDuPont, the \$150 billion

chemicals behemoth that will be created by merging **Dow Chemical** and **DuPont**. Mr. Loeb, who in the latest period built up his position in Dow to 16 million shares, has joined a group of investors challenging plans to carve up the combined company.

Mr. Loeb, who also has been pressuring **Honeywell International** to spin off its aerospace division, trimmed his stake in the industrial con-

glomerate in the latest period.

The holdings were disclosed Friday in the 13F filing, a quarterly requirement for investors managing more than \$100 million. The report offers a snapshot of the fund's largest stockholdings as of June 30.

**Nestlé** wasn't mentioned in the 13F, but Mr. Loeb's firm disclosed in June a \$3.5 billion stake in the European packaged-foods giant.

## Closed-End Funds | [WSJ.com/funds](#)

Listed are the 300 largest closed-end funds as measured by assets.

Closed-end funds sell a limited number of shares and invest the proceeds in securities like open-end mutual funds, generally do not buy back their shares back from investors who wish to cash them out. Instead, fund shares trade on a stock exchange.

a-The NAV and market price are ex dividend; b-The NAV is fully diluted; c-NAV is as of Wednesday's close; d-NAV is as of Wednesday's close; e-NAV assumes rights offering is fully subscribed; f-Rights offering in process; g-Rights offering announced; h-Lipper data has been adjusted for rights offering; i-Rights offering has expired, but Lipper data not yet adjusted; j-NAV as of previous day; o-Tenor other than in process; k-NAV is as of previous day; l-NAV is as of previous day; m-Convertible Note-NAV (not market) conversion value; y-NAV and market price are in Canadian dollars. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of entire period. 12 month yield is computed by dividing income dividends paid during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, August 11, 2017

52 wk Fund (SYM) NAV Close /Disc Ret

Prem Ttl Fund (SYM) NAV Close /Disc Ret

52 wk Fund (SYM) NAV Close /Disc Ret

Prem Ttl Fund (SYM) NAV Close /Disc Ret

U.S. Mortgage Bond Funds

BlackRock Income Trust **BKT** 6.74 6.21 -7.9 5.0

Naiveen Mtg Opt Fund **JLS** 26.46 25.24 -4.6 5.2

Investment Grade Bond Funds

BlackRock Core Bond Tr **BHK** 14.88 13.90 -6.6 5.5

BKMK Credit Alloc Invntr **BTZ** 14.84 13.28 -10.5 6.3

John Hancock Invntr Sucs **JHS** 15.59 14.63 -6.2 5.5

MFS Charter **MCR** 9.37 8.56 -8.6 8.6

MFS Multimkt **MMT** 6.11 6.21 -7.5 8.6

Naiveen Fund Am Bd **BBB** 22.26 21.27 -4.4 5.9

Naiveen Fund Am Bd Invntr **BIB** 12.24 11.60 -5.2 5.6

Naiveen Fund Invntr **OIA** 7.57 7.87 +4.0 5.1

Putnam Muni Income Tr **KTF** 12.77 13.11 +2.7 6.2

Dreyfus Mun Bd Invntr **DMB** 12.44 13.31 -6.4 4.9

Dreyfus Strat Mun Bond **DSM** 8.45 8.65 +2.4 5.6

Dreyfus Strategic Munis **LEO** 8.66 9.00 +3.9 5.6

Eaton Vance Mun Bd Invntr **EDM** 13.88 12.91 -7.0 5.0

Eaton Vance Muni Invntr **FVH** 15.30 14.30 -7.9 5.0

Eaton Vance Muni Invntr **HTC** 10.12 10.06 -0.6 5.0

John Hancock Investors **HOH** 25.07 24.45 -4.1 -5.7

Naiveen Fund Invntr **HTW** 11.15 NA 3.4

Tekla Hlthr Invntr Fund **HTA** 12.90 12.72 -1.8 6.4

Tekla Hlthr Invntr Fund **HTC** 11.42 NA 3.0

U.S. Equity Funds

Adams Divers Eq Fund **ADX** 17.01 14.52 -14.7 18.9

Boulder Growth & Income **BIF** 11.78 9.73 -17.4 19.7

Central Securities **CET** 29.90 24.63 -17.6 24.9

Coh Steyr Oppr Fd **COF** 13.66 12.85 -5.9 17.1

Cornerstone Strategic **JDD** 12.75 13.47 -1.1 7.0

Etn VnCrRskMngd **ETR** 23.57 24.20 +2.7 4.0

Fst Tr EnhEqtngInv Fd **FFA** 16.03 16.26 +1.4 9.4

First Tr Enq Inv Fd **FIF** 18.83 17.70 -6.0 7.0

Fst Tr Mpl & Enq Inv Fd **FEI** 14.59 15.24 +4.5 5.2

Gabelli Fund **GDX** 11.64 10.32 -11.3 -0.7

Gabelli Hlthr Inv Fd **GHR** 11.20 11.00 -1.4 2.7

Gabelli Hlthr Inv Fd **GUT** 5.55 7.01 +2.6 16.3

GAMC QbGldBlndltScs **GGN** 5.53 5.66 +2.3 -4.5

Goldman Sachs MLP Inv Fd **GMZ** 9.25 NA 3.4

Goldman Sachs MLP Inv Fd **GER** 6.70 NA -1.3

Gabelli Equity Trust **GAB** 6.28 6.17 -1.8 18.2

Gen Amr Invester **GAM** 40.53 34.30 -15.4 15.6

Guggenheim Enh Fd **GPM** 8.88 8.29 -3.4 16.1

Hinch John TxAdv Fd **HTW** 20.70 22.42 -4.9 -0.5

Liberty All Star Equity USA **LSE** 6.41 5.61 -12.5 19.3

Royce Micro-Cap **RMT** 9.44 8.21 -13.0 14.0

Royce Value Trust **RVT** 15.99 14.26 -10.8 20.3

Source Capital **SOR** 43.38 38.90 -10.3 9.5

Tri-Continental **TY** 27.93 24.60 -11.9 19.5

Specialized Equity Funds

Adams Natural Res Fd **ANP** 21.08 18.44 -14.0 -2.5

AlnznGt Fin Div Investor **NFJ** 14.37 13.08 -9.0 13.3

AlpnGlbPrpProp **AWP** 7.14 6.32 -11.5 23.0

Asta Gold & Prec Metals **AS** 14.71 9.91 -11.6 -28.9

Blkrk Enh Cmns Inc **CIH** 15.99 14.86 -7.1 14.5

Blkrk Enh Res Tr **BGR** 14.12 14.73 -10.0 -2.6

BlackRock Enh Eq Inv Fd **BDI** 9.50 8.71 -8.3 16.3

BlackRock Enh Eq Inv Fd **THW** 14.82 13.87 -6.4 -0.1

Tortoise Energy **TYC** 15.00 14.88 -7.1 5.2

Tortoise MLP Fund **NTG** 17.57 18.30 +4.2 2.7

Voya Gl Equt Inv Fd **IVG** 8.09 7.50 -7.3 18.0

Yoga Prime Rate Trust **PPR** 5.68 5.25 -7.6 5.4

Income Preferred Stock Funds

Calamos Strat Fund **CSD** 24.24 11.57 -5.5 20.6

Cohen & Steers Inv Fund **CST** 17.27 22.64 -3.2 13.2

GlennRifl Inv Fd **GRF** 15.90 14.66 -2.6 6.0

GlennRifl Inv Fd **GRF** 15.26 14.79 -0.6 7.8

HTC Int'l Fd **IHT** 20.46 18.36 -7.0 7.2

Naiveen Dividend Fund **IDF** 15.12 15.00 -1.2 2.7

Reaves Utility Fund **ITW** 16.36 21.28 -1.1 5.7

Voya Prt Inv Fund **IVP** 11.54 12.88 -1.4 5.7

Voya Prime Rate Trust **PPR** 5.68 5.25 -7.6 5.4

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Voya Prt Inv Fund **IVP** 11.54 12.88 -1.4 5.7

Yoga Prime Rate Trust **PPR** 5.68 5.25 -7.6 5.4

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## MONEY & INVESTING

# Europe Ramps Up Private Placements

Companies pursue Asian investors as they prepare for higher rates and costs

BY NINA TRENTMANN

European companies have stepped up the sale of securities directly to investors as they seek to diversify their funding amid fears of tighter monetary policy.

German rail operator Deutsche Bahn AG, Vodafone Group PLC and Deutsche Telekom AG are among the companies pursuing investors from Asia as they prepare for interest rates, and debt costs, to turn higher.

The rise in private placements highlights that finance chiefs in Europe are preparing for a change in monetary policy after a prolonged period of ultralow and negative interest rates.

Many companies have loaded up on debt, taking advantage of low borrowing costs. CFOs now worry that a shift to less accommodative monetary policies—expected for 2018—could trigger market volatility similar to America's taper tantrum that dominated the summer of 2013.

In the U.S., the Federal Reserve wind-down of monetary stimulus was accompanied by a decline in liquidity in the bond market and an uptick in yields.

To limit such risks, CFOs of European companies are working to broaden their funding sources by developing closer links to investors in Asia.

Deutsche Bahn, the German rail operator, in July did a private placement in Swedish kronor for institutional investors in South Korea. The 15-year placement had a volume of SEK530 million (\$65 million) with a coupon of 2.2%, according to Deutsche Bahn.

"We want to broaden our investor base and reap cost benefits," said Christian Große Erdmann, head of capital markets and risk management at Deutsche Bahn. The company for a number of years has worked with investors from



German rail operator Deutsche Bahn AG in July did a private placement of \$65 million in Swedish kronor with a 2.2% coupon for institutional investors in South Korea.

Japan, Hong Kong and Australia and has now begun to develop ties with investors in South Korea. "This is new," Mr. Große Erdmann said.

Vodafone Group, the British telecommunications firm, this summer did private placements in Japanese yen and in Hong Kong dollars. The two placements in Hong Kong dollars had a total volume of HK\$1.005 billion (\$128.5 million), whereas the placement in yen was worth around \$92 million. "This is the first time we ever did a placement in" Hong Kong dollars a member of the company's treasury department said.

Vodafone is actively seeking to diversify its investor base in

a bid to reduce the reliance on bond sales, he added.

Other companies are following suit. European firms issued private placements in euro worth \$12.79 billion during the first half of the year, up from \$10.95 billion during the first half of 2016, according to Dealogic Ltd. The volume of placements in other European currencies also went up, from \$10.63 billion to \$13.98 billion. Private placements by Asian subsidiaries of European companies rose from \$28 million to \$334 million during that time.

"We have been watching this trend for a while," said Isabelle Toledano-Koutsouris, head of corporate debt capital

markets and derivatives for Europe, Middle East and Africa at UBS Group AG in London. It illustrates that both corporates and investors are willing to explore new avenues, Ms. Toledano-Koutsouris said.

The trend comes on the back of rising bond sales by European companies in Asia.

"A lot of Asian investors want to diversify their investment portfolio," Ms. Toledano-Koutsouris said. This and the search for yield makes Asian investors—in particular South Korean life insurance companies—seek opportunities in Europe.

Due to the nature of private placements, only the dealer, the issuer and the investor are

familiar with the rationale and the exact details of a certain deal, according to Marko Milos, managing director at Goldman Sachs Group Inc. in London. The bank executed at least one of these placements recently.

So far, the impact on markets has been limited, as private placements make up less than one 10th of the volume of corporate bonds.

European firms issued Eurobonds worth \$175.42 billion during the first half of 2017, up from \$157.23 billion during the same period in 2016. The volume of issuances in other European currencies also ticked up, from \$30.78 billion in the first half of 2016 to \$52.87 billion in the

first six months of 2017, according to Dealogic.

Private placements on average range from €25 million (\$29.4 million) to €150 million, Ms. Toledano-Koutsouris said.

Deutsche Telekom, the German telecommunications firm, said it doesn't want to rely on certain investor groups too heavily. "This requires smart diversification in terms of the volume, the currency, the duration and the financial instrument," a spokesman said. Deutsche Telekom recently issued private placements in Hong Kong dollars and Norwegian kroner, the spokesman said. The combined value of these amounted to \$294 million, he added.

## TARGET

Continued from page B1  
Upperline Financial Planning LLC in New Orleans, says the problem with target-date funds is that they are in large part very aggressive. Investors need steady performance that they can live with in a downturn, Mr. Boudreax says. "For somebody in their early 20s, that's probably going to happen 10 or more times between now and retirement," he says.

His concern is that investors in an aggressive target-date fund "are going to freak out and sell at the worst possible time [and] that's going to do far more damage" than the benefit they'll get "from a really high stock allocation," he says.

Like Vanguard's other Target Retirement funds, the 2065 fund, launched last month, will invest only in broad-market Vanguard index funds. Currently, 54% of its assets are in Vanguard Total Stock Market Index Fund, 36% are in Vanguard Total International Stock Index Fund, 7% are in Vanguard Total Bond Market Index Fund and 3% are in Vanguard Total International Bond Index Fund.

At 0.16% for individual investors, the fund's expected expense ratio is below the 0.96% current average expense ratio for the retail funds in the target-date 2060+ funds category, according to Morningstar Inc.

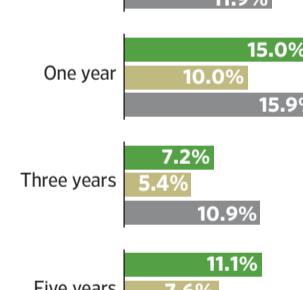
The goal is to ensure that employers have a default investment option that is appropriate for new hires who are automatically put into workplace retirement plans, says John Croke, head of multiasset product management in Vanguard's portfolio-review department. About 75% of Vanguard's target-date assets are invested through employer-sponsored plans, while the remaining 25% are from individual investors, he says.

Matthew Tuttle, portfolio manager at Tuttle Tactical Management in New York, says he has no problem with a 25-year-old putting all of his or her money in stocks today as long as he or she is prepared to sell when the market gives a

### Retirement Returns

Long-dated target-date funds, with their aggressive stock allocations, have roughly matched the broader market over the past few years.

#### Total Returns\*



\*Through Aug. 8. †Allocates 60% to global equity and 40% to global fixed income.  
Source: Morningstar

THE WALL STREET JOURNAL.

warning, something a target-date fund won't do.

"The market-timing hall of fame is always going to be empty, but you can react to what the market is telling you," Mr. Tuttle says. Target-date funds fail to do so, he says.

Still, target-date funds have their uses for some investors, says Cheryl Costa, founding principal of Woodside Wealth Management in Framingham, Mass. She uses them sparingly for clients with small account balances or for those who have limited options in their 401(k) plans, she says.

Even if young investors are investing today at a stock-market high-water mark, they will likely be holding their investments for decades, and they will benefit from being invested in stocks over that time, Ms. Costa says.

But most investors should probably spend the time to invest their portfolio, look at it once or twice a year, then rebalance it occasionally, she says. They will probably do better that way over the long term, she says.

# Fiduciary Rule Casualty: Brokers' Fund Offerings

BY DAISY MAXEY

Is less more when it comes to investor choice? That is the question facing brokerage firms and investment advisers as they look to comply with a landmark retirement-savings rule.

Large brokerage firms typically offer thousands of mutual funds to clients. But compliance demands of the fiduciary rule, which began to take effect in June and requires stewards of tax-advantaged retirement savings to act in clients' best interests rather than their own, are causing some firms to review their offerings.

Conducting the due diligence and documentation required on so many investments can be onerous, and under the rule, some firms may face increased litigation risks. As a result, brokerages may remove some funds—including those with higher fees or those that present perceived risks—from their sales platforms.

"If you have more than 5,000 mutual funds on your platform, that oversight is a lot of work," said Alma Piscitello, executive vice president of Northern Lights Distributors, which provides underwriting services and counsels investment managers on fund distribution.

Some brokerage and advisory firms have already told Northern Lights of funds being pulled from brokerage platforms because of the fiduciary rule, generally because of size or expense, Ms. Piscitello said.

Under the Obama-era regulation, which aims to eliminate conflicted advice that can arise based on incentives to sell financial products, those offering financial advice to retirement savers may earn commissions and compensation that might give them an incentive to recommend one product over another, but must do so under an exemption.

For advisers who use the

exemption, any fees must be level with similar investment products or services. That has put mutual funds, with their varying share classes and costs, under the spotlight.

Advocates of the rule say weeding out high-cost or risky funds would benefit investors. But some managers fear the fund review will cause sales of their products to suffer and that fund expenses may be used as the key metric in the process, while financial advisers worry that funds they have used in clients' portfolios for years will be discontinued.

USA Financial hasn't cut any funds from its brokerage platform, but the Michigan-based financial-services firm has vetted its investment offerings with the fiduciary rule

If you have more than 5,000 mutual funds...that oversight is a lot of work.

in mind, said Matt McGrew, the firm's chief operations officer.

If nothing changes and the rule takes full effect in January as planned, USA Financial anticipates cutting its more than 350 sales agreements across mutual funds, variable annuities, alternative investment and asset managers to "well less than 150," Mr. McGrew said.

But the rule remains in flux,

with the Labor Department last Wednesday proposing to delay the compliance deadline by 18 months, which experts say suggests the rule still may undergo significant revisions.

Mark Travis, president and

chief executive of Intrepid Capital Management in JACKSONVILLE, Fla., said some

advisers who have sold his funds for years told him re-

# Lackluster Inflation Data Hits The Dollar

BY CHELSEY DULANEY

The dollar slid Friday after weaker-than-expected inflation data dented expectations for U.S. interest-rate increases.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell 0.2%, to 85.97.

A Labor Department report showed a broad measure of consumer prices increased 0.1% in July from the prior month, below the 0.2% advance economists surveyed by The Wall Street Journal had expected.

The consumer-price data are the latest in a string of weak inflation readings that investors worry could derail plans by the Federal Reserve to increase interest rates again this year.

Markets are now pricing in just a 36% chance of another rate increase this year, down from 47% a week ago, CME Group data shows.

Expectations that rates will remain lower weigh on the dollar by making U.S. assets less attractive to yield-seeking investors.

"Inflation...gives little reason for the Fed to raise rates until year-end, as most inflation dynamics are still pointing to the downside," said analysts at UBS in a research note. "We believe that the [U.S.] dollar is likely to stay under pressure until year-end."

Meanwhile, investor demand for currencies seen as safe moderated despite continued threats between the U.S. and North Korea.

The dollar was essentially flat on Friday against the Japanese yen and Swiss franc, which have been supported in recent days by demand for safety.

RALPH OLOWISKI/REUTERS

## MARKETS

# Oil Advances After IEA Revises Data

By ALISON SIDER  
AND SARAH MCFARLANE

Crude futures ended Friday with a gain, recovering from a sell-off after the International Energy Agency revised its historical demand figures lower, indicating oil supplies might not be as tight as previously thought.

**COMMODITIES** U.S. crude futures rose 23 cents, or 0.47%, to \$48.82 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, climbed 20 cents, or 0.39%, to \$52.10 a barrel on ICE Futures Europe.

Oil prices have been trading in a narrow range, and reversals on Thursday and Friday showed how little momentum prices have to move outside that, analysts said. On Thursday, the U.S. benchmark briefly topped \$50 a barrel but then quickly reversed to end the day lower.

"It's a grind—we're covering the same territory over and over again," said John Saucer, vice president of research and analysis at Mobius Risk Group. Still, he said stabilizing prices even despite some bearish indicators "show you how resilient the market is."

Prices ended the week down 1.53%, sealing a second-consecutive week of declines.

"That \$50 level just seems like a massive brick wall," said Tariq Zahir, managing member of Tyche Capital Advisors.

## Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	Fri per US\$ (%)	YTD chg
<b>Americas</b>			
Argentina peso	.0565	17.7070	<b>11.6</b>
Brazil real	.3131	3.1937	<b>-1.9</b>
Canada dollar	.7889	1.2677	<b>-5.7</b>
Chile peso	.001547	646.30	<b>-3.5</b>
Colombia peso	.0003357	2978.80	<b>-0.8</b>
Ecuador US dollar	1	1	unch
Mexico peso	.0561	17.8214	<b>-14.1</b>
Peru new sol	.3083	3.244	<b>-3.2</b>
Uruguay peso	.03461	28.8900	<b>-1.6</b>
Venezuela b.fuerte	.098706	10.1311	<b>1.4</b>
<b>Asia-Pacific</b>			
Australian dollar	.7893	1.2669	<b>-8.8</b>
China yuan	.1500	6.6647	<b>-4.0</b>
Hong Kong dollar	.1279	7.8192	<b>0.8</b>
India rupee	.01560	64.085	<b>-5.7</b>
Indonesia rupiah	.0000749	13358	<b>-1.2</b>
Japan yen	.009158	109.19	<b>-6.7</b>
Kazakhstan tenge	.003005	332.79	<b>-0.3</b>
Macau pataca	.1247	8.0181	<b>1.3</b>
Malaysia ringgit	.2328	4.2950	<b>-4.3</b>
New Zealand dollar	.7318	1.3665	<b>-5.4</b>
Pakistan rupee	.009511	105.205	<b>0.8</b>
Philippines peso	.0196	51.003	<b>2.8</b>
Singapore dollar	.7349	1.3608	<b>-6.0</b>
South Korea won	.0008750	1142.86	<b>-5.4</b>
Sri Lanka rupee	.0065338	153.05	<b>3.1</b>
Taiwan dollar	.03295	30.347	<b>-6.5</b>
Thailand baht	.03012	33.200	<b>-7.3</b>

Close Net Chg % Chg YTD Chg  
**WSJ Dollar Index** 85.97 -0.20 -0.23 **-7.50**

Sources: Tullett Prebon, WSJ Market Data Group

# 60

The number of consecutive trading sessions in which the Dow industrials haven't moved 1% or more in either direction, the longest such streak in more than a decade

## Blue Chips Hold Steady

Rising tensions between the U.S. and North Korea have barely dented the Dow Jones Industrial Average's march to records this year.

The blue-chip Dow has gone 60 days without a move of 1% or more in either direction. The streak matched a run in 2007

All told, the Dow is up 19% since the presidential election on Nov. 8, while the S&P 500 is up 14%. Though the two indexes are constructed differently, they have usually moved in lockstep.

Some investors believe that means the Dow's outperformance can't continue.

The Dow's stretch of sub-1% days is also a sign of how quiet the stock market has been this year. The index has moved up or down by 1% only five times in 2017. That is the fewest for any comparable period since 1965.

—Ben Eisen

for the third-longest in a half-century and is nearing a stretch of 69 days set in 1995, according to WSJ Market Data Group.

The Dow industrials came close to breaking that streak last week. The index fell 0.9% on Thursday, a day the S&P 500 lost 1.4%, marking its first 1%-plus move in either direction in 59 days. The Dow closed Friday down 1.2% from its record of 22118.42 hit a week ago.

Thursday's moves are the most recent example of the divergence between the Dow industrials and the S&P 500, the two most closely watched U.S. stock benchmarks. High-price components like Boeing Co. and McDonald's Corp. have buoyed

the price-weighted Dow recently.

Meanwhile, tech giants like Amazon.com Inc. and Facebook Inc., which have some of the biggest market values, have dragged on the market-cap weighted S&P 500. Tech firms underperformed in Thursday's selloff.

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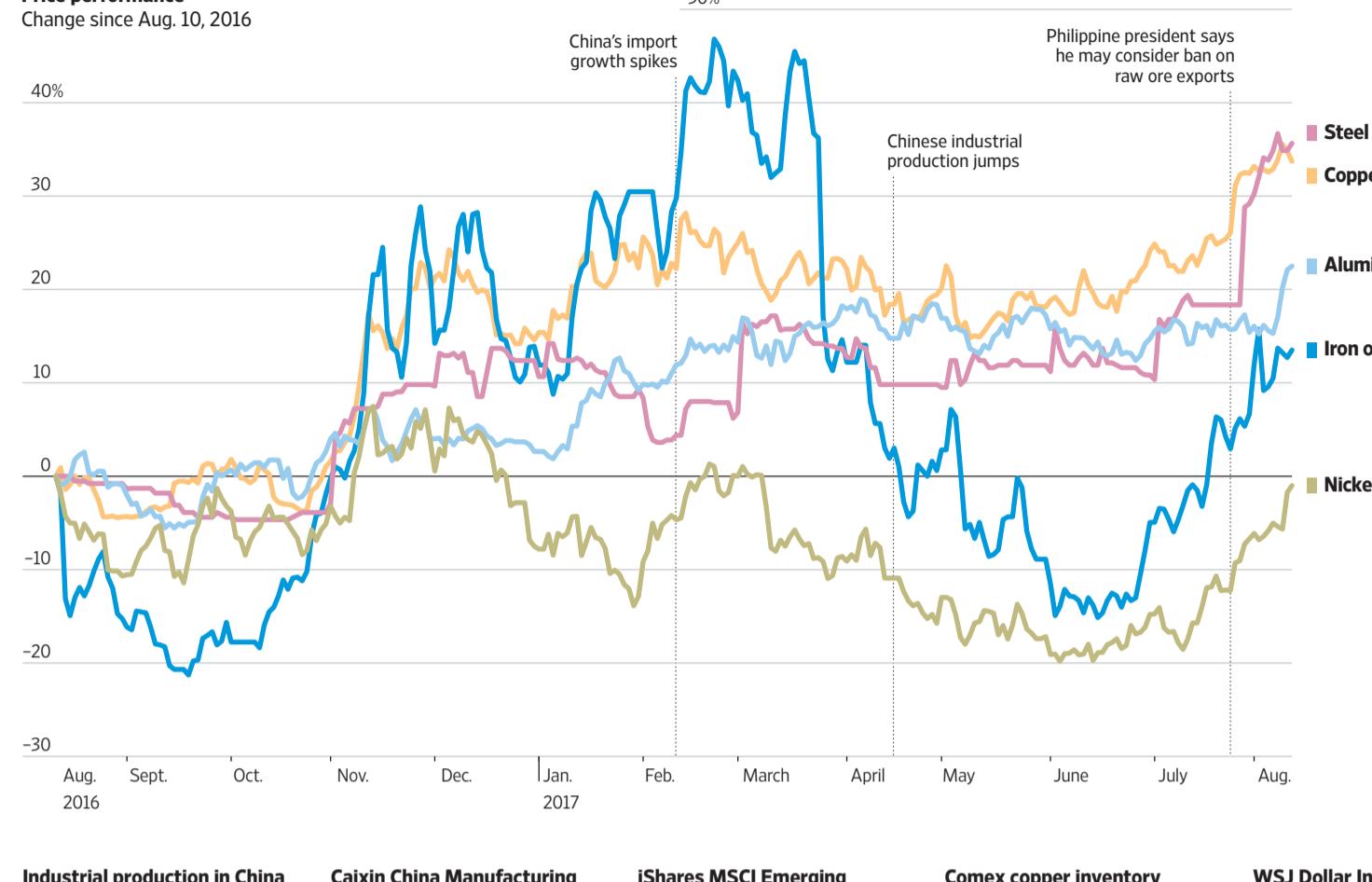
# MARKETS

THE DAILY SHOT | By Lev Borodovsky and Colin Barr

## China Drives a Melt-Up in Metals Prices

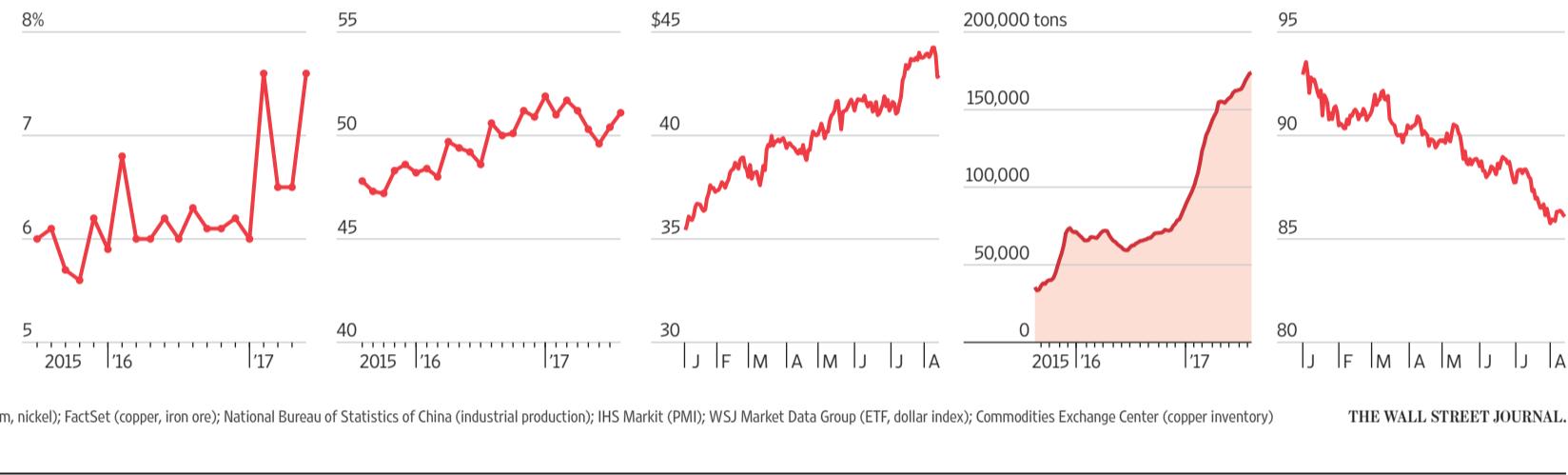
### Price performance

Change since Aug. 10, 2016



### Industrial production in China

Change from a year earlier



Signs that China's economy is rebounding, led by solid growth in manufacturing and construction activity, have helped fuel a furious rally in industrial commodities. Beijing has also been trying to cut back on overcapacity, especially in steel and aluminum, further boosting prices.

Industrial commodities such as iron ore, steel, aluminum and copper have been surging. Nickel also has shot up since Philippine President Rodrigo Duterte last month chided the country's mining industry for its environmental record and said he may consider stopping the exports of unprocessed raw materials. The Philippines is the world's largest exporter of nickel ore.

China's revival, together with a softening U.S. dollar, have helped support a significant rally this year in emerging-markets shares.

But is the rally overdone? Copper inventories on Comex have been on the rise, suggesting that the market is well supplied. What's more, the rally appears vulnerable to the rising tension between the U.S. and North Korea. Like so many wild cards in financial markets, that one may not matter until it does.

WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at [wsj.com/newsletters](http://wsj.com/newsletters)

Sources: Thomson Reuters (steel rebar, aluminum, nickel); FactSet (copper, iron ore); National Bureau of Statistics of China (industrial production); IHS Markit (PMI); WSJ Market Data Group (ETF, dollar index); Commodities Exchange Center (copper inventory)

THE WALL STREET JOURNAL.

## HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## Korea Jitters Don't Rattle Stocks

Markets have a long history of ignoring provocations from North Korea. Don't expect that to change now.

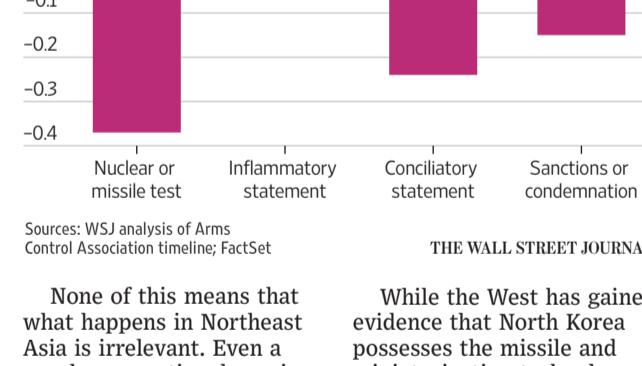
It is tempting to blame last week's 1.1% decline in the Dow industrials on the belligerent exchanges between North Korean leader Kim Jong Un and U.S. President Donald Trump, including Mr. Kim's threat to strike the U.S. territory of Guam.

Yet an analysis of 80 international incidents involving North Korea and its nuclear program since 1993 shows little connection between tensions on the Korean Peninsula and financial markets.

The 36 North Korean nuclear or missile tests detailed by the Arms Control Association were followed on average by a decline of 0.4% on the S&P 500 in the following session. The average drop would be half as much if not for a single large market tumble 19 years ago, clearly resulting from Russia's debt default and not North Korea's missile testing.

### Big News, Little Reaction

Daily change in the S&P 500 following events related to North Korean news since 1993



None of this means that what happens in Northeast Asia is irrelevant. Even a purely conventional war in the region would draw in Japan and China and would embroil the U.S. and South Korea in fighting directly. The economic toll alone, not to mention the humanitarian one, would be enormous.

But for now, the current dispute—despite its unusually strident tone from the U.S. side—remains one of words.

makes no sense to sell stocks.

That seemed to be the conclusion during the Cuban Missile Crisis, when the Dow fell less than 1% for the week.

There also is indifference even to real conflict if it is far enough away. The Dow did drop by over 3% after Japan's attack on Pearl Harbor and even more when trading resumed following the Sept. 11, 2001, terrorist attacks. But the index rallied in September 1939 when Hitler's armies invaded Poland, starting World War II.

North Korea's threats and alert states already are too numerous to recount. What is different this time is the specificity of the threat to Guam and the unpresidential-sounding counterthreats from Mr. Trump. But the fact that these coincided with a market sell-off doesn't mean that it is at top of mind for investors.

Something, some day, will end the current bull market, but mere words from North Korea probably won't suffice.

—Spencer Jakab

### OVERHEARD

American investors may be cheering on the rally in U.S. stocks this year, but they would have been better off putting their money almost anywhere else.

Take Belgium, where the MSCI index gained 15.1% through Thursday in dollar terms, versus 9% for the U.S. index. Or Mexico, which is up 27.2%. Austria has soared 39.9%.

Indeed, of 48 developing and emerging-market countries covered by MSCI, only nine have performed worse than the U.S. MSCI's index of global stocks excluding the U.S. is up 13.5%.

Even the U.S. stock rally is mostly a global affair. Large multinationals with major operations abroad have been driving America's stock-market gains as improving overseas economies fuel profit gains. Meanwhile, shares of smaller, domestically oriented companies have been faring worse.

Investors who have focused solely on the U.S. have let a world of opportunity pass them by.

### Sell Shares Of DryShips After Surge

Anchors aweigh! The **DryShips** saga finally took the turn that so many have lost so much money betting on too early—a violent rally now that the Greek firm's stock issuance to **Kalani Investments** Ltd. has ended.

The offshore investment firm controlled by Toronto financier Marc Bistricker has acted as a conduit for over \$600 million in new shares sold with little regard to price. DryShips shares doubled in early trading Friday after the announcement that the maneuvers that had depressed its value by 99.9% since mid-November 2016 had ended. That still is well short of the stock's current fundamental value on paper after the capital infusion, but investing in DryShips remains foolhardy.

The company also said Friday that Chief Executive George Economou is investing \$100 million in the company at a 34% premium to Thursday's closing price.

But Mr. Economou's payment effectively will consist of shipping assets, redeemed loans and a series of preferred stock that had given him supervoting rights that had cemented his control over the company during the rapid dilution.

Lawsuits and the possibility of securities-law violations continue to loom over the company. The Securities and Exchange Commission declined to comment, while the company, Nasdaq and Mr. Bistricker hadn't responded to questions at the time of publication. Even without legal blowback, Mr. Economou remains the captain of this ship. That is reason enough for those fortunate enough to have made a quick gain to hop off at the next port.

—Spencer Jakab

## Productivity Woes Portend Margin Pressure for U.S. Firms

Productivity growth is companies' best weapon against rising costs. Unfortunately for them, it has been extraordinarily weak and is unlikely to get much better.

Productivity is the secret sauce of a strong economy. The more workers can produce, the faster the economy can grow—a situation that tends to be good for workers and employers alike, who typically share in a growing pie. A big part of why the U.S. economy has been so disappointing in recent years is that productivity growth has been so scant.

Figures released by the Labor Department on Wednesday

day showed that productivity, as measured by how much the typical worker produces in a typical hour, has grown at just a 0.6% annual rate over the past five years. The only time on record when productivity's trend was weaker was during the dismal period that spanned the late 1970s through the early 1980s.

A big part of why productivity has been so weak is that for years now, companies have been hesitant to invest in the new plants and equipment that could help them operate more efficiently. Some of this probably reflected worries about whether the returns those

investments generated would be strong enough, compounded by investor demands that companies dedicate more of their cash toward dividends and share buybacks. Weak wage growth also may have taken away some of the urgency to buy labor-saving equipment.

Now, though, plenty of companies probably wish they had some of that equipment in place. Labor costs are rising, and with the unemployment rate at its lowest level in over decade, workers are harder to come by. But unfortunately for the companies, boosting productivity isn't as simple as buying

### What Robot Invasion?

Five-year change in productivity, at an annual rate



Source: Labor Department

THE WALL STREET JOURNAL.

ing a new piece of equipment and plugging it in. You have to integrate it into your operations, and train your workers how to use it, both

of which take time.

Moreover, while profit growth has been strong lately, it has been driven mainly by multinationals' overseas operations, with domestic profit growth slowing. The problem is that, when profits weaken, companies' knee-jerk tendency is to go into cost-cutting mode rather than to buy equipment that might boost efficiency in the future.

This suggests that companies will continue to struggle to find offsets for higher costs, kicking themselves for not investing more in the past while still hesitating to invest more for the future.

—Justin Lahart

# C-SUITE STRATEGIES

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THE WALL STREET JOURNAL.

Monday, August 14, 2017 | R1

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'When we all want to meet a certain target, we might not be doing things that jibe with the company culture.'

**Damien Hooper-Campbell**  
Chief Diversity Officer, eBay

R2



'If we can get to people early so they can change their travel plans, that's one of the biggest things we do.'

**Linda Jojo**  
Chief Digital Officer, United Airlines

R4



'Everybody thought millennials are interested only in debit. They're actually growing into the credit-card space.'

**Martina Hund-Mejean**  
CFO, Mastercard

R5



'Our ability to offer guests engaging shopping experiences in stores and online is a competitive advantage.'

**Mark Tritton**  
Chief Merchandising Officer, Target

Online at  
[WSJ.com/LeadershipReport](http://WSJ.com/LeadershipReport)

## VIEW FROM THE TOP

What are today's pressing issues for CEOs, chief digital officers and others in the C-suite? Hear from the bosses themselves in this report, and join the conversation online.



'We will explore relationships with providers to make a seamless and transparent process for consumers.'

**Blake DeSimone**  
Chief Financial Officer, WebMD

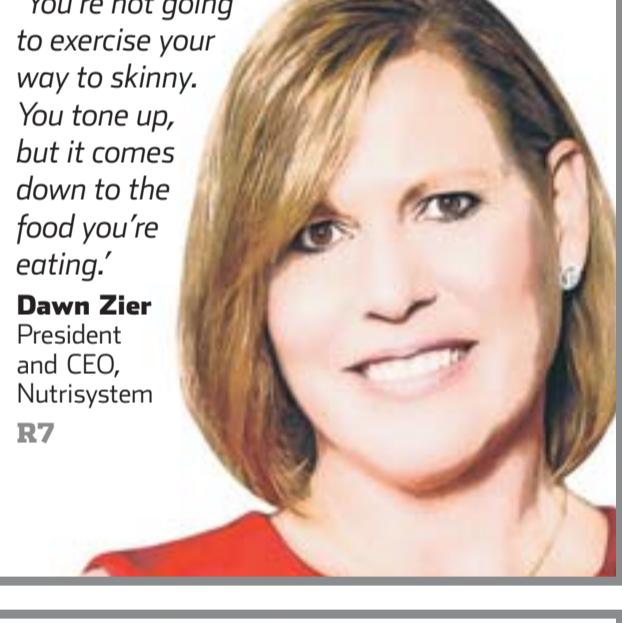
R4



'If you go on a first date with someone, is it a certainty that politics will come up? No, but it's likely.'

**Elie Seidman**  
CEO, OkCupid

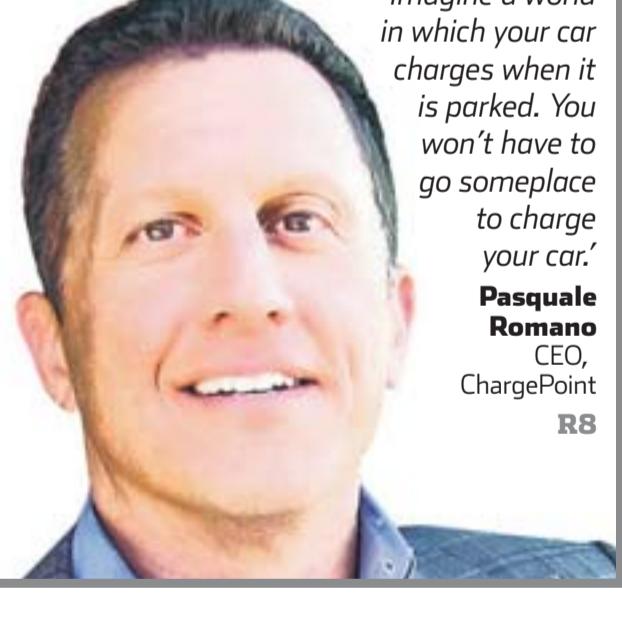
R6



'You're not going to exercise your way to skinny. You tone up, but it comes down to the food you're eating.'

**Dawn Zier**  
President and CEO, Nutrisystem

R7



'Imagine a world in which your car charges when it is parked. You won't have to go someplace to charge your car.'

**Pasquale Romano**  
CEO, ChargePoint

R8

PHOTO ILLUSTRATIONS BY LINDSAY HOLMES

### INSIDE



**How to Survive an Office Jerk**  
Many employees have rude or abusive colleagues and bosses. Here are some ways to make life at work a little easier.

R2



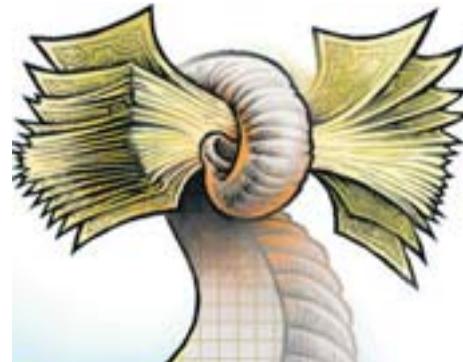
**A Roll of the Dice on Financial Misreporting**  
Companies in areas friendly to gambling are more likely to misstate results intentionally.

R4



**The Downside of Full Pay Transparency**  
Proponents tout the benefits of sharing pay information with employees. But the costs usually outweigh the benefits.

R6



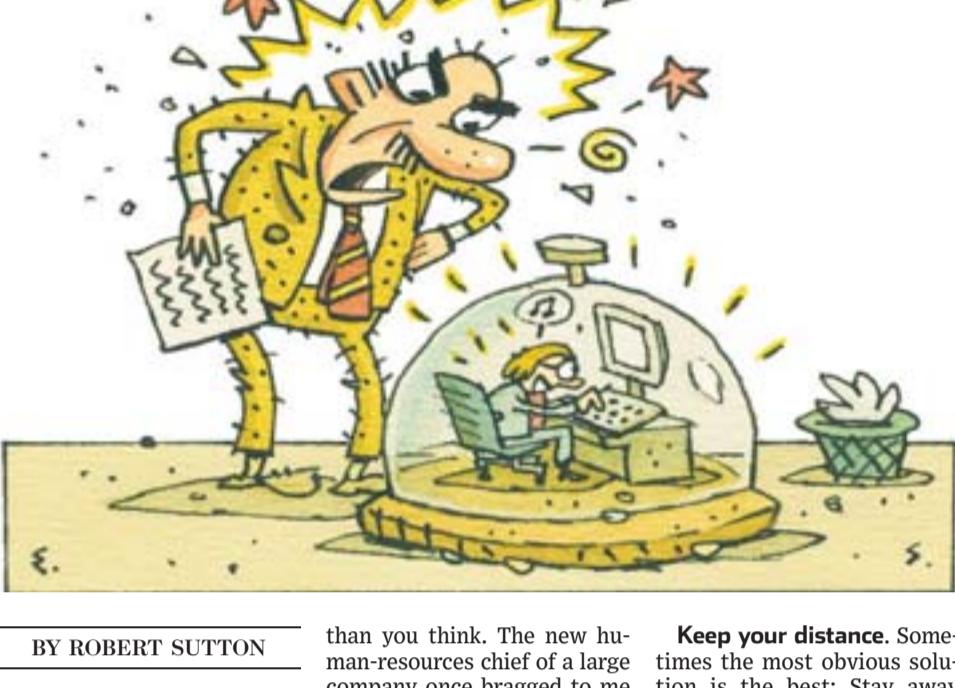
**Grand Old Purchase:**  
**Republican-Run Companies Do Better With Acquisitions**  
One difference: They do more cash deals

R7

## JOURNAL REPORT | C-SUITE STRATEGIES

# How to Survive an Office Jerk

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



BY ROBERT SUTTON

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

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

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

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

than you think. The new human-resources chief of a large company once bragged to me that she was firing the firm's most abusive senior executives. She assured me that the CEO was in her corner and she had a mandate to sack them.

She was wrong. The jerks went to the CEO and persuaded him they were less expendable than she was—and she was canned a few weeks later.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# The Key to Increasing Diversity in Tech

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

BY CAT ZAKRZEWSKI

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

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

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

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

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

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

In terms of our goals, you're not going to see us publishing a statement that says we're currently at X, and we want to be at X+3 percentage points.

We obviously have a universal goal to increase diversity across all dimensions. But the way we measure it is a little bit different. We're going to look at all of our people processes, we're going to look at things like attrition, promotion, compensation. We're also going to look at where we recruit.

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

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

At eBay we're spending a

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

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

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

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

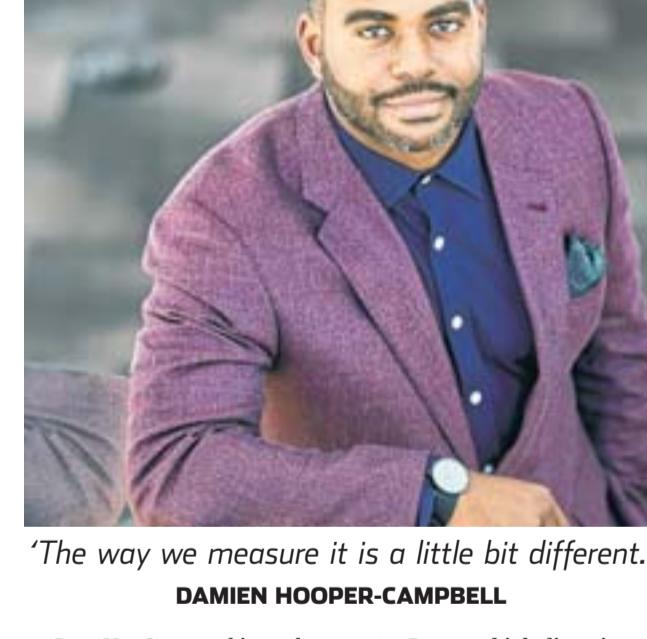
**MR. HOOPER-CAMPBELL:** I spent time with people across all levels and functions, just listening and understanding what eBay has done so far, what's worked and what hasn't.

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

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

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

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



EBAY/MICHAEL WARING

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

**DAMIEN HOOPER-CAMPBELL**

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

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

**WSJ:** Do you think diversity reports have been effective?

**MR. HOOPER-CAMPBELL:** Absolutely. They provide a certain level of transparency. I think these reports have been good, but I think [the market leaders in the diversity and inclusion space] have overfocused on numbers, numbers, numbers and hiring, hiring, hiring.

We know at eBay this is a long-term strategy. We can't expect percentages or representation to change drastically in 365 days because if that could be done, it would be done already. What you're seeing among the tech industry is that this is hard and that it takes time.

In addition to representation, numbers and hiring, we think there are other measures of diversity and inclusion that show progress. When we have a new employee group for the first time in eBay history,

that's progress. When we start to see men joining the women-in-technology group and being active in leadership roles, that's progress. When senior leaders, like the leader of our North American business, dedicate two full-time positions toward diversity and inclusion on the marketing side for the first time in eBay's history, that's progress.

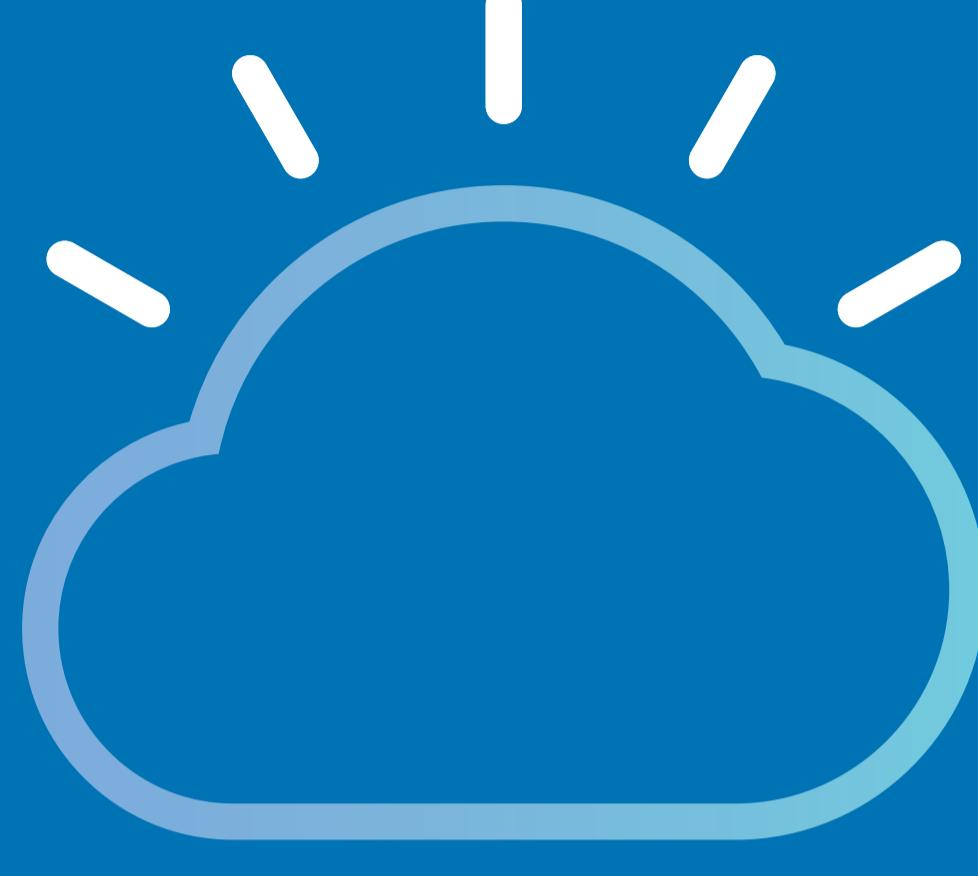
**WSJ:** What are some of the most common microaggressions you see in the industry?

**MR. HOOPER-CAMPBELL:** The most common microaggression is when you talk about diversity, people say things like, "We don't want to lower our standards." A lot of people who haven't had exposure to diversity and inclusion initiatives often equate it with philanthropy.

At eBay, our entire mission around diversity and inclusion has to do with everybody having an opportunity and with us getting the absolute best talent. The more we can help people get immersed in a certain culture, whether they're in the majority or the minority, the more we can see men participating in affinity groups focused on women, attending meetings and listening and asking questions; the more we can have a culture change.

It's not just about making the environment comfortable for underrepresented minorities. Our goal is to make the environment good for folks across the board. That means minority groups getting proximate with majority groups, and vice versa. That's the only way we're going to move the needle, if both communities come to the table with an open mind.

**Ms. Zakrzewski is a Wall Street Journal reporter in San Francisco. Email her at cat.zakrzewski@wsj.com.**



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## JOURNAL REPORT | C-SUITE STRATEGIES

# United's Strategy on Overbookings

After a series of customer-service fiascoes, the airline is looking to big data for answers

BY STEVEN NORTON

**UNITED CONTINENTAL Holdings** Inc. has been in the news a lot this year, and not always for good reasons.

Chicago Department of Aviation officers forcibly removed a passenger from a flight in April, an incident that blew up on social media and raised broader questions about how the airline handles overbooked flights. In February, the airline delayed about 500 flights after suffering a second glitch in its computer systems in just over two weeks.

Nevertheless, United is benefiting from strong demand for air travel and, like other airlines, has thrived by offering a wider range of fare categories and collecting fees for increasingly popular extras like priority boarding and seat upgrades. In July, United, the No. 3 airline in the U.S. by traffic, said net income in this year's second quarter climbed 39% from a year earlier, on a 6.4% increase in revenue.

Linda Jojo, United's executive vice president of technology and chief digital officer, says the company is using data analytics to help manage overbooking situations more strategically, while also helping it target families, business travelers and vacationers with specific offers.

Ms. Jojo spoke with The Wall Street Journal about those efforts and others on the digital front, including using mobile devices to improve

interactions with customers. Edited excerpts follow.

### The challenge

**WSJ:** How does technology help United address problems with overbooking?

**MS. JOJO:** The vast majority of [overbooking situations] are due to some kind of operational disruption that causes us potentially to fly a slightly different plane than the one we had planned. That could happen fairly close to the time of departure.

The biggest thing we do from technology is help run the airline better [in those situations]. How do we help with anticipating issues so that if we see a thunderstorm, we can help with proactively rescheduling and talking to customers about the fact that weather could disrupt their travel? If we can get to people early so they can change their travel plans, that's one of the biggest things we do.

The situation of overbooking that I think people go to first is when we oversell a flight. The way we do that is looking at information about when people actually book a flight and show up. This is where technology can help make that analysis much more precise.

We know that people flying between two business locations on a Monday morning are probably going to show up. We know people flying to a resort location are probably going to show up. But there's a certain percentage of people who don't set their alarm right, or hit



UNITED AIRLINES CREATIVE SERVICES

*'Technology can help make [overbooking] analysis much more precise.'*

LINDA JOJO

traffic and don't make that early-morning flight. We also know the last flight of the day, everybody's there to get back to their city. So what we're doing is helping further refine the analytics to understand which flights have a higher probability of no-shows. That's basically one or two [seats oversold].

If the people who bought those last two seats are actually there and get on the plane because two other people changed their plans for whatever reason, we're actually helping those customers.

**WSJ:** Some airlines have said they are going to stop overbooking. Is this something you plan to do?

**MS. JOJO:** In April, we an-

nounced 10 new initiatives to improve the customer experience, including reducing overbooking, which has helped to dramatically reduce involuntary denied boardings by more than 80% from last year. Overbooking is an example of where today's new techniques of machine learning and analytics can help us stay away from black-and-white rules and look at past behaviors, such as which flights have the most number of historical no-shows, and current events—is there something unique going on in a city—and situationally determine if a specific flight should allow overbooking or not.

**WSJ:** What's a tech project you're working on now?

**MS. JOJO:** When someone is booking a seat on our airplane, what are some of the things they're likely to want to purchase in addition to that seat? We're trying to look at different situations: Is this a business traveler, a leisure traveler, a family? Based on those different personas, we're looking to offer different bundles of features.

We're still working out what's the best bundle for a family, for example. Is it Wi-Fi on the plane? Probably not, that's more for a business traveler. Is it checked baggage and how we could bundle that? Is it time in the lounge? Is it prep food? It's all of the things you could look at to try to see what customers

would be likely to buy in certain situations.

### Seat map on mobile

**WSJ:** What role do data analytics play?

**MS. JOJO:** One thing all airlines have is a lot of data. We are looking to get the information and insights into the hands of our employees. Now, passengers might see our flight attendants with mobile devices on the plane. One use is to let customers buy food and beverages in the economy cabin. But the other thing on that device is a seat map with some very-easy-to-look-at views of our passengers. We can see what loyalty status they are, and we can see what their next connection is if they have one. If we get to a place where we're landing at a hub, we know who the passengers are that need to get off that plane and get to their gate.

**WSJ:** What else is happening on the mobile front?

**MS. JOJO:** If there's a large thunderstorm going through an airport causing a lot of flights to be changed, you used to see long lines of people at a gate or customer-service area. We were limited by the number of computers that were in that room. We now have mobile devices and mobile printers that have been issued to all of our customer-service reps so they can swarm an area and service our customers, change their flights if they need to, check information if they need to, or print out boarding passes and bag tags. So we're now not limited by the infrastructure in the airport.

*Mr. Norton is a Wall Street Journal reporter in New York. He can be reached at steven.norton@wsj.com.*

## WebMD Looks Beyond Information

The site wants to be a place where health consumers can take action

BY ALI STRATTON

**IN THE DIGITAL AGE**, people seeking health-related assistance online have more options than ever before. Innovative technologies, as well as cloud computing and machine learning enable the newly medicalized smartphone to permeate every aspect of health care.

As a health information provider, **WebMD** is well aware of these changes. According to the company's chief financial officer, Blake DeSimone, who was appointed to the position in September, WebMD is in the process of transforming its flagship site for consumers, WebMD.com, from a one-stop shop for information to a platform people can engage with and take action to improve their health.

WebMD last month agreed to be acquired by private-equity firm KKR & Co. for \$2.8 billion, after publicly putting itself in play early this year. The company says the deal will provide flexibility and bolster its resources.

Mr. DeSimone, 40, joined WebMD in 2015 and previously served as senior vice president of finance until his appointment to the executive position.

In an interview, Mr. DeSimone, while declining to talk about the pending acquisition, spoke about transparency, expansion to new interfaces, and how WebMD is leveraging its formidable customer base to make advancements in the digital age. Edited excerpts follow:



FREDY PERIO

*'No one has the scale that we have right now.'*

BLAKE DESIMONE

**WSJ:** Let's talk about how technology is transforming health care in the digital age. People can now reach doctors through their phones and get instant medical advice. Is that WebMD's competition?

**MR. DESIMONE:** Over the course of the last 20 years WebMD has been a place where consumers and patients and caregivers go to get content, but once they get that content they have to go somewhere else to take the next step in managing their health. We're working to transition the platform to be more than just a place where you get information to a place where you take action.

We're in the middle of that evolution right now. No one has the scale that we have right now. So it's up to us to transition the asset to provide these other services so that we can improve the engagement with our audiences.

**WSJ:** Can you list specific changes WebMD is making to enable its customers to take action?

**MR. DESIMONE:** We can build upon products like our symptom checkers and provide our customers a variety of services like booking a doctor, ordering a lab test or having a telemedicine visit.

If a customer was searching for information on a certain condition and then read something on WebMD that motivated them to want to speak with a doctor, in the future, we'll provide that person with

the option of scheduling an appointment or engaging in a telemedicine visit. There could be a link on the page, or a window that would come up, but it would be available to them right on the page they're reading. As you go through the symptom checker experience, the same options would be available.

**WSJ:** Could WebMD's transition from an information source to a place to take action create revenue-producing opportunities for the company?

**MR. DESIMONE:** Yes. Currently, all of the revenue that we generate on WebMD and Medscape are advertising and sponsorship based. As we move to areas where consumers can take action, we do believe that presents a new transactional revenue stream to the company.

**WSJ:** Does WebMD believe insurance will cover the expenses patients will incur by using the platform to take action?

**MR. DESIMONE:** We plan to help them understand potential costs. And that includes whether or not it's covered by insurance. We will provide customers with billing information that they can submit to their insurance company for reimbursement. In the future we will explore relationships with providers to make a seamless and transparent process for consumers.

**WSJ:** Some doctors could see WebMD inserting itself between them and their patients,

*in its efforts to help customers to take action. What do you think about that?*

**MR. DESIMONE:** Seventy percent of customers who visit WebMD for information about a disease or condition actually make an appointment to see their doctor within 30 days. If we can make it easier for customers to make an appointment with a doctor or schedule a telemedicine visit, it's good for consumers and for doctors. We're not looking to interrupt that relationship at all. We're just giving them additional options. Ultimately, it's up to a consumer to make the decision that's right for them.

**WSJ:** With the opportunity to point people to specific products or services, how will WebMD ensure that its customers understand they aren't getting impartial advice?

**MR. DESIMONE:** Trust with our audience is something that WebMD has been known for, so we need to maintain that trust. Our editorial team is separate from our commercial teams. All the information we provide is independent. We expect to continue to be independent and not necessarily endorse one telemedicine vendor or lab-test vendor versus another. In cases where we did do that, we would be completely transparent and identify that as being branded by a specific vendor.

**WSJ:** WebMD has a reputation of scaring people who turn to it for medical questions. What is the company doing to overcome that?

**MR. DESIMONE:** Currently we correlate visitors' symptoms with possible medical conditions based in part on the prevalence rate. The new version of our symptom checker that's launching this summer does two things. It's easier to enter symptoms and it will leverage an even larger library of symptoms and possible conditions. It uses a "match strength" rating system of weak, fair, moderate or strong, to help audiences determine the likelihood of a given condition and give perspective for what the right next step is.

**WSJ:** According to WebMD, 75 million people turn to it each month for medical information. How does WebMD ensure that the advice it gives is accurate and people can trust it?

**MR. DESIMONE:** It can really manifest itself in two ways. One, being independent. On Medscape and WebMD we have complete separation between our editorial teams and our commercial teams internally so advertisers will never have an influence on the content created by the editorial teams. The second priority there is transparency. We are a publisher, so there are places on the sites where there is advertiser-sponsored content, and to the extent that there is that content it is labeled as such.

## A ROLL OF THE DICE ON FINANCIAL MISREPORTING

BY ALINA DIZIK

Gambling at the poker table, cheat in the office?

There are indications that may be the case.

Companies headquartered in areas where residents hold gambling-friendly attitudes are more likely to intentionally misreport financial information, researchers found. Intentional financial-misreporting rates were 50% higher in areas where gambling is more accepted by the majority of residents, according to Dane Christensen, a University of Oregon professor and one of three co-authors of the research which has been accepted for publication in the journal Contemporary Accounting Research.

"We wanted to know what attitudes are involved when people decide to misreport financial data," Dr. Christensen says. "One of the attitudes involved is an acceptance to take gambles."

In instances when business leaders in gambling-friendly areas felt pressured to show strong performance, they were even more likely to report inaccurate financial information.

For example, they were more likely to misreport when close to meeting a performance benchmark, when announcing a firm's poor financial results, when a firm was under investment-related pressure or when engaged in risky investments.

The association between misreporting and gambling-friendly areas was also stronger in wealthier neighborhoods where residents were more similar financially to the CEOs.

Ultimately, understanding what puts companies at risk could help lower the billions of dollars in shareholder losses, Dr. Christensen says. "Having a better understanding of the factors that influence misreporting can help in better assessing what can be done to mitigate it," he says.

The researchers measured gambling attitudes that were dominant for a particular location along with the gambling activity for the area based on state-lottery data from the U.S. Census Bureau and county-level religious views on gambling. While New York and San Francisco are more accepting of gambling, other cities such as Seattle and Phoenix are less accepting, according to the data.

To determine any links to executive behavior, those findings were then compared with data from 1994 to 2008 on financial disclosures among public companies where the firms needed to re-release financial results and were determined by previous research as having intentionally misreported.

To be sure, this kind of financial misreporting is rare. Intentional restatements occur less than 3% of the time throughout the country and are only sometimes prosecuted by the government, Dr. Christensen says. The authors sought to make the comparison to gambling attitudes because the CEOs often feel pressure to meet the challenge of having positive financial results but don't automatically face penalties for misreporting.

Previous studies have shown how attitudes toward gambling can play out in other corporate matters, such as investing in riskier projects or providing stock options, Dr. Christensen says. "Gambling attitudes are likely to influence various different corporate decisions," he says.

At times, chief executives willing to take on-the-job gambles are in demand, he adds. "The tricky part is that sometimes you want to hire executives who want to engage in risky behavior," he says. "They might be the right person for the right company at the right time."

Ms. Dizik is a writer in Chicago. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).

## JOURNAL REPORT | C-SUITE STRATEGIES

# Mastercard Targets Millennials

CFO Martina Hund-Mejean says that after the financial crisis, millennials focused mainly on debit cards. That's starting to change.

BY MARIA LAMAGNA

MASTERCARD HAS SET its sights on millennials.

Martina Hund-Mejean, Mastercard Inc.'s chief financial officer, says the company is positioning itself to take advantage of a shift toward greater use of credit cards by millennials as they become more confident about managing credit and debt.

The number of credit cards held by millennials in the U.S. amounted to an average of just over two per person in 2016, up 52% from 2010, according to Experian PLC, with an average balance per person of \$3,542, up 32% from 2010. Grabbing as big a slice as possible of that growing market would help Mastercard compete with Visa Inc. in the overall credit-card market, where Visa captured 53% of purchases in the U.S. in the first half of this year, compared with 22% for Mastercard, according to the Nilson Report, a trade publication.

In an interview with The Wall Street Journal, Ms. Hund-Mejean discussed Mastercard's efforts to attract the next generation of credit-card users around the world. Edited excerpts follow.

### From insight to product

**WSJ:** What are some of the consumer insights you've learned recently about millennial behavior?

**MS. HUND-MEJEAN:** During and after the financial crisis, millennials were seeing how tough it actually was for their parents to be paying back the credit they got extended by providers and by banks. A lot of the millennials started using only debit-card kind of products because they thought they knew they could be doing their household budgeting in a better way without falling into the trap their parents fell into.

Well, lo and behold, as the millennials are maturing over the last two, three, four years, we're starting to see a changed behavior. They're starting to feel much more comfortable in terms of their own budgeting discipline. They learned it through what they're doing with their checking account and their debit account.

Everybody thought millennials are interested only in debit. They're actually growing into the credit-card space.

**WSJ:** How is Mastercard using that information in its business?

**MS. HUND-MEJEAN:** We know from research that millennials want to have more discipline when it comes to money management and want more control over spending. They also love to travel, see the world and have a memorable experience; they would probably enjoy travel-related rewards. They are concerned about digital security, and a good user experience is what they are looking for.

So, based on these insights, we enhanced our World Elite credit-card platform in the U.S. Instead of a ready-made, one-size-fits-all rewards program, our benefits optimizer provides cardholders a single online touchpoint for rewards management. People can track and manage multiple Mastercard accounts. From there they have the flexibility to access and activate their benefits, even selecting new ones. Pay With Rewards, a mobile app where consumers can set up when and where to redeem points automatically at the time of transaction, was developed from research that showed us that millennials want instant digital-redemption options.

### Ease and safety

**WSJ:** Are millennials particularly interested in mobile and seamless ways to pay?

**MS. HUND-MEJEAN:** Digital and physical are moving together, it's completely converging. When you think about consumers, what they really like to do, they don't care if they're in a store or on a website, they want to pay the same way. Millennials and even centennials [those born after millennials] are no different in this respect. Where they're different from my generation is that they have been born into this

technology-driven world. They have a mobile way of life.

**WSJ:** Mobile payments have grown significantly, but usage is still relatively small. Mastercard has invested in various ways of making payments, including wearables that can be used for payments and an app that works with smart refrigerators to pay for the items they order. Why do that now?

**MS. HUND-MEJEAN:** You need to think of this as a marathon, not a sprint. Plastic cards have been around for 50 years. People know how to use them, and merchants know how to

accept them. So, that acceptance grows faster and easier.

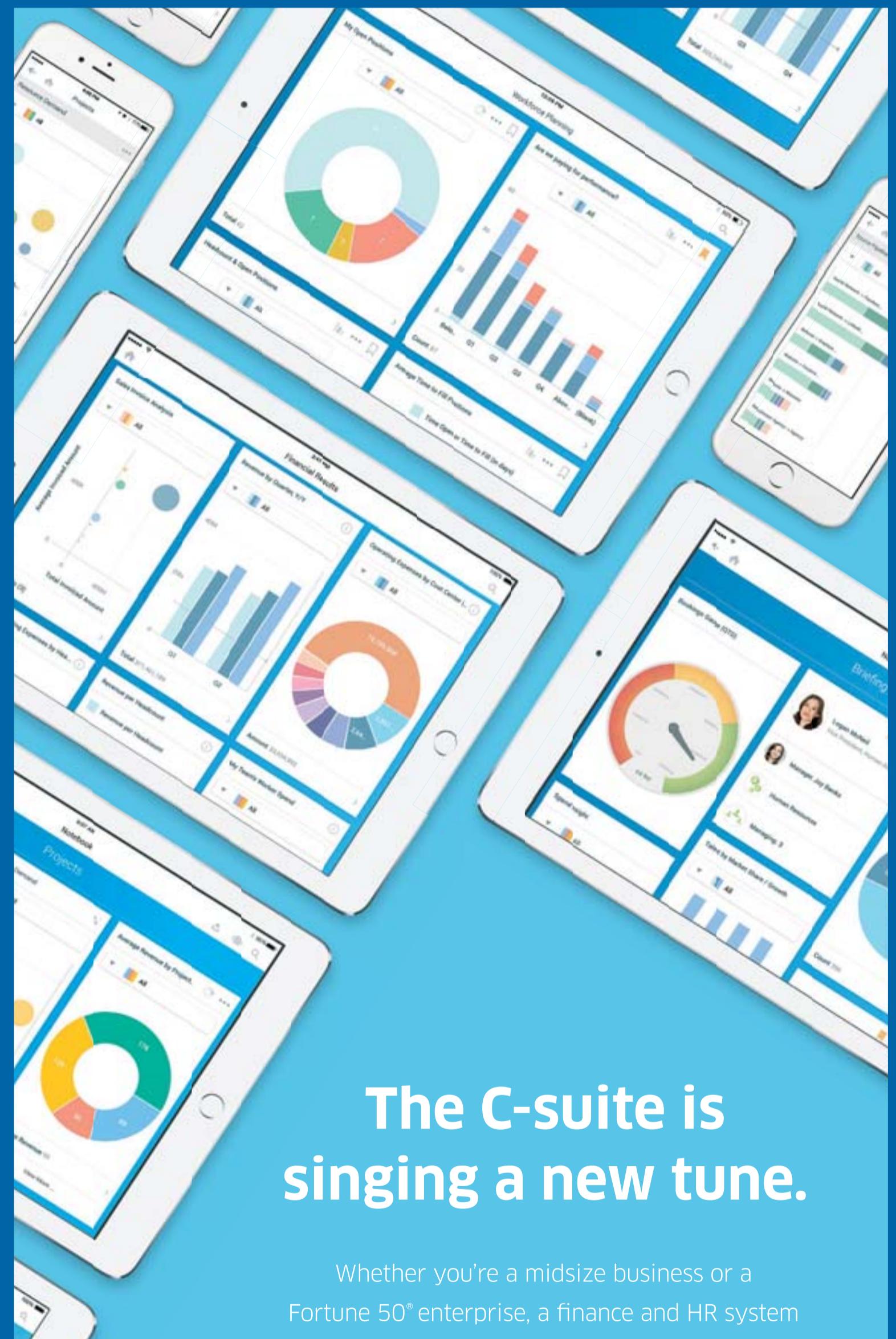
For mobile payments, we're building on what we've learned. But think of it almost as the chicken and the egg. Merchants begin to accept mobile payments when there's enough pull from consumers for that. Consumers also tend to pick up mobile payments when there's enough acceptance for them. And then eventually the whole thing is picking up steam.

Please turn to page R7



'Digital and physical are moving together.'

**MARTINA HUND-MEJEAN**



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# The Downside of Full Pay Transparency

Proponents tout the benefits of sharing pay information with employees. But the costs usually outweigh the benefits.

BY TODD ZENGER

IT SEEMS LIKE such a feel-good, modern idea: Allow everyone in a company to know what everyone else in the company is paid.

Such pay transparency has many proponents, who argue that it can help motivate employees, close the gender pay gap, and attract new talent by providing a clear picture of how achievement in the company is rewarded.

But it can also have the opposite effect, demoralizing employees and driving valuable talent away, especially when it isn't clear why some people are paid more than others.

So for organizations considering where to go with pay transparency, it's important to understand why total transparency works in some situations—and can be a disaster in others.

## Some easy choices

Let's dispense with what I consider the easy decisions first.

For starters, just about every organization can benefit from some greater level of pay transparency. For instance, if an organization has formal prohibitions on employees sharing salary information with their peers, it's probably time to discard them. Many employees and potential employees find such prohibitions unreasonable, so this is no way to build an effective, motivated workforce. And the legal basis for such rules is at best murky—indeed, a large number of U.S. states now explicitly ban them.

The next step in transparency is actively disclosing the processes or formulas used to set pay for all levels of the organization. There is no clear

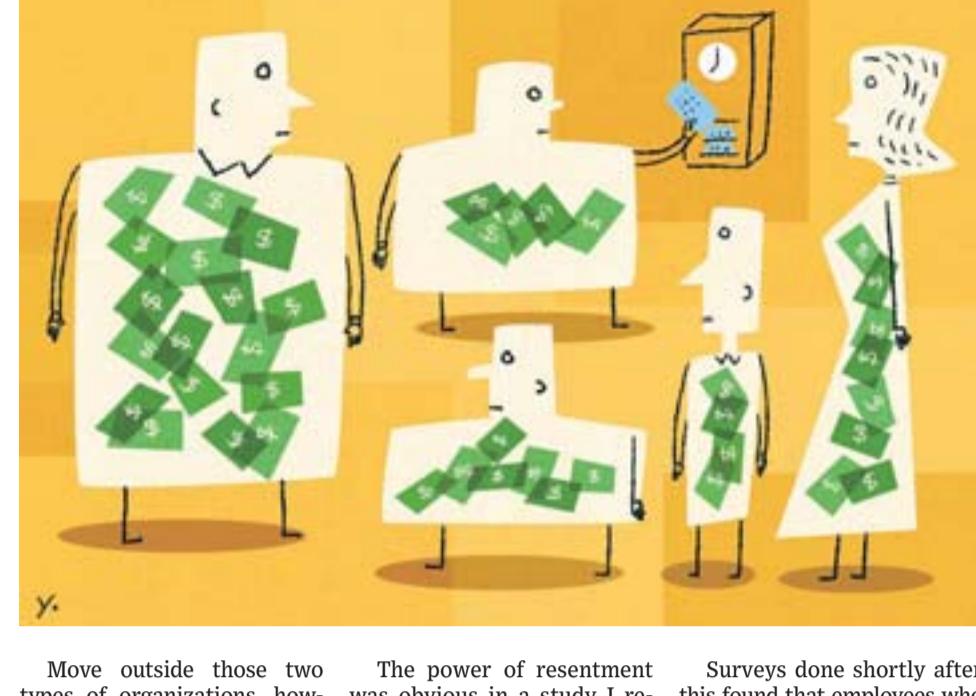
downside to this. For a pay system to be an effective motivational tool, it has to lay out a clear path for employees to earn more by improving their performance.

But what about the final step—disclosing everyone's actual level of compensation to all employees? The choice here is more complicated.

## Where it works

Full pay transparency works well in two settings. One is where pay levels are based simply on rank and tenure, and perhaps location—not on performance. Think government agencies. On the pay scale for civilian employees of the federal government, everyone can easily find out what someone in a job at the GS-7 level with three years of experience should earn in a given locale. This lets everyone know exactly what they have to do to earn more, and there is no reason for anyone to feel cheated because someone else is being paid more for doing the same job.

Full transparency also appears to work well when everyone in the organization can see how everyone else is performing, especially when performance can easily be measured objectively—for instance, a sales organization that tracks individual sales performance for all to see. Here pay can be based on performance, and the fairness of pay differentials should be clear to all. Another example is small startup firms where all employees are familiar with each other and directly observe each other's performance. It may be difficult to measure performance objectively in these companies, but at least it's reasonably apparent to all what everyone is doing to earn their pay.



JAMES YANG

Move outside those two types of organizations, however, and full transparency becomes a lot trickier. What if a company wants to reward individual performance, but individual contributions are neither visible to everyone in the company nor easy to measure in a fully objective way?

What if an organization is relatively large and the work is highly collaborative, making it impossible for everyone to be aware of all their co-workers' contributions and difficult for everyone to agree on how those contributions should be valued?

In these settings, full pay transparency can do more harm than good.

## The fairness problem

The problem is this: People respond in costly ways—their productivity suffers, for instance, or they leave—when they believe others are unfairly receiving higher pay or other rewards. But such perceptions are inevitable when individual contributions aren't easily measured and apparent to everyone in an organization. Employees in this situation not only can't accurately judge their peers' performance, they also tend to dramatically exaggerate their own contributions.

The power of resentment was obvious in a study I recently conducted with Tomasz Obloj of the business school HEC Paris. We looked at an awards program implemented at a European bank selling small consumer loans.

The bank's 164 outlets were divided into four groups, and each group competed for a different number of prizes. Those assigned to groups competing for fewer awards predictably felt slighted. Consequently, the awards program was significantly less effective in boosting the productivity of these groups. In addition, productivity actually declined at outlets that were geographically surrounded by outlets in groups competing for more prizes.

People also are notoriously poor judges of how their performance compares with that of their peers. In a study of engineers at two major Silicon Valley companies conducted some years ago, I found that nearly 40% perceived themselves as performing within the top 5% of their peers. Ninety-two percent felt they were in the top quartile, and only one engineer felt his or her performance was below average. Such vaunted self-worth may be psychologically healthy, but it makes rewarding performance in a way that employees deem fair rather difficult. Revealing pay levels

Surveys done shortly after this found that employees who went to the website and discovered they were paid below the median for their peers were much less satisfied on average with their jobs and more likely to express an intent to depart than those who were paid below the median but didn't receive the prompt to compare their pay. So in this case, full pay transparency encouraged greater overall dissatisfaction and possibly turnover—the exact opposite of the power that full transparency has in the right situations to motivate employees and attract talent.

A study of university employees demonstrated the danger of losing employees who feel they aren't being paid fairly. Researchers from Princeton University and the University of California, Berkeley, studied employees in the University of California system shortly after the Sacramento Bee started publishing their salaries. The researchers sent letters to random employees in the UC system, informing them that they could look up their peers' salaries on the newspaper's website.

for everyone in this setting is as likely to highlight imagined inequities as it is real ones.

## What choice is there?

In most large, highly collaborative work settings, these problems are impossible to avoid. In those situations, is there any way to still have full pay transparency?

Yes, but an organization in that position is probably better off largely abandoning pay for performance and simply adopting a much flatter approach to pay, basing compensation largely on job title and experience.

If it wants to retain pay for performance, then the best it can do in terms of transparency is to compose and broadcast to all employees an equitable process for evaluating performance subjectively and distributing pay—and not reveal the resulting salaries. Many employees may still disagree with their assessed performance and their pay, but the organization will avoid the toxic effects of a layer of resentment on top of that dissatisfaction.

It is important for companies taking this approach not to set purely objective performance standards for pay, unless these measures fully capture all that the company seeks to motivate. Doing so can discourage employees from collaborating and making the decisions and ethical judgments that are best for the long-term health of the company, as recent research attests.

Given the potential benefits of full pay transparency for some organizations, stopping short of it can be a difficult decision. But it's the right choice for organizations that are in the wrong situation to realize those benefits.

**Dr. Zenger** is the N. Eldon Tanner professor of strategy and strategic leadership at the University of Utah's Eccles School of Business and academic director of the business school's Goff Strategic Leadership Center. Email him at [reports@wsj.com](mailto:reports@wsj.com).

# OkCupid's Strategy Is to Go Deeper Into Love

The online dating site believes the novelty of swiping apps is over

BY KARI PAUL

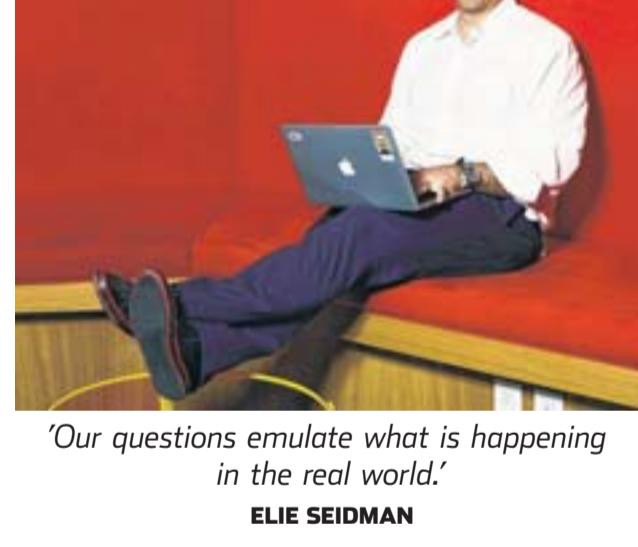
IN THE PAST decade, online dating has shifted from an unspoken taboo to a commonplace phenomenon—and has grown into a big business.

The industry now brings in \$2.7 billion a year in the U.S., according to market-research group IBISWorld, and Pew Research Center reports that 15% of American adults report having used a dating platform to seek out partners.

**OkCupid**, launched in 2004, has had a front-row seat to this evolution, watching users shift from dial-up internet connections to broadband to location-based mobile apps like Tinder. However, its veteran status could also be its obstacle, as it has struggled to attract younger users. The median age of female OkCupid users was 32 years old, according to a 2016 study, while that of its rival Tinder was 26.

After being named chief executive officer of the company in May 2016, Elie Seidman set out to create a community around online dating that he says is lacking in other apps that take a more superficial approach. That strategy came in direct opposition to Tinder, a competitor to OkCupid owned by the same parent company, **IAC/InterActive-Corp**, and the similar app Bumble. Both work by allowing users to quickly swipe right for "yes" and left for "no" on users in a specified local radius.

Mr. Seidman, who co-founded the hotel-review website Oyster.com, worked to go deeper—revamping the design of the mobile app to include in-depth information about users and requiring them to answer questions about tightly held political beliefs. In the past year, OkCupid has programmed the app to slow down the matching process and allow users to spend more time considering potential partners. Since then, it increased the amount of time taken to consider each match by 20%.



'Our questions emulate what is happening in the real world.'

ELIE SEIDMAN

In an interview with The Wall Street Journal, Mr. Seidman discusses how OkCupid works to maintain relevance in an increasingly saturated market and what he's learned about human nature while making couples for a cause. Edited excerpts follow.

## Learning the ropes

**WSJ:** You've been at OkCupid for a little more than a year. What has been the most difficult part about transitioning to CEO of an online dating site?

**MR. SEIDMAN:** The real question when I started was, what is the core of this brand? And the core issue that was relevant in 2016 was relevant in 2000 and will be relevant in 2020 and 2030: that is making connections based on substance and who people actually are.

The biggest challenge is the obvious one: The category had grown a lot. The landscape of what options exist became much bigger, so the challenge that I saw was how consumers and customers conceptualize the category. We had also gone from a desktop world to a mobile world.

There will always be a new new thing. OkCupid was once

the new new thing, and Tinder was the new new thing for a long time. You cannot say, "The virtue of our community is novelty," because eventually you won't be new. It has to be clear to consumers why they should be there.

This is why we put our focus into "substance over selfies"—connecting based on shared sensibilities. Those are ideas that transcend platforms and transcend novelty.

**WSJ:** Could you explain the "substance over selfies" focus?

**MR. SEIDMAN:** If you look at what we have seen in online dating in the past four to five years, there is a huge increase in speeding up: Let's get people to go faster, let's get people to spend more consideration over booking a restaurant on OpenTable tonight than choosing someone to connect with on an app.

We said, we are actually going to double down on what is fundamentally true for a large part of people dating, which is, I want to meet someone based on who they are, not what they look like. One of the ways we do that is during sign-up we take you through a

minimum of 15 iconic OkCupid questions. These go through religion, culture, sex and gets to what you are like.

Our questions emulate what is happening in the real world, like a conversation you would have at a bar or dinner party.

There are a lot of people who have strongly held beliefs but no overlap, and we don't want to waste their time. We push people into not just answering these questions but creating profiles that are more than just their photos. The real issue now is, how do we make that easy and enjoyable on a mobile phone?

We recently renamed our swiping product from Quickmatch to Doubletake, because we realized the name doesn't support the values of our community: We don't want people to be quick, we want them to be slow. We look at it proactively through the lens of product and marketing, so when you get to OkCupid it's clear it's the place for you.

**WSJ:** What is the biggest change happening in online dating right now?

**MR. SEIDMAN:** I think we are moving away from novelty. Swiping apps went through a novelty phase, with many people trying them out because of their novelty, whether it was really right for them or not. This was great. It helped expand the entire dating-app category and changed the perception of online dating, eradicating any stigma. We're no longer in that phase of pure novelty, and as new customers choose what dating app to use, they have a range of options, each with a different focus.

Now the question isn't how you make a dating app, what features you have, but its values—who goes there and what do you stand for? That's the next frontier in the industry: Why would I use one instead of the other?

**WSJ:** Harassment on online dating websites—and online in general—has been in the spot-

light lately. What does OkCupid do to address the problem?

**MR. SEIDMAN:** We are doing a lot to use technology and humans to moderate negative behavior online and make it clear it isn't acceptable. We just started having users take an OkCupid pledge that confirms you're entering a community that values substance, and part of that means we value good behavior, kind behavior, decent behavior.

I think of us as being a great host of a dinner party, and the host of the dinner party has the job of steering the conversation toward things that would be interesting and compelling.

We have a very large and effective moderation team in the U.S. It combines artificial intelligence and machine learning to look at data points to see what's happening. If there is something a machine can't make a decision on, it gets kicked over to human moderators. Technology can do it faster than what people can. Somebody gets flagged for something, and a human moderator has to review that and determine what happened.

The most important idea is that you take it very seriously—how do you protect people against harassment? How do you prevent and make it very clear that if you use highly sexual language to people not interested in that, it's a violation that can get you kicked off?

We remind you even though it's a virtual place, they are real people and you should treat them like you would treat them in real life. If we found out you aren't following that, we are going to boot you, and we do—we have kicked off tons of people.

## The difficult subjects

**WSJ:** You rolled out more political questions after the election. How do you think the role of politics is changing dating?

**MR. SEIDMAN:** One of the critical dimensions of substance for a lot of people in 2017 is

what's happening in the culture—in the U.S., politics have been extremely important. If you go on a first date with someone, is it a certainty that politics will come up? No, but it's likely. So we think the online experience and the app should reflect back the values of the topics in this part of the community.

**WSJ:** Do you worry that separating people based on beliefs will further divide in the U.S.?

**MR. SEIDMAN:** I think it's beyond the scope of a dating app to reset culture. We reflect culture. We can observe what's happening in the culture and reflect it back and make it easier to have those high-quality conversations, but we can't change it.

**WSJ:** What has been the most surprising facet of online dating behavior you've learned about your users?

**MR. SEIDMAN:** OkCupid has kind of a reputation for being obsessed with our data, and we're proud of that, it makes us close to our community, helps us keep iterating on a great product. It also helps us uncover lots of fascinating dating behavior.

Here's an example. Dating habits do vary by city. OkCupid is based in New York, and I'm always hearing my single friends here talk about how tough it is to date. But it's harder for the guys—in a recent deep dive we did on dater habits by city, one of the interesting things we found was that New York is the very worst U.S. city for guys messaging women, who reply to men's messages only 10% of the time. On the other end of the spectrum, Portland is the best city for messaging, because both the guys and the girls have really high response percentages compared with the rest of the country.

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## JOURNAL REPORT | C-SUITE STRATEGIES

# Behind the Turnaround at Nutrisystem

Dawn Zier showed a company with abundant customer data how to think like an engineer

BY ELLEN BYRON

WHEN DAWN ZIER joined Nutrisystem Inc. five years ago, the weight-loss company had suffered several years of profit and sales declines fueled by the recession and increased competition.

During her tenure as president and CEO, the company has turned itself around. Annual profit has nearly quintupled, share value has risen sevenfold, and sales have increased for 16 consecutive quarters. Nutrisystem's market value is now around \$1.6 billion, gaining ground on longtime industry leader Weight Watchers International Inc.

The secret ingredient for success? Nutrisystem's workforce needed to think like engineers, says Ms. Zier, who holds master's degrees in business and electrical engineering from the Massachusetts Institute of Technology. That meant a move to rigorously testing everything from product names to meal ingredients, as well as keeping daily and even hourly tabs on customer responses and sales.

Nutrisystem's weight-loss plan involves delivering a month's supply of packaged meals to customers at home. Its average customer is 44 to 55 years old and looking to lose 40 pounds. Some 70% of Nutrisystem purchases are made online, and its weight-loss food kits are also sold in Wal-Mart stores.

Below, Ms. Zier, 52, explains how Nutrisystem considers reams of data to make decisions faster, how it listens to customers and what that meant for the frozen pizza.

### Tapping the data

**WSJ:** You've said, "You don't have to be an engineer to accomplish a successful business turnaround, all you need to do is think like one." Please explain.

**MS. ZIER:** The premise of our turnaround strategy was focusing on analytics.

When you're an e-commerce company, there is so much data available to you. Thinking like an engineer means that even with the most creative processes, there's discipline. Often it comes down to measure, measure, measure, so you know where you're going, what you want your results to be. We don't go into diet season

guessing. We test everything—meal categories, names of programs and different clinical claims.

**WSJ:** Diet season is around the time people begin New Year's resolutions?

**MS. ZIER:** January through March we refer to as diet season. That's when a lot of new marketing is introduced, and then throughout the year we change things. We have a sophisticated dashboard we look at hourly that tells us how things are going, we know by TV station and digital channel what's happening, and make decisions based off that.

We have a customer-service team on the second floor of our building. That's the first line of contact with the customer, and they've been very instrumental. Customers told us they wanted more flexible frozen options, so we introduced that over the past year, which really has helped the business.

**WSJ:** Nutrisystem was in difficult shape when you arrived. How did you begin turning it around?

**MS. ZIER:** Five years ago, the company had had five years of revenue declines, and several years of profit declines. It also had a serious marketing problem—we weren't selling weight loss, we were selling food. The messages weren't really resonating with customers. Everybody's thoughts were about how many new customers we could bring in each year, and not thinking about what to do with them once they got here. The reality is, you spent all that money to bring them in, it's a sunk cost.

But there was more we could do to extend the relationship through content, tools and apps that make the experience more rewarding. We started thinking about the customer journey in a more holistic way, from acquisition to retaining them on the full program to offering them other products as they got further along, and then reactivating them down the road.

**WSJ:** About a quarter of your sales are now generated from "reactivation," or consumers who fall off the weight-loss wagon and come back?

**MS. ZIER:** Yes. None of us want to be on a diet forever. So the average consumer stays on a structured program like ours



JOSHUA MADASCHER/NUTRISYSTEM

'There was an extraordinary lack of analytical rigor.'

DAWN ZIER

for about three months. Then they want less structure.

Now, on that fourth month, we're offering more flexible offerings to extend the relationship. Our goal is not to have people on our program forever. We want them to get to successful lives and then use us if you gain a little weight over the holidays, or to lose weight before a wedding. We want to be the go-to solution if they want to lose 30 or 40 pounds or 10. Now, new-customer acquisition and reactivation are growing at similar rates.

We have done a lot of work to understand the customer's weight-loss journey and the critical points along the path. There are several programs—a few examples are meals five days a week, all meals except dinners, just lunches and snacks, or just breakfast. Customers are able to purchase the meals they need to continue their weight-loss success. They can purchase a la carte items or add-ons as well. For example, some moms noticed that their snacks were disappearing, so we now offer the option to buy additional snacks for the whole family.

**WSJ:** How did you change Nutrisystem's culture?

**MS. ZIER:** There was an extraordinary lack of analytical rigor. "Just the facts" became the motto of the company. I wanted to have conversations that were supported at some level by data. That started refining meetings at all levels of the company to be more analytically driven so better decisions could be made.

All of a sudden we noticed the level of satisfaction with pizza was dropping quickly. We asked our supply chain what

was going on, and they told us we changed vendors. I asked if we had some of the old pizza and new pizza in stock for a taste test it. I tried it—I try all the stuff—and I could tell a big difference. I said to go back to the old pizza, so we're in the process of moving back to the old formula.

### The food model

**WSJ:** The bulk of Nutrisystem's food is frozen, but many consumers are moving toward fresh food. How do you reconcile that?

**MS. ZIER:** Two years ago, shelf-stable options were the most popular option. Today, most people are customizing their orders to have both frozen and ready-to-go items. Over the last couple of years we've moved to more frozen items. Customers love it. We thought about delivering fresh food, but you have to be careful because the mainstream can't afford an \$800-a-month program, which is what delivering a month's worth of breakfast, lunch and dinner would cost.

There's this wonderful thing going on right now where America is cooking more, but it's a different business than what I'm in. I'm helping people lose weight, and a lot of the reason that they can't do this on their own is because they're so time-constrained. They don't have time to cook a 45-minute meal on their own.

And the last thing you want when you're charging for a product is for them to have to throw it away in the garbage on Friday because they didn't have time to eat it. We always

suggest that customers add a fresh salad, fresh fruit and yogurt. Nutrisystem gives you that portion control for your main meals and allows you a little indulgence.

**WSJ:** Part of your turnaround involved bringing back some of Nutrisystem's former star executives, including the chief financial officer. Why and how did you do that?

**MS. ZIER:** I looked at past talent from when the company had been doing very well and brought back a former creative director and our chief financial officer. Very importantly, I also looked at the existing team and made sure to retain top talent already in place, too. I thought we needed to create new glory days for ourselves and find a path that gets us there.

**WSJ:** About one-third of your consumer base is now men. How do they diet differently from women?

**MS. ZIER:** If I'm on a diet, I'll tell my girlfriends about it and we'll chat about our successes and challenges. With guys it's, "I'm just going to do this, I'm not going to talk to my pals about it, I'm just going to get it done." There are just as many men struggling with their weight as there are women. Because we deliver the product to your home and we don't require meetings, it works for a lot of men.

Our men's program has increasingly become more targeted to meet key things important to them, like higher protein and calorie levels.

**WSJ:** Are wearable fitness devices a competitive threat?

**MS. ZIER:** People are realizing that weight loss is about food consumption, about 80% to 85%. You're not going to exercise your way to skinny. You tone up, but it comes down to the food you're eating.

**WSJ:** What eating habits are you focused on right now?

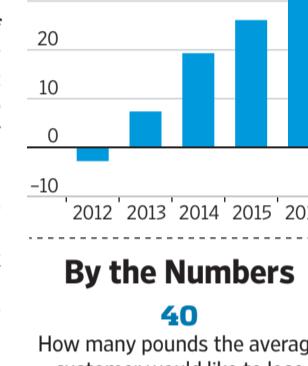
**MS. ZIER:** The key to weight loss is always portion control. When you look at the eating behaviors of people who struggle with their weight, they need to be educated more around what portion control looks like.

One of the reasons we're successful for people is we take the guesswork out of it. They see what a normal portion looks like, and it's not what they got at Olive Garden last night, which could really feed the whole family.

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### Winning From Losing

Nutrisystem's net income has rebounded in recent years



### By the Numbers

40

How many pounds the average customer would like to lose

### One-third

Rough share of Nutrisystem customers who are men

15,000

High end of daily call volume at Nutrisystem's call center

Source: Nutrisystem

THE WALL STREET JOURNAL

**WSJ:** How did data help you identify and respond to a problem?

**MS. ZIER:** Because we're looking at the data so frequently, we can identify changes in behavior that could be caused by something we did that we didn't think would have an impact. We know that pizza was always a favorite because we allow people to give reviews.

And the last thing you want when you're charging for a product is for them to have to throw it away in the garbage on Friday because they didn't have time to eat it. We always

creating a safer way to send data electronically, and our work in biometrics—what some people refer to as selfie pay—is helping to drive greater verification of the cardholder's identity.

If you were to think about fraud traditionally, think of a balloon. You could squeeze or reduce the air in one part, and it would flow to another part. That's what you've seen as new technologies are introduced in-store or online. What we're working on now is to not just move that air, or fraud, around, but to reduce and eliminate it through a multilayered strategy. And our security development over the years and recent acquisitions speak to that.

**WSJ:** LaMagna is a reporter for MarketWatch in New York. Email [mlamagna@marketwatch.com](mailto:mlamagna@marketwatch.com).

### Paying cash

"I'm not saying Republican managers are better," says Ahmed Elnahas, an assistant professor of finance at Eastern Kentucky University and the study's lead author, "but it's probably because they're more conservative in making financial decisions."

The study also found that Republican CEOs tend to acquire public companies, preferably within the same industry, and to pay cash.

The chief executives were identified as Republican or non-Republican by looking at their personal political contributions from 1993 to 2006. To be considered a Republican, all of a CEO's contributions had to be Republican. All other executives were lumped together as non-Republicans. The study, which appears in the August issue of the

## GRAND OLD PURCHASE: REPUBLICAN-RUN COMPANIES DO BETTER WITH ACQUISITIONS

BY DEBORAH GAGE

Journal of Corporate Finance, covers 1,007 publicly traded U.S. companies and 2,100 CEOs. About 40% of the CEOs were identified as Republicans.

The tendency toward cash acquisitions suggests Republican CEOs "want to finish quickly without high chances of rejections," Dr. Elnahas says. The report points to earlier studies showing that stock bids for acquisitions delay offers in the U.S. because of security-registration and shareholder-approval requirements. It also says cash bids enable quicker completion of deals because they reduce the risk of competitive bids, and the risk of bids being rejected by the target company's management, because the value of a cash bid remains steady while the value of a stock bid can fluctuate.

### More information

The report suggests one reason for Republican CEOs' preference for acquiring public rather than private companies is that it's easier to understand a public company's value, especially when it's from the same industry. It notes that the Republican CEOs also tended to avoid earn-outs—deals where part of the payment depends on some measure of the acquired company's performance after the acquisition—which make valuation more difficult.

Dr. Elnahas says he has a long list of additional studies to work on to examine the effect of political ideology on corporate decision making.

"Political ideology affects every aspect of life, and it's hard to believe it doesn't have any impact on corporations," he says.

"Yet very little studying has been done. I feel it's a very big gap."

Ms. Gage is a writer in San Jose, Calif. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).

## Mastercard

Continued from page R5

**WSJ:** As millennials have grown up, they've also seen many examples of data breaches and incidents of fraud online. It wasn't that long ago that companies including Mastercard began to require a switch from traditional credit cards that have a magnetic stripe to Europay-Mastercard-Visa, or EMV cards, which have added security features including a chip. Despite those upgrades, we still see cases of fraud. How is Mastercard moving forward to secure transactions?

**MS. HUND-MEJEAN:** In terms of EMV, which is only a small subchapter of fraud, everywhere EMV is rolled out, fraud has declined in a very significant way, even in the U.S.

Where the fraud has increased for the U.S. is online. And that is because EMV is only in the physical space.

But chip-card technology is serving as a base for securing the online world as well, [by enabling the creation of] a unique code for every purchase. If that code appears more than once, the transaction would be red-flagged as fraudulent.

**WSJ:** To keep online payments secure, you've also invested in tokenization, which allows consumers to make payments without vendors having the ability to store cardholders' account information. Instead, the vendors receive a unique series of numbers—a "token"—that is used to validate the customer's identity. Is tokenization enough when it comes to preventing online fraud?

**MS. HUND-MEJEAN:** Tokens are

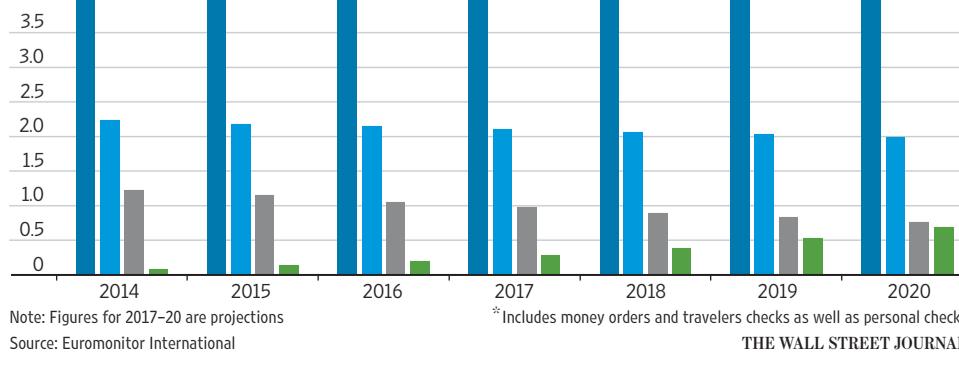
creating a safer way to send data electronically, and our work in biometrics—what some people refer to as selfie pay—is helping to drive greater verification of the cardholder's identity.

If you were to think about fraud traditionally, think of a balloon. You could squeeze or reduce the air in one part, and it would flow to another part. That's what you've seen as new technologies are introduced in-store or online. What we're working on now is to not just move that air, or fraud, around, but to reduce and eliminate it through a multilayered strategy. And our security development over the years and recent acquisitions speak to that.

**WSJ:** LaMagna is a reporter for MarketWatch in New York. Email [mlamagna@marketwatch.com](mailto:mlamagna@marketwatch.com).

## Payment Paradigms

The volume of selected types of consumer payments in the U.S. As cash and checks decline, mobile payments are rising.



Note: Figures for 2017–20 are projections

Source: Euromonitor International

## JOURNAL REPORT | C-SUITE STRATEGIES

# Why the Gas Station Isn't A Model for Electric Cars

Pasquale Romano of ChargePoint says in the future, vehicles will simply charge where they park

BY JOHN D. STOLL

OPTIMISM surrounding electric cars has swelled with the launch of Tesla Inc.'s \$35,000 Model 3 sedan, but there are plenty of obstacles on the road to mass adoption.

One of the biggest hurdles is infrastructure. In a nation where there is a gas station on every corner, finding a car charger that works and is open for use can be a scavenger hunt. A public network of chargers is evolving, but it's tough to catch up to gasoline, which can be purchased at 168,000 filling stations nationwide.

Pasquale Romano, chief executive of ChargePoint Inc., is working to change views on what the charging network of the future will look like. The Campbell, Calif., company has 39,000 charging spots set up in garages, parking lots, apartments and other locations, with several hundred of them capable of so-called DC express charging, which can provide 200 miles of charge in an hour for cars currently on the road and promises much faster fill-ups as car batteries become more advanced.

The 51-year-old Mr. Romano says copying the gas-station model is a mistake. "That's just an artifact of the fuel choice that we've used for the last 100 years," he says. As electric vehicles become capable of going further on a single charge, drivers increasingly will be able to simply plug in at home or work, minimizing the need for roadside depots that sell everything from lottery tickets to diesel.

ChargePoint faces a swell of potential competitors. Among them is Volkswagen AG, which is making a \$2 billion charging-network investment as part of an emissions-cheating settlement with U.S. regulators. Auto suppliers also are developing charging technology, and some gasoline stations may add chargers, too.

Electric vehicles account for a tiny portion of the market, at 1% of sales. Mr. Romano recently talked with The Wall Street Journal about his company's unique approach to one of the EV's biggest barriers. Edited excerpts follow:

### A new model

**WSJ:** Why can't we meet the nation's charging needs by simply re-creating the gasoline-station network for chargers?

**MR. ROMANO:** The infrastructure won't match because that isn't how you're going to fuel an electric vehicle.

Imagine a world in which your car charges when it is parked. You won't have to go someplace to charge your car. That means the gas station where you buy your lottery tickets or coffee or whatever—most of them are gone under this model. The only ones that will be needed will be those along highways.

**WSJ:** A lot of people complain that chargers are hard to find.

**MR. ROMANO:** Go to the app store, download our mobile app—it's free—and type in some random addresses in the address field. Zoom the map in and you'll see what chargers are already there.

You've probably driven by them and never seen them. There's no advertising, there's no canopy, because it isn't a destination. It happens to be where you're parking. If you want to actively seek them out, you use modern-day technology like a mobile app, not your eyeballs and a sign.

**WSJ:** So this is less about finding the gas-station equivalent of a charging station and more

about figuring out how chargers can conveniently be integrated into people's typical tasks during the day?

**MR. ROMANO:** Until you drive an EV, you are colored by 135 years of going to the gas station. Under that scenario, you say "Where is the new company that's doing EV charging on street corners or on my highway entrance?" But that isn't really how this works. The question really is, "Does my employer have EV charging in the parking lot?"

**WSJ:** Do electric-car sales need to increase in order for more infrastructure investments to be made?

**MR. ROMANO:** If businesses all over the country put in chargers for their customers or their employees, more cars would show up. And if they put in even more ports, then even more cars would show up. And [it would keep going that way] until we replaced the entire fleet with electric vehicles.

### No big deal

**WSJ:** What about wait times for charging? Is that an insurmountable problem?

**MR. ROMANO:** If I can put 250 miles of charge in my car in 10 minutes—which the chargers we have now could handle without tearing out any infrastructure—the wait time is no big deal. After a couple hundred miles of driving, I'm probably ready to stop to walk the dog or get a coffee or use the restroom anyway.

I do long trips five or six times a year so I don't care [about wait times]. I'll stop and have a coffee, have some lunch, or do whatever. Most of the time when I stop with my Tesla Model S, I haven't even finished my Starbucks coffee before I've got enough charge to get to my destination.

**WSJ:** How do you view Volkswagen's Electrify America charging project, in which the German auto giant agreed to build an extensive network of charging stations in the U.S. as part of a settlement?

**MR. ROMANO:** It's best to have a set of infrastructure that isn't driven by a single car company to keep the industry as fair and balanced as possible. And you're going to see not just Volkswagen but lots of companies pursuing projects in the U.S. that look like gas stations but are dedicated to charging vehicles. Some highway gasoline stations might start to serve the electric vehicle, as well.

**WSJ:** But your view is that we don't need a lot of long-haul fast-charging stations, right?

**MR. ROMANO:** We only need a fraction compared with what we have for gas stations because you're going to be acquiring most of your fuel at home or work. There isn't a lot of debate about that. We are going to need a few thousand, not 150,000.

**WSJ:** There is a lot of talk about wireless charging pads instead of plugs. Is that the future?

**MR. ROMANO:** At-home wireless charging may have a place, but plugging in a car is about as hard as plugging in a consumer device, most of which don't use wireless charging.

There are, however, a couple of cool applications for wireless charging. Say you have an old house and your garage [is so small or configured in a way that makes it inconvenient or impossible to park an EV and plug it in]. Autonomous parking [where the car folds the mirrors in and parks itself],

along with wireless charging, could make a lot of difference in those applications.

The problem with wireless charging in public places is the construction, plus the fact that you still need to have cables with you because not everyone is going to have it. And in inclement-weather areas, the ground [where the charging pads are stationed] could get pretty torn up in the winter with plows and things like that.

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'You're going to be acquiring most of your fuel at home or work.'

**PASQUALE ROMANO**

**SIEMENS**

Ingenuity for life

# MindSphere lets your sneaker speak with its digital twin

A large, stylized graphic of a person's lower leg and foot wearing a pink running shoe. To the left of the shoe, the word "speak" is written vertically in a large, bold, dark blue font. Below the shoe, the words "with its digital twin" are written in a smaller, bold, dark blue font. The background is a bright blue gradient.

**Power Supply**  
The cumulative number of ChargePoint charging spots in the U.S., in thousands

Year	Battery electric	Plug-in hybrid
2011	7,981	0
2012	10,000	0
2013	12,000	0
2014	14,000	0
2015	16,000	0
2016	18,000	0
2017	20,000	0

Sources: Brandon Schoettle and Michael Sivak, University of Michigan Sustainable Worldwide Transportation (sales); ChargePoint (charging spots)

MindSphere is the Operating System that lets you understand the Internet of Things and enables you to create a Digital Twin enhanced by real-world data.

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