

# THE WALL STREET JOURNAL.

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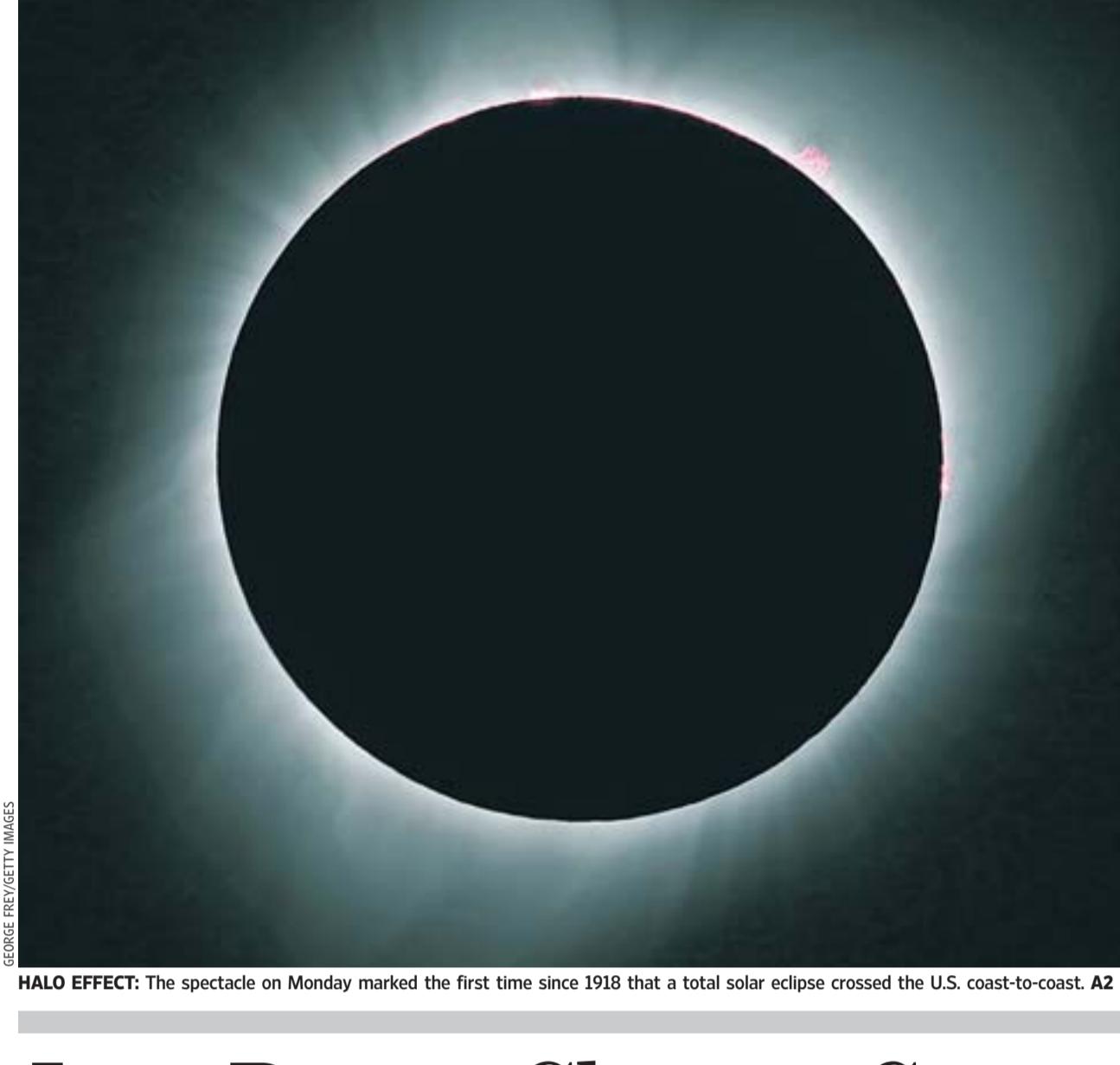
TUESDAY, AUGUST 22, 2017 ~ VOL. CCLXX NO. 44

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## The Sun, the Moon...and Millions in Awe



GEORGE FREY/GETTY IMAGES

**HALO EFFECT:** The spectacle on Monday marked the first time since 1918 that a total solar eclipse crossed the U.S. coast-to-coast. **A2**

## Trump Vows New Afghan Tack

President will boost pressure on Pakistan, avoid telegraphing U.S. military strategy

WASHINGTON—President Donald Trump said Monday he would expand the U.S. role in Afghanistan while taking a new approach that is tougher on neighboring Pakistan and doesn't telegraph American military strategy.

In a 30-minute nationally televised speech, Mr. Trump acknowledged that his initial instinct as president had been

By Gordon Lubold,  
Eli Stokols  
and Peter Nicholas

to pull out of Afghanistan. But, concluding he must bow to realities, he outlined a new South Asia strategy predicated on the need to remain engaged in the region.

"From now on, victory will have a clear definition," he said from the Fort Myer military base in Arlington, Va., describing the defeat of terrorist groups and the protection of American interests.

The address represented a sharp reversal for Mr. Trump on Afghanistan, where he has long opposed U.S. military involvement. In setting aside his impulses to withdraw, Mr. Trump acceded to advisers who urged the U.S. to step up efforts to combat extremists and militants and support the Afghan military in the nearly 16-year-old war.

Mr. Trump didn't spell out troop numbers or a timeline and didn't signal a significant shift from the Obama administration.

Please see TRUMP page A6

◆ Gerald F. Seib: Stay or go? All sides pressure Trump aides.. **A4**

## Jeep Draws Chinese Suitor

Jeep, the crown jewel of Fiat Chrysler Automobiles NV and a world-wide symbol of American military and manufacturing might, has an interested Chinese suitor, the latest sign of an industry in the midst of a global reshuffling.

Great Wall Motor Co. plans to make a bid for Fiat Chrysler's lucrative Jeep brand, known for rugged sport utilities that rose to prominence in

By Trebor Moss in Shanghai, Bob Davis in Washington and Chester Dawson in Detroit

World War II as the can-do vehicle of the U.S. military. Since the company spun off Italian sports-car maker Ferrari SpA into a separate public company last year, analysts say Jeep and

the Ram truck division now deliver nearly all of Fiat Chrysler's €6 billion (\$7.1 billion) in annual operating profit.

Demand for Jeeps boomed in recent years amid lower gasoline prices, and more than 1.4 million are now sold globally a year—more than almost any other U.S. brand.

Great Wall's interest arose after years of speculation regarding which global company

would emerge as a buyer for some or all of Fiat Chrysler's brands. Fiat Chrysler Chief Executive Sergio Marchionne has unsuccessfully courted GM as a partner, and Volkswagen AG and France's Peugeot have been considered by industry analysts to be alternative suitors.

Great Wall hadn't delivered an offer as of Monday, according to Fiat Chrysler officials. It

Please see JEEP page A4

## EUROPE'S POPULISTS RETHINK APPROACH

Officials believe decision to ride the Trump and 'Brexit' waves backfired

By Stacy Meichtry,  
Anton Troianovski  
and Marcus Walker

Many of Europe's far-right politicians now believe their attempt to associate themselves with the antiestablishment uprisings behind the U.K.'s vote to leave the EU and Donald Trump's U.S. presidential victory has backfired.

Outright rejection of the EU and the euro was a departure for most of Europe's far right, which traditionally concentrated more on immigration and identity. What they discovered is that Continental European voters, although hardly content with incumbents or the EU, viewed electoral shocks in the U.K. and U.S. as destabilizing.

Please see EUROPE page A8

## Navy Hits Pause for Review

The U.S. Navy called a temporary halt to its global operations as it examines what led to a destroyer colliding with another vessel on Monday, leaving 10 sailors missing. It was the second such incident in as many months. **A5**



U.S. NAVY/ASSOCIATED PRESS

## Shareholder Suits Soar to Record

Federal class-action securities cases

■ Financial ■ Nonfinancial

200



Note: 2017 is as of June  
Source: Stanford Securities Litigation Analytics

**NO PRECEDENT:** Some 131 class-action securities lawsuits were filed in federal court in the first six months of 2017. Suits now are often for nonfinancial claims like failed drug trials rather than financial issues. **B1**

## Brazil Already Has 35 Political Parties—What's 63 More?

\* \* \*

Tired of corruption, Brazilians have

gone party mad; pro-gym or pro-soccer?

By SAMANTHA PEARSON

SÃO PAULO - The list of hopefuls includes the Brazilian Military Party (which wants to privatize prisons), the Christian Ecological Party (they worry about despoiling God's planet), and the Sport Party (which demands more gyms).

Nicole Puzzi, an animal-rights activist and popular soft-core porn star from the 1970s, is one of the 102 vegans who helped launch the Animals Party. Among the group's policy proposals: Cracking down on illegal dog breeders and changing animals' legal status so they have

the same rights as children.

"Being a politician in Brazil is even more of a scandalous profession than mine," says Ms. Puzzi, 59, clad in knee-high leather boots and a white lace bodysuit on the set of her TV talk show in downtown São Paulo.

Over the past year, a deluge of 63 wannabe political parties have jumped in line to get official status that would allow them to put up candidates for office. Some are hoping to become official in time for the general elections in October next year.

Brazil provides generous public funding for political parties.

Please see BRAZIL page A8

## Rally in Metals Signals Optimism

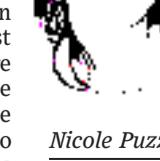
By IRA JOSEBASHVILI  
AND AMRITH RAMKUMAR

Bullish investors are pushing the prices of copper, aluminum and other industrial metals to multiyear highs, betting that recent signs of resurgent global growth and falling supplies will stoke demand for raw materials.

Prices for copper hit their

highest level in nearly three years Monday, and zinc sits at its highest price in a decade. Aluminum climbed to three-year peaks last week, and iron ore has rallied 35% since the end of May. Shares of miners also have soared, with the MSCI World Metals & Mining Index up 13% during that span. Driving the gains are expectations that this year's nascent

Please see METALS page A2



Nicole Puzzi

# U.S. NEWS



A composite photo of the stages of a solar eclipse viewed from South Mike Sedar Park on Monday in Casper, Wyo. (Multiple exposures were combined to produce the image.)

## Eclipse Stars in Path of Celebration

By ROBERT LEE HOTZ

Eyes skyward, millions of Americans were transfixed by the spectacle of a total solar eclipse midday Monday, as the moon's shadow raced from coast to coast like a brush stroke across the canvas of the continent.

It likely was the most-watched solar eclipse in history, despite cloud-cover in some regions, and certainly the most closely scrutinized by scientists. Expectations were stoked by months of hype and ballyhoo, with almost 11 million social media posts about the eclipse in the last seven days, according to Talkwalker Inc., a social media analytics company.

All told, 200 million people were within a day's drive of the zone of totality, as the area of complete darkness during a total eclipse is called, but the epic traffic jams feared by state and federal highway officials failed to materialize.

Even so, satellite images taken by DigitalGlobe Inc. showed overflow crowds at choice viewing sites in Oregon and elsewhere along the narrow 2,400-mile-long corridor of totality. Many people pulled over to the side of the road to watch. At one rest area along I-95 near Santee, S.C., cars were parked four deep in places by midmorning.

For many of those who made a special pilgrimage to campgrounds, mountain peaks and parks, or who simply paused in their errands to gawk along sidewalks and roadsides, the fleeting minutes when the sun revealed its halo offered a moment of community, inspired by the clockwork movements of our sun, moon and home planet.

"There were maybe 40 million people across the U.S. looking at the same thing at the same time," said astrophysicist Ed Guinan at Villanova University who has seen eight total eclipses. "That gives me goosebumps."

It was the first time since



Colo., starting at 4 a.m., with his family.

In the Cascade Range highlands near Madras, Ore., 10 wingsuit enthusiasts attempted a coordinated group flight at the height of the eclipse, in a stunt organized by Outside TV. In Ketchum, Idaho, Sawtooth Brewery tapped the last kegs of its "Total Eclipse of the Hop" beer for celebratory toasts. And in Carbondale, Ill.—where the eclipse's duration of totality likely lasted longer than anywhere else in the U.S.—roughly 14,000 people congregated in Saluki Stadium for, among other eclipse-themed activities, a mass moonwalk set to a Michael Jackson medley.

For thousands of astronomers and solar physicists, it was a rare opportunity to study the tenuous outer atmosphere of the sun—the corona—normally obscured by the star's blinding light. Researchers scrutinized many aspects of the eclipse with 11 orbiting satellites, the international space station, sensors aboard 50 high-altitude balloons and thousands of ground-based telescopes.

Astrophysicist Thomas Zurbuchen, head of NASA's science mission directorate, watched the eclipse aboard an agency jet flying at 35,000 feet off the Oregon coast. "I saw the atmosphere of our star for the first time with my own eyes," he said. "I saw the lunar shadow sweep over the clouds at the speed of darkness."

At California's Oakland Zoo, a troop of hamadryas baboons seemed listless, with many of them in hiding at the height of a partial eclipse there that darkened the skies like sunset. Nearby, three camels also displayed unusual behavior, huddling together and swinging their necks around. "The camels are acting weird," said zoo spokeswoman Erin Harrison.

—Quint Forgey, Alec Davis, Ashby Jones, Ben Leubsdorf and Jim Carlton contributed to this article.



Newlyweds give a toast to the spectacle in Spokane, Wash., (top) after their wedding ceremony. People view the eclipse in downtown Washington, D.C., through viewing boxes (bottom).

1918 that a total solar eclipse crossed the U.S. coast to coast. From Oregon to South Carolina, many people hit their pause button for a day of awe and high jinks. Challenger, Gray & Christmas Inc. said the cost of the day's lost pro-

ductivity at \$694 million.

Stargazers started gathering along the airstrip at Glendo, Wyo.—smack in the middle of the 70-mile-wide path of totality—before dawn Monday. From the backs of trailers and vans, amateur

stargazers set up long-lens cameras on tripods and high-powered telescopes.

"It's like a Star Trek convention combined with Backpacking World," said Kip Tani, who made the three-hour drive up from Fort Collins,

The man who shot and wounded a judge outside a county courthouse before being gunned down by a probation officer Monday was the father of a Steubenville High School football player who was convicted of rape in 2013, authorities said.

Jefferson County Judge Joseph Bruzzese Jr. was shot near the courthouse in Steubenville.

Authorities identified the gunman as 51-year-old Nathaniel "Nate" Richmond, the father of Malik Richmond.

Malik Richmond, then 17, served about 10 months in a juvenile lockup after being convicted with another Steubenville football player of raping a 16-year-old girl during an alcohol-fueled party in 2012.

Investigators are still looking for a motive in the shooting and haven't found a connection to the rape case. A visiting judge handled the vast majority of the rape case.

Mr. Bruzzese, 65, was flown to a Pittsburgh-area hospital.

—Associated Press

## U.S. WATCH

### MINNESOTA

#### Natural-Gas Line Caused Fatal Blast

A deadly explosion at a Minneapolis school earlier this month occurred shortly after workers relocating meters

opened a natural-gas line and were unable to shut it off, the National Transportation Safety Board reported Monday.

After the workers evacuated the area, a school maintenance employee smelled the natural gas and went to the basement meter room, according to a preliminary report from the NTSB.

As the maintenance employee left the basement, he made an announcement over his hand-held radio telling others to evacuate immediately. Less than one minute after he ran upstairs and began searching for occupants, the building exploded, the report said. The Aug. 2 blast killed two employees at the high-school campus of Minnehaha Academy, a private Christian school.

The NTSB's full investigation into the incident could take as long as a year.

—Quint Forgey

### OHIO

#### Judge Wounded by Teen Rapist's Father

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—Associated Press

## METALS

Continued from Page One  
modities as new producers saturated markets. Commodities denominated in dollars become more affordable to foreign buyers when the U.S. currency falls.

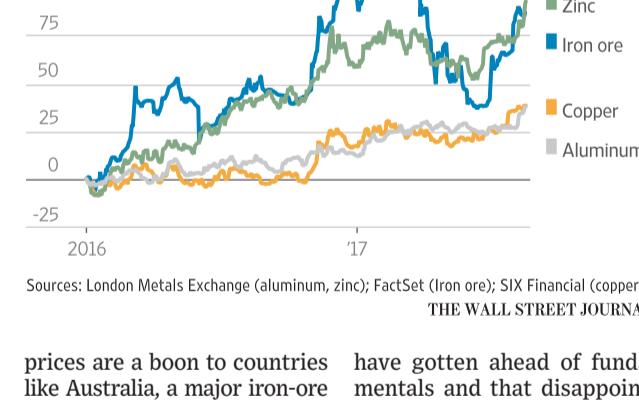
The recovery in copper and some other base metals "has really only just begun," said Christopher LaFemina, an analyst at Jefferies. "There's much more to go."

Global investors view demand for base metals as an important gauge of economic health, as they are the building blocks of construction and used to make everything from airplanes to smartphones. A continued rise in metals prices could help push up inflation in the U.S. and abroad, giving central banks a freer hand to raise interest rates or taper the monetary policy programs they have used to kick-start growth in the aftermath of the financial crisis.

The rally in the metals sector affects everything from currencies in developing markets to debt from commodity-producing countries, some analysts said. Rising metals

### Basic Recovery

Inflation could get a boost if the prices of metals continue to rise.



Sources: London Metals Exchange (aluminum, zinc); FactSet (iron ore); SIX Financial (copper)

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prices are a boon to countries like Australia, a major iron-ore exporter, as well as Indonesia and Chile, which produce nickel and copper, respectively.

The Australian dollar has risen 6.8% against the U.S. dollar since the end of May, while the Chilean peso is up 4.7%. The iShares J.P. Morgan USD Emerging Markets Bond ETF has risen in six of the past seven trading days and posted an 11-session winning streak in mid-July, its longest in more than five years.

With the backdrop for metals looking more supportive than it has in years, investors have piled in. Net bets by hedge funds and other speculative investors on a higher copper price stood at 120,175 contracts for the week ended Aug. 15, the highest level since the Commodity Futures Trading Commission began recording the data in 2006. On Monday, front-month copper for August delivery rose 1.4%, to \$2.9810 a pound, its highest settlement price since November 2014.

The one-sided positioning and pace of the rally has caused concern for some investors, who worry that prices

have gotten ahead of fundamentals and that disappointing news could spark a rush for the exits.

"When the whole world gets crowded into one trade, it typically ends in tears," said Christopher Stanton, portfolio manager at Sunrise Capital LLC. Mr. Stanton took profits on most of his copper and nickel positions last week.

Although analysts have cautioned that the rally may have come too far, recent supply disruptions and a strengthening global economy have continued to fuel buying. The International Monetary Fund in April projected global gross domestic product growth at 3.5% for 2017, up from its previous projection of 3.4%. The IMF in July raised 2017 and 2018 growth estimates for China, the world's top metals consumer, citing strong credit growth and fiscal support. It also increased euro-area growth projections, highlighting diminished political risks.

That backdrop has buoyed metals prices, which have in turn supported stocks of miners such as Freeport-McMoRan.

Ran Inc. and Glencore PLC. Shares of Glencore, one of the world's largest coal, copper and zinc producers, surged 20% from the start of June through Monday, though they are still well below a high reached in 2011. Freeport's shares climbed 28% during that time.

Expectations for future supply shortfalls are fueling gains as well, some analysts said. Aluminum prices rallied recently after China cut its refining capacity and cracked down on illegal producers of the metal as part of an effort to fight pollution. Falling global stockpiles and production cuts have helped boost zinc prices 22% this year.

A weaker dollar is also bolstering prices. The WSJ Dollar Index, which tracks the currency against 16 others, has declined 7.6% this year.

A potential source of trouble could come from China. Economists have previously anticipated a broad slowdown in the second half of the year, as China's leaders signaled they would continue efforts to tackle rising debt levels and curb home speculation. Evidence that growth may be cooling came last week, when data showed that the pace of Chinese industrial output, retail and housing sales and fixed-asset investment decelerated in July from the previous month.

For now, however, investors are confident that China will prevent growth from slowing too much ahead of a key Communist Party leadership shuffle this year. Some metrics like total social finance—a broad measure of credit that includes bank loans and non-bank lending—remain robust compared with prior years, said Jerry Lucas, a senior strategist at UBS Wealth Management.

## McConnell Says Debt Limit to Be Raised

By RICHARD RUBIN  
AND KATE DAVIDSON

Senate Majority Leader Mitch McConnell (R., Ky.) on Monday said there was "zero chance" the U.S. would fail to raise the federal debt ceiling.

Mr. McConnell expressed confidence in Congress's ability to avoid missing federal payments in advance of a legislative sprint in September that will also address expiring government funding and other items.

"There is zero chance, no chance we won't raise the debt ceiling," he said at an event in his hometown, Louisville, Ky., with Treasury Secretary Steven Mnuchin. Mr. Mnuchin said his "magic super Treasury powers" that allow the government to conserve cash and avoid issuing new debt will run out at the end of September.

The Treasury Department has been employing cash-conservation measures since March, when the previous suspension of the debt limit expired and the new ceiling was set at nearly \$20 trillion.

If Congress doesn't raise the debt ceiling to allow new borrowing, the U.S. could default on its debt or miss payments of benefits and salaries.

"This is not about spending money," Mr. Mnuchin said. "This is about paying for what we've spent."

Lawmakers return to Washington after Labor Day. Republican leaders haven't said yet how the debt ceiling might get raised, and the legislation will be a significant test for the GOP majorities in Congress and President Donald Trump.

Mr. Mnuchin reiterated his preference for a "clean" debt-limit increase without policy strings attached. But Republicans have for years insisted on conditions such as spending cuts. In the Senate, a debt-limit bill will likely need to be bipartisan, because it would take 60 votes to overcome procedural hurdles.

House Minority Whip Steny Hoyer (D., Md.) said in May that a "significant number" of Democrats would vote for a clean debt-limit bill.

◆ Eclipse plays muse to many market analysts..... B11

ROBERT LEE HOTZ / THE WALL STREET JOURNAL

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## CORRECTIONS & AMPLIFICATIONS

Independent accountants audit a company's financial statements. The "Intelligent Investor" column Saturday about a proposed accounting rule incorrectly said independent auditors prepare a company's financial statements.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

The one-sided positioning and pace of the rally has caused concern for some investors, who worry that prices

have buoyed metals prices, which have in turn supported stocks of miners such as Freeport-McMoRan.

## U.S. NEWS

# Company: Don't Use Drug In Execution

BY JOE PALAZZOLO

A Johnson & Johnson company opposes plans by Florida authorities to use one of its drugs in a coming execution, marking the first time the world's largest pharmaceutical manufacturer has waded into the death-penalty debate.

Earlier this year, Florida amended its lethal-injection protocol to include etomidate, an anesthetic agent that has never been used in executions, after exhausting its supply of the sedative midazolam.

Florida authorities are slated to use the updated protocol for the first time on Thursday in the execution of Mark Asay, who was sentenced to death for the 1987 killings of Robert Lee Booker and Robert McDowell in Jacksonville, Fla.

Scientists at Johnson & Johnson's Janssen Pharmaceuticals NV created etomidate in the 1960s. The company never distributed the drug in North America and divested the rest of the business in 2016.

But the company protested on Monday Florida's plan to use etomidate to render death-row inmates unconscious before injecting them with a paralytic agent and a third drug to stop their hearts.

"We do not support the use of our medicines for indications that have not been approved by regulatory authorities," a Janssen spokesman said in an email. "We do not condone the use of our medicines in lethal injections for capital punishment."

No Johnson & Johnson drugs have been used so far in executions, according to Reprieve, an international-rights group.

Julie Jones, secretary of the Florida Department of Corrections, said in a January letter to Gov. Rick Scott that the new protocol "will not involve unnecessary lingering or the unnecessary or wanton infliction of pain and suffering."

Mr. Scott's press secretary referred questions to a spokeswoman for the Florida Department of Corrections, who declined to comment.

The Florida Supreme Court ruled last week that Mr. Asay is "at small risk of mild to moderate pain," and declined to halt his execution.



Left: The pedestal where Baltimore's Confederate Soldiers and Sailors Monument once stood. Right: Workers removed a Confederate statue in Gainesville, Fla. last week.



MARK WILSON/GETTY IMAGES (LEFT); JASON DEAREN/ASSOCIATED PRESS

# Confederate Daughters in the Fray

Statues' removal thrusts private group into uncomfortable spot; 'I feel very hurt'

By JENNIFER LEVITZ

When vandals defaced a Confederate memorial at a Los Angeles cemetery last week, retiree Scarlett Stahl took it personally, as if her own property had been damaged.

In a way, it had. She heads the California division of the United Daughters of the Confederacy, a national organization whose members donated the large stone and bronze monument to Hollywood Forever Cemetery in 1925 and was the driving force behind scores of the Confederate monuments across the U.S. that are now being decried as symbols of bigotry and are being targeted for removal.

"They're reeling, the daughters are," said Susan McCrobie, the current historian and past president of the United Daughters' Kentucky Division, describing the mood in the organization in recent days.

Mrs. McCrobie said many members felt sadness and disbelief about the Charlottesville rally, where the scheduled removal of a statue of Confederate Gen. Robert E. Lee touched off the initial demonstrations.

They are also upset, she said, that white supremacists had latched on to the monument

Accelerated efforts by cities and activists across the U.S. to remove Confederate monuments in the aftermath of the violent white supremacist rally in Charlottesville, Va., has thrust the United Daughters of the Confederacy, a lineage society, reluctantly into the fray because of its influential role in spreading these memorials often seen as valorizing those who fought to secede from the union.

It is an uncomfortable spot for the private group founded in 1894, and the momentum against the statues is starting to take a toll.

"They're reeling, the daughters are," said Susan McCrobie, the current historian and past president of the United Daughters' Kentucky Division, describing the mood in the organization in recent days.

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## Tone of Memorials Shifted Over Time

The United Daughters of the Confederacy, who must provide "proof of ancestors' service to the Confederate States of America," grew out of several associations that formed after the Civil War. Many women had lost fathers, brothers, husbands and sons.

The earliest monuments erected by these women's groups—from the late 1860s to around 1890—were typically placed in cemeteries.

But the tone and placement of the monuments shifted at the end of the 19th century. Against the backdrop of rising

Jim Crow laws in the south, a wave of memorials erected largely through the 1920s were placed in public areas and sought to pay tribute to the Confederate cause and convey white dominance, said Mark Elliott, an associate professor of history at the University of North Carolina at Greensboro.

The United Daughters of the Confederacy "really midwifed the 'Lost Cause' in a lot of ways," said Brian Jordan, an assistant professor of history at Sam Houston State University in Texas, referring to "this specious notion" that the war wasn't about slavery, that the fight was never fair and that a culture had been lost as a result of the war.

—Jennifer Levitz

debate. "The UDC has nothing to do whatsoever with white supremacy," she said.

The national president of the United Daughters, which is based in Richmond, Va., didn't respond to requests for comment.

There are more than 700 Confederate monuments and

statues on public property in the U.S., according to a 2016 study by the Southern Poverty Law Center. The United Daughters of the Confederacy was a key organizer and fundraiser behind the majority of them, Mrs. McCrobie said.

Among the group's gifts: a 1903 monument in Baltimore

that was hauled off in a stealth operation before dawn Wednesday; a 1904 statue in Alachua County, Fla. nicknamed "Old Joe," which was taken down about a week ago; and the Confederate Memorial Fountain in a park in Helena, Mont., that was removed Friday.

Carolyn Billups, the president of the Maryland division of the United Daughters from 2014 to 2016, said the goal of the monuments always was to honor veterans.

"The ladies were trying to help heal the nation," said Ms. Billups, who is 65 and said her great-great grandfather served in the 13th Virginia Infantry during the Civil War. Ms. Billups, who said the Civil War was about taxes, not slavery, said she is saddened and angry that the monument was taken down.

"It pains me, the thought of all the work that went into it to have it erected, the thousands of people who attended the dedication ceremony," she said. She said she is also extremely sad about the deadly Charlottesville rally. "It's a tragedy," she said.

# Race Still an Issue in North Carolina Districts

By SCOTT CALVERT

As North Carolina lawmakers rush to adopt new state legislative maps not based on race, they can't escape the very issue they are trying to remove: race.

Both the state Senate and the House of Representatives have proposed new maps to address a lower-court ruling—upheld by the U.S. Supreme Court in June—that found the existing district lines discriminate against black voters. The proposed maps, unveiled in recent days by GOP-led com-

mittees, would rejigger the boundaries for most of the 170 House and Senate districts.

The lower court said the Legislature lacked adequate justification when it created 28 majority-black districts in 2011. Critics said African-American voters were packed into a relatively small swath of the state, hurting their power to shape outcomes elsewhere in North Carolina.

The Republican-led General Assembly faces a Sept. 1 court deadline to pass new district lines, and Democratic Gov. Roy Cooper has no veto power. A

three-judge panel will evaluate whether the new maps satisfy the court's stipulations. The public will have a chance to weigh in Tuesday at hearings around the state, and some Democrats were crying foul.

When maps were redrawn recently, race wasn't a factor, said state Rep. David Lewis, a Republican who oversaw revisions to a majority of the 120 House districts. A similar process guided changes in the Senate, which has 50 districts.

"The court said we did not have sufficient data to justify the use of race, so we did not

use race," he said. Instead, criteria included factors such as population equality and district contiguity, as well as some past election results and an effort to protect incumbent officeholders.

Because the GOP-led committee didn't consider race, he said, it has no statistics on the racial breakdown of the revamped districts.

That doesn't sit well with Democrats like state Sen. Jeff Jackson, of Charlotte, who said the absence of such data makes it impossible to evaluate the proposal.

"The court threw out their

maps because they hyper-packed African-Americans into districts," he said. "There's no way they can prove these maps solve that problem without racial data."

Mr. Lewis said he expects critics will use race to challenge the new maps but added: "I hope we can get race out of redistricting, once and for all."

A spokesman for Mr. Cooper criticized Republican legislators for "continuing to rig election maps in their favor" using public funds. The governor favors a nonpartisan redistricting process, he said.



The advertisement features a close-up of the Breitling Avenger Hurricane watch, highlighting its complex dial with multiple sub-dials and a 24-hour military-style display. The watch is shown against a dark background with the words "AVENGER HURRICANE" faintly visible. To the right, the Breitling logo is displayed with the text "INSTRUMENTS FOR PROFESSIONALS™". Below the logo, the TR Jewelers logo is shown. At the bottom, there is descriptive text about the watch's features and a contact address.

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## U.S. NEWS

# Stay or Go? All Sides Pressure Trump Aides



### CAPITAL JOURNAL

By Gerald F. Seib

For some top figures in the Trump administration—the ones who occupy the more conventional space of the political world—last week was a tough one.

They listened in distress as the president they work for appeared to defend a march marked by white-supremacist and anti-Semitic sentiments in Virginia. From the left, and from some never-Trump

conservatives, they were then told they had a moral responsibility to resign.

Meanwhile, on the Breitbart right, they were being called traitors and were labeled “globalists” out to undermine President Donald Trump’s agenda, who had helped drive out strategist Steve Bannon. The cry was for them to be booted out.

Amid it all, some friends and allies were privately

pleading with them to stay for the good of the country, arguing that less-qualified newcomers with dangerous ideas could take charge in their absence.

Caught in this swirl of conflicting forces, most feel compelled to stay for the greater good, convinced, justifiably, that they are helping steer the nation’s policies onto safer ground. Still, in many cases they left behind good careers or safe sinecures, only to find themselves under attack by both Trump lovers and Trump haters for doing so.

The pressures of the moment are such that Treasury Secretary Steven Mnuchin felt compelled to issue a statement rejecting calls for him to resign over the way Mr. Trump responded to the violence in Charlottesville. He told Yale classmates that the president doesn’t endorse hate groups.

The push and pull is similarly captured in a pair of new commentaries. A piece on Breitbart News charged that “a group of globalist White House advisers and generals” were working with establishment Republicans to “betray” Trump voters.

It specifically mentioned H.R. McMaster, the national security adviser; his deputy,



President Trump with, from left, H.R. McMaster and Steven Mnuchin at the White House in July.

Dina Powell; and Gary Cohn, the National Economic Council director. It carried a picture of Mr. Mnuchin, as well.

Meantime, the opposite pull was reflected in a piece from the Atlantic, written by former national-security official and Trump critic Eliot Cohen, which posed the question: “Is It Time for Trump Aides to Resign?”

That question is particularly agonizing for members

of the Trump national-security team, who may well be the most functional part of the administration at a time of great international peril.

Mr. McMaster, Defense Secretary Jim Mattis, Secretary of State Rex Tillerson, new White House Chief of Staff John Kelly and Ms. Powell all have significant experience on the global stage.

They have helped steer Mr. Trump through a fraught

internal debate over military strategy in Afghanistan. They engineered a United Nations resolution imposing new sanctions on North Korea that was supported by both China and Russia.

And they have won some quieter victories, such as the release of American aid worker Aya Hijazi after three years of detention in Egypt.

Their experience seems particularly valuable amid a

gathering storm over North Korea’s nuclear program.

Should such people stay, even if they have misgivings? Richard Haass, president of the Council on Foreign Relations, who served in national-security posts for presidents of both parties, offers some thoughts: “The answer is a conditional yes,” he says. “And the condition is that you believe that you are having a real impact. Both your conscience and your reputation can take a hit if you’re working with someone with whom you’re out of sync. You’ve got to be brutally honest with yourself that your presence really makes a meaningful difference.”

The two reasons an official should resign, Mr. Haass says, are either because he or she “can’t live with where the president comes out on a big issue” or because “there is a pattern of decision making you can’t agree with.”

For those working specifically in the national-security area, he adds, those conditions probably don’t apply right now: “Given what is in their inbox, they can tell themselves they’re making a difference and aren’t having to defend policies they disagree with. As long as they can do that, we’re all better off” having them in place.

## WASHINGTON WIRE

### PENTAGON

#### Lockheed Eliminated From Missile Program

The Pentagon eliminated Lockheed Martin Corp. on Monday from an \$85 billion competition to refresh the nation’s land-based intercontinental ballistic nuclear missiles, one of the most fiercely contested defense contracts this decade.

Lockheed said it was disappointed to be cut out of the running to lead the Ground-Based Strategic Deterrent program, replacing 400 aging Minuteman III missiles deployed in silos across the Great Plains.

The Pentagon’s decision leaves Boeing Co. and Northrop Grumman Corp. to vie for this piece of the three-pronged, \$500 billion refresh of the U.S. nuclear arsenal that has won backing from President Donald Trump.

—Doug Cameron

### CONGRESS

#### Scalise Relearning To Walk, Ryan Says

House Majority Whip Steve Scalise (R., La.) is relearning how to walk after being shot at a congressional baseball practice earlier this year, House Speaker Paul Ryan (R., Wis.) said.

Mr. Scalise joined a conference call of House Republicans on Monday to talk about the fall agenda, the first time many House Republicans had heard his voice since the June shooting, Mr. Ryan said during a CNN town hall late Monday.

“It was very emotional for us,” Mr. Ryan said. “He has a long road ahead of him, but he’s going to be OK.”

Mr. Scalise had tweeted earlier Monday that he had joined his colleagues on the phone to discuss the coming legislative agenda.

“Enjoyed talking to my @HouseGOP colleagues on the phone today & look forward to seeing them all once I’m able!” he said.

—Kristina Peterson

### WHITE HOUSE

#### Trump and His Family Watch Solar Eclipse

President Donald Trump squinted and pointed skyward before donning protective glasses to take in the solar eclipse at the White House.

The GOP president was joined by wife, Melania, his youngest son, Barron, and top aides Monday afternoon to view the spectacle from the portico overlooking the South Lawn.

Shortly after walking outside, the president looked up at the sky, squinted and pointed upward. “Don’t look,” one staffer yelled.

Mr. Trump then donned the protective eyewear. Asked about the view, Mr. Trump gave a thumbs-up.

—Associated Press

# Vulnerable GOP Senator Draws President’s Ire

BY SIOBHAN HUGHES

PHOENIX—Donald Trump’s impulse to punch back at Republicans who challenge him is dividing the party in Arizona and threatening the 2018 reelection of Sen. Jeff Flake, one of the party’s most vulnerable incumbents.

Mr. Flake opposes Mr. Trump’s trade and border-wall plans, has criticized the president’s remarks about protests over a Confederate statue in Virginia and wrote a book that alluded to “impulse-control problems” and suggested the president had won election on a “sugar high of populism, nativism, and demagoguery.”

Mr. Trump, who last week called Mr. Flake “toxic” and “weak on borders,” is likely to whip up even more negative feelings about Arizona’s junior senator. Tuesday, the president is to visit a Marine Corps facility in Yuma, near the Mexican border, before holding a rally in Phoenix in the evening.

Already, the senator’s criticism is turning off some Trump voters. “It’s his attitude across the board to Trump,” said Marilyn Higgins, a Republican from Fountain Hills who has called Mr. Flake’s office to say she can’t vote for the senator next year. “To him, Trump is the enemy.”

Mr. Flake won in 2012 with 49% of the vote, three percentage points ahead of his Democratic rival. He is considered one of the most vulnerable GOP-held seats next year, when the overall map favors Republicans as they look to expand their 52-48-seat majority.

Mr. Flake faces a tough primary, with possibly two GOP



Republican Sen. Jeff Flake of Arizona has opposed some of President Donald Trump’s policies and remarks.

challengers, and if he wins the nomination he is expected to face U.S. Rep. Kyrsten Sinema in November 2018.

Monday, at a breakfast in Gilbert, Mr. Flake talked about water management, taxes, health insurance and his interest in staying in trade agreements. He never mentioned Mr. Trump by name, though he did allude to the leader of his party.

“We’ve got to get away from calling our opponents losers or clowns,” Mr. Flake said. He brushed off Mr. Trump’s attacks on him. “I don’t worry

about it at all,” Mr. Flake told reporters.

It is an uncomfortable dilemma for Mr. Flake—and other Arizona Republicans.

Saturday at a Fountain Hills Republican Club meeting, things started off with unanimity. An organizer announced a coming picnic and gun raffle. A deep-voiced pastor delivered a rousing eulogy praising a unified GOP.

Then the cracks started showing.

“I’m tired of the Republican leadership, congressmen, sena-

tors that are disparaging our president of the United States,” Art Tolis, a mortgage broker who serves on the town council, told GOP Rep. David Schweikert.

Mr. Flake has his supporters. His book, “Conscience of a Conservative,” is so popular that every copy is checked out of the public library in downtown Chandler. His backers are encouraged by the senator’s demeanor and his willingness to speak up against what he has described as a new viciousness in politics.

“The civility that he’s trying to bring back really means so much,” said Rachel Smetana, a Scottsdale resident who is chief of staff to the city’s mayor.

“We know the president holds grudges, and Trump has publicly said that when he is attacked, he will punch back harder,” political analyst Nate Gonzales wrote on Inside Elections last week after downgrading his estimate of Mr. Flake’s chances of winning.

“That’s not a good combination for Flake if he’s trying to tamp down a primary.”

## JEEP

Continued from Page One wasn’t clear whether the company is considering selling what many view as its most valuable division.

A Great Wall spokeswoman wouldn’t say whether it was preparing an offer for Fiat Chrysler, but she did say the company would continue to pursue Jeep in hopes of doing a deal.

Jeep is likely worth more than the \$20.7 billion valuation investors attribute to the company’s publicly available shares traded on the New York Stock Exchange, according to recent Morgan Stanley analysis. Great Wall, with a \$16 billion market value, could struggle to gather the financing needed to pluck Jeep from Fiat Chrysler investors, which include controlling shareholder Exor SpA.

Fiat Chrysler shares rose 6.9% on Monday trading in the U.S.

Chinese car companies have had success with certain acquisitions, most notably Zhejiang Geely Holding Group’s re-

vival of Volvo Car after buying it from Ford Motor Co. in 2010. But other proposed deals, including the 2009 bid by Sichuan Tengzhong Heavy Industrial Machinery to buy the Hummer SUV brand from General Motors Co., failed amid regulatory disapproval.

Great Wall is one of the few private auto makers to succeed in China, a market where state-owned players are seen having an upper hand. Buying Jeep would be “a very logical move” for Great Wall, said Yale Zhang, managing director of Automotive Foresight, a Shanghai auto consultancy.

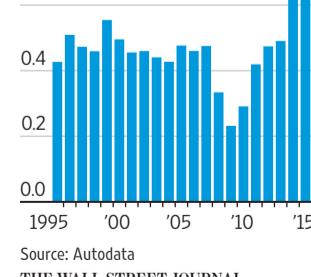
Great Wall has been open about its global ambitions for years, but has made relatively little headway outside China. When it launched Haval, a new brand for its stable of SUVs, in 2013, “it wanted Haval to be another Jeep,” said Mr. Zhang, “and to be the number one SUV brand in the world.”

One reason for the Chinese company to make public its interest in Jeep without actually making a bid is to avoid running afoul of authorities. In China, Great Wall would need government approval to get fi-

### Motoring

Jeep sales have soared since Fiat took a stake in Chrysler in 2009.

Annual Jeep sales in the U.S.



Source: Autodata

THE WALL STREET JOURNAL.

could monitor the reaction such an acquisition would elicit from the Trump administration and on Capitol Hill, testing whether a deal is politically possible.

President Donald Trump has criticized auto makers, including Fiat Chrysler, for moves that appear to threaten U.S. jobs, including producing vehicles in Mexico.

“In a normal world, I wouldn’t imagine it would be difficult” to win U.S. government approval for such a sale, said Kevin Wolf, a former senior Obama Commerce Department official now at Akin Gump. But he said the political reaction could doom the acquisition. There wasn’t any immediate reaction.

A deal is bound to be reviewed by the Committee on Foreign Investment in the U.S., an interagency body that examines foreign transactions to see if they pose national-security concerns. CFIUS, though, is hamstrung because few Trump administration officials who would lead the body have been confirmed.

If Great Wall board members are senior Communist Party or government officials—or are

closely related to such officials—that may be enough for CFIUS to treat the company as state-owned, U.S. lawyers say.

“The administration has yet to develop a comprehensive strategy that relates to Chinese investment,” said Ivan Schlagler, a lawyer at Skadden, Arps, Slate, Meagher & Flom who represents companies in CFIUS cases. CFIUS would consider whether Jeep still has substantial ties to the U.S. military or has developed technology that could give a boost to China’s national security.

About half of the Jeeps sold worldwide are still built in the U.S., as production has expanded in Mexico, Italy, China and India. Under Mr. Marchionne, several Jeep models have been redesigned to share extensive parts and engineering with Fiat vehicles, but the company has kept substantial portions of Jeep’s business separate.

The Wrangler, a boxy 4x4 most often associated with Jeep, is built in Toledo, Ohio in a dedicated factory and has been retrofitted for the coming model year. About 14,000 U.S. workers are employed at factories in America that make Jeeps.

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Mr. Trump then donned the protective eyewear. Asked about the view, Mr. Trump gave a thumbs-up.

—Associated Press

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# WORLD NEWS

## Navy Orders Global Pause After Collisions

Broad probe begins in wake of U.S. destroyer incident that has left 10 sailors missing

The U.S. Navy announced a pause in its global operations and patrols and has begun a broad investigation after the destroyer USS John S. McCain on Monday collided with a merchant vessel, leaving 10 sailors missing, the second such incident in months.

By Nancy A. Youssef in Washington and Jake Maxwell Watts in Singapore

The response by the U.S. military signals the Navy believes it needs to examine whether there may be institutional problems behind the deadly collisions, and that it may need to retrain some of its personnel in seamanship.

Navy Adm. John Richardson, the chief of naval operations, announced "an operational pause be taken in all of our fleets around the world"—a move officials said was rare.

He said the pause, which would commence in the next week and last one to two days, would allow fleets to "stand down, devote some time at the command level" and fleet commanders to review the Navy's "fundamental practices" that are meant to prevent such accidents.

"I want our fleet commanders to get together with their leaders and their commands to ensure that we are taking all appropriate immediate actions to ensure safe and effective operations around the world," Adm. Richardson said.

While officials are looking into the possibility that the collision was an intentional attack on the USS John McCain, Adm. Richardson said "we have no indication that is the case yet." He noted similar

questions were asked during the investigation of the previous collision, which happened in June and involved the USS Fitzgerald. The investigation has so far not found any evidence of that.

The broader investigation into the collision, he said, would look at the pace of ship operations and deployments, personnel, maintenance, equipment and training of personnel, suggesting a confluence of factors was behind the collisions.

Naval officials said that a fleetwide stand-down pause in operations is extremely rare, but that other branches of the military have declared similar pauses to review practices in the wake of fatal accidents.

Following two deadly aircraft mishaps this summer, the Marine Corps announced on Aug. 11 that commanders of each aircraft unit would ground their aircraft for a 24-hour period to review and assess its best practices and internal procedures. Each commander was directed to conduct the 24-hour pause, but were given two weeks to complete it.

The Pentagon offered scant new details on what might have led to Monday's collision, but said that it occurred shortly after dawn east of Singapore in the busy Strait of Malacca, when a Liberian-flagged oil-and-chemical tanker plowed into the left read side of the warship.

The tanker, 30,000-ton Alnic MC, roughly three times the size of the U.S. warship—even though empty of cargo—took through the destroyer's hull, flooding part of the crew berthing, machinery and communications rooms as the crew sought to limit the damage, the Navy said.

The missing U.S. sailors appeared to have been knocked overboard or trapped in the crushed hull of the destroyer.

Search operations continued for the missing sailors Tues-

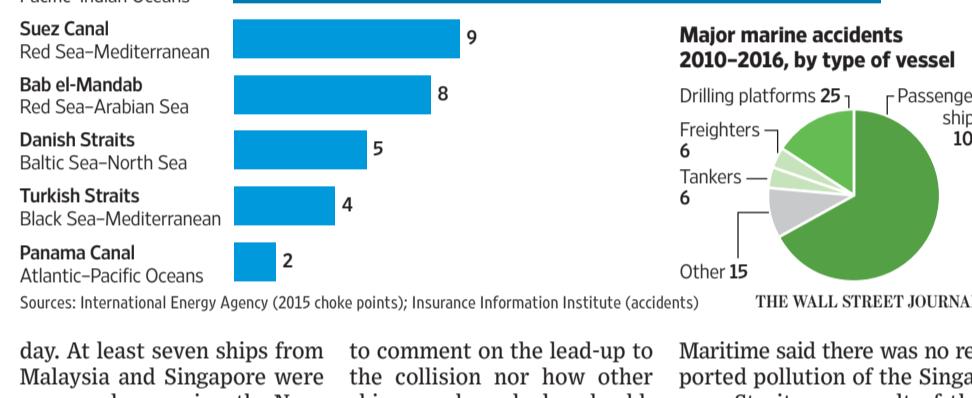


The USS John S. McCain in Singapore waters after Monday's incident

### Troubled Waters

Monday's collision between a U.S. destroyer and a commercial tanker happened near the Malacca Strait, one of the world's busiest shipping lanes. A look at other 'choke points' as well as recent maritime accidents:

#### Busiest 'choke points' by share of maritime oil trade



Sources: International Energy Agency (2015 choke points); Insurance Information Institute (accidents)

day. At least seven ships from Malaysia and Singapore were on scene by morning, the Navy said, in addition to aircraft from the amphibious assault ship USS America, which is providing support to the McCain while it is docked in Singapore. Weather conditions improved slightly from overnight.

A Navy spokesman declined

to comment on the lead-up to the collision nor how other ships may be redeployed, adding that the focus is now on the rescue operation. He didn't address questions about the Navy's navigational capability.

There were no injuries aboard the Alnic, according to Stealth Maritime Corp., which manages the tanker. Stealth

### Collision at Sea

The USS John S. McCain and merchant ship Alnic MC collided as both were on their way to Singapore.



Source: Malaysian Maritime Enforcement Agency

THE WALL STREET JOURNAL.

the warship in the latest incident, was named after the senator's father and grandfather.

Since June, two of the seventh Fleet's 12 destroyers have been taken out of service because of collisions. The McCain incident came days after the Navy released an initial report on the June 17 collision of the USS Fitzgerald, another Seventh Fleet destroyer, with a merchant ship in Japanese waters, leaving seven Navy sailors dead. The Fitzgerald's captain, the executive officer and the senior enlisted sailor were relieved of command, based on what the investigation had found so far.

The Navy has yet to explain how the collision happened, saying that still is being investigated.

In May, another Seventh Fleet ship, the USS Lake Champlain cruiser, collided with a South Korean fishing boat. The Seventh Fleet is based in Japan and operates in Asian waters.

—Saurabh Chaturvedi,  
Yantoultra Ngui,  
Gaurav Raghuvanshi  
and Costas Paris  
contributed to this article.

Maritime said there was no reported pollution of the Singapore Strait as a result of the collision.

Sen. John McCain (R., Ariz.), chairman of the Senate Armed Services Committee, said Monday he agreed on the need to look behind the recent collisions.

The guided-missile destroyer USS John S. McCain,

## U.S. Targets Chinese Firms Linked to North Korea

BY ARUNA VISWANATHA  
AND IAN TALLEY

U.S. federal prosecutors are preparing new actions targeting Chinese firms that officials say are critical financial conduits for North Korea's government, according to people familiar with the matter, an effort that could provide muscle to the Trump administration's plans to rein in Pyongyang's weapons program.

The Washington U.S. attorney's office in May obtained warrants to freeze funds of Chinese firms that were processed through U.S. banks, alleging these firms help finance North Korea's weapons program.

Prosecutors are now moving toward building broader cases that would result in the permanent seizure of the funds, among other things. As part of the investigation, U.S. banks that froze the funds flagged additional information that prosecutors are using to build cases aimed at further squeezing the finances of the nuclear-armed state, said the people.

The warrants targeted wire transactions involving Dandong Zhicheng, which allegedly bought North Korean



JOHN HEON-KYUN/EUROPEAN PRESSPHOTO AGENCY

South Korean firefighters during joint military exercises Monday with the U.S. in Goyang, South Korea

coal, and four related front companies that were used to buy North Korean coal with U.S. dollars, according to a judge's order authorizing the warrants. Eight banks in the U.S. were involved in processing the transactions, according to the order. Dandong Zhicheng didn't respond to re-

quests for comment.

Warrants are an investigative tool and interim step. Prosecutors would need to file a formal case to permanently seize the funds. Further action is expected in the coming days, targeting additional companies based in Dandong, a city in northeastern China

that borders North Korea, the people said.

North Korea experts say federal prosecutors, marshaling new powers to stem cash flows to the nuclear-armed state, could prove a potent tool to pressure the country's leader, Kim Jong Un, as Washington tries to stop the regime's nu-

clear-weapons program.

Cases being pursued by U.S. prosecutors, including the asset forfeiture and money-laundering section of the U.S. attorney's office in Washington, seek to seize the assets of Chinese firms that are allegedly helping to move money for North Korea. They have targeted alleged front companies that processed wire transfers through the U.S. financial system.

The legal efforts complement a promised escalation in efforts by the Trump administration targeting Chinese firms and nationals accused of financing the regime.

China, North Korea's biggest trade partner, has said it would ban imports of coal, iron and seafood, exports critical to North Korea's economy, in line with new United Nations sanctions. Pyongyang backed off its threats to lob missiles as the U.S. Pacific-island territory of Guam. China's latest efforts and the tempering of Pyongyang's rhetoric are unlikely to put a damper on prosecutors' efforts, though.

Four such cases have been made public to date. In another case in June, U.S. officials filed a lawsuit seeking to forfeit \$1.9 million from Mingzheng International Trading Ltd., another alleged China-based front company created to move U.S. dollars for Pyongyang. The company couldn't be reached for comment.

In the Zhicheng case, Chief Judge Beryl Howell of the U.S. District Court for the District of Columbia agreed with prosecutors' argument that forfeiture law allowed them to target suspect transactions even if the person engaging in them isn't specifically designated as a sanctioned entity by the Treasury Department. That, say North Korea watchers, is a powerful precedent, arming prosecutors with a new legal tool to combat illicit finance.

Federal prosecutors in Washington—who have jurisdiction to seize overseas assets—have the power to freeze funds of Chinese firms who are allegedly helping the regime in Pyongyang when they try to use dollar funding in U.S.-based banks. And prosecutors have the authority to fine any banks that use the U.S. financial system, including U.S. and Chinese banks, if the firms failed to have systems to catch potentially illicit activity.

## China Articles Unblocked

BY TE-PING CHEN

BEIJING—The publishing house of Cambridge University plans to republish hundreds of articles on its Chinese site that it had previously blocked at the behest of Beijing.

The decision came after academics reacted with outrage that it would bow to the demands of Beijing censors.

The publishing house confirmed Friday it had blocked more than 300 articles dealing with sensitive topics ranging from pro-democracy Tiananmen protests to Tibet on its Chinese site. The articles had been published in the China Quarterly, one of the most prestigious China-focused academic journals in the field.

In a statement, Cambridge University Press said it was reinstating the content, effective immediately. "Academic freedom is the overriding principle

on which the University of Cambridge is based," it said. The publisher described its prior decision to block certain articles in China as a temporary measure intended to protect Chinese access to its other content, pending discussions with the university.

"I'm delighted they listened to the academic community throughout this crisis," said Tim Pringle, editor of the China Quarterly. "This shouldn't have happened in the first place," he said. "The articles that were removed were subject to rigorous, double-blind peer review."

Asked about the rationale for authorities' request to remove the articles, a Chinese Foreign Ministry spokeswoman declined to comment.

Under President Xi Jinping, Beijing has grown more aggressive in policing the content of China's internet.

## Sentences Rejuvenate Activism in Hong Kong

BY NATASHA KHAN

HONG KONG—A successful appeal by Hong Kong's government that put three prominent activists behind bars is having an unintended consequence: reinvigorating the city's pro-democracy movement.

Three days after the former student leaders of mass protests in 2014 began prison sentences for unlawful assembly, tens of thousands of people took to the streets to decry their punishment, with some accusing the city's authorities of political persecution. The turnout was far greater than other recent rallies, including those during the July visit of Chinese President Xi Jinping, when protesters could be counted by the dozen.

Voices across the antistablishment spectrum that had fragmented in the wake of the bruising but unsuccessful



BILLY H. C. KWOK/GTY IMAGES

A protester at a Hong Kong rally for jailed student activists

demonstrations to demand freer elections in 2014 are beginning to speak out in unison. Foreign governments also expressed concern the sentences would deprive young people of their political voice.

"No matter what party you

belong to, now we have something to fight back against in the short term," said Lee Cheuk-yan, a vice chairman of Hong Kong's Labour Party. "The three jailed activists are now the spiritual leaders to help stimulate the whole movement."

Before the three were jailed, the beleaguered opposition camp had been losing momentum following a series of defeats challenging Beijing's growing control of the city. A resurgence of public opposition could make it harder for officials to bulldoze through controversial legislation.

Both Beijing and the Hong Kong government denied using the criminal courts for political means. The three student leaders were among protesters who scaled security gates to access a square outside government headquarters in 2014.

The most well-known pro-

test leader, Joshua Wong, 20 years old, is being held in a maximum-security prison. After he was sentenced, he issued a courtroom rallying cry to people not to give up the fight for democracy.

Mr. Wong and the other two jailed leaders—Alex Chow and Nathan Law—plan to appeal their case to the Court of Final Appeal, their lawyers said.

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## WORLD NEWS

# Police Kill Barcelona Terror Suspect

Moroccan thought to be driver of van in last week's attack is shot nearby after manhunt

BY JON SINDREU  
AND JEANNETTE NEUMANN

SUBIRATS, Spain—Police shot and killed the man suspected of being the driver in Thursday's attack in Barcelona after confronting him in this village wearing what appeared to be an explosive vest, Spanish authorities said.

The suspect, Younes Abouyaaqoub, was brought down by two police officers in Subirats, 35 miles west of Barcelona, where four days earlier a van he is believed to have been driving swerved through the crowded Las Ramblas promenade, killing 13 people and injuring dozens more, many of them critically.

Police were pursuing a tip from a local resident who reported she had seen a man resembling circulated photos of Abouyaaqoub dressed in layers of clothing despite the summer heat. Police later found him in a vineyard, said Josep Lluís Trapero, the police chief of Catalonia.

When the two officers approached him, Abouyaaqoub revealed what a robot later determined was a phony explosives belt and shouted, "Allahu



A van carrying the body of Moroccan suspect Younes Abouyaaqoub from the Spanish village site where he was shot on Monday.

akbar!" or "God is great!" The officers immediately shot him, Mr. Trapero said.

Earlier Monday, Spanish officials identified Abouyaaqoub, a 22-year-old Moroccan-born man, as the driver and said he was the final suspect in the attack who was still at large.

Authorities said Abouyaaqoub, after fleeing from the

scene of carnage on Las Ramblas on Thursday, stabbed and killed a man who was parking his car and commandeered it to escape from the city.

Abouyaaqoub drove the vehicle out of Barcelona, at one point hitting a police officer as he sped through a checkpoint, officials said. He abandoned the car, leaving the slain man's

body in the back seat, after which police said they lost track of him.

Monday's announcement of the bystander's death raised to 15 the number of people killed last week by a suspected terrorist cell along Spain's Catalonia coast.

The van attack in Barcelona late Thursday afternoon took

13 lives and occurred hours before militants, also in a vehicle, struck and killed a woman in the seaside village of Cambrils.

Police subsequently killed five members of the cell in Cambrils. Officials believe two more militants died in an explosion late Wednesday night at a suspected bomb factory in the coastal town of Alcanar.

Four others were also arrested. Mr. Trapero said Abouyaaqoub was believed by police to be part of a terrorist cell that had planned to launch an attack on Thursday using explosives and more than 100 gas canisters they had stockpiled in Alcanar.

Meanwhile, investigators were piecing together the activities of Abdelbaki Es Satty, the Moroccan-born imam who they believe radicalized the young men involved in the plot.

Es Satty is thought to have died in the house explosion last week in Alcanar, though police said final confirmation of that finding was pending.

In 2010, Es Satty was arrested in Ceuta, a Spanish enclave surrounded by Morocco, for trafficking hashish, according to an official. He was convicted and imprisoned between 2010 and 2014, Spanish officials said Monday.

Authorities have no evidence that he was linked to known terrorists while in prison, Mr. Trapero said.

Es Satty's subsequent travels to Belgium are now under scrutiny. He stayed in the town of Vilvoorde for several months early in 2016, Hans Bonte, the town's mayor, told the Belgian broadcaster VRT on Sunday.

—Natalia Drozdiak  
in Brussels  
contributed to this article.

## TRUMP

Continued from Page One  
tration's military approach, which relied on counterterrorism operations and training missions. But he said the U.S. wouldn't remain in Afghanistan indefinitely or write "a blank check."

Mr. Trump said also the U.S. would end the goal of trying to forge U.S. democratic values in Afghanistan and would avoid discussions of troop numbers and battle plans, repeating his criticism of the Obama administration's publicly stated timetable there.

The White House strategy, military officials say, would provide a modest increase of up to 4,000 additional U.S. troops for efforts to counter the Islamic State extremist group and the Taliban, in part through more training of Afghan forces so they can be more self-reliant in the longer term. The U.S. now has about 8,400 U.S. troops in Afghanistan working with about 4,000 North Atlantic Treaty Organization troops.

In his address, Mr. Trump also alluded to divisions in the U.S. over deadly protests earlier this month in Charlottesville, Va., stressing the importance of national unity.

"The young men and women we send to fight our wars abroad deserve to return to a country that is not at war with itself at home," Mr. Trump said in the speech.

He said an eventual peace deal with the Taliban was possible, as Secretary of State Rex Tillerson, in a statement timed to coincide with Mr. Trump's speech, elaborated on prospects for talks.

"The Taliban has a path to



U.S. Marines at a briefing in Helmand province in July.

peace and political legitimacy through a negotiated political settlement to end the war," Mr. Tillerson said. "We stand ready to support peace talks between the Afghan government and the Taliban without preconditions."

Mr. Trump also sought to distance himself from past presidents in his approach to Pakistan, although prior U.S. leaders also have grappled with Islamabad's relations with militant organizations.

"We can no longer be silent about Pakistan's safe havens for terrorist organizations, the Taliban and other groups that pose a threat to the region and beyond," Mr. Trump said.

Pakistan, he said, "has much to gain" from partnering with the U.S. in its efforts in Afghanistan. "It has much to lose by continuing to harbor terrorists."

U.S. officials contend that Pakistan has long harbored elements of the Haqqani network, which supports the Taliban in Afghanistan, and has been unwilling to go after that haven. Under the policy, the U.S. could lean more heavily

on Pakistan to do more.

Pakistan maintains that the Haqqani and Taliban groups now are based in Afghanistan, and that it has carried out operations over the past three years to clear out the presence of Afghan insurgents and other militants.

"Now, we have cleared all the areas that were in Pakistan. There is no organized in-

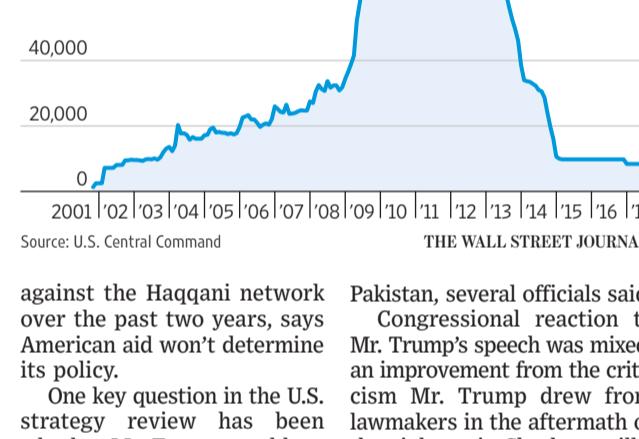
*'From now on,  
victory will have a  
clear definition,'  
the president said.*

rastructure of any terrorist organization in Pakistan," said Maj. Gen. Asif Ghafoor, the spokesman of Pakistan's military said Monday, in a news conference before the Trump announcement. "We have operated against all terrorists, including Haqqani network."

Pakistan, which has lost U.S. assistance over what Washington sees as inaction

## Long War

Approximate number of U.S. troops deployed to Afghanistan



Source: U.S. Central Command

Pakistan, several officials said.

Congressional reaction to Mr. Trump's speech was mixed, an improvement from the criticism Mr. Trump drew from lawmakers in the aftermath of the violence in Charlottesville.

Sen. Bob Corker (R., Tenn.), who had earlier criticized Mr. Trump, said Monday there were still questions about the future of Afghanistan but that the president's approach "provides the U.S. military with the flexibility it needs to help the Afghan military regain momentum."

Democrats focused on the delays in Mr. Trump's policy in Afghanistan and the inconsistency of his stands.

"The repeated delays and mixed messages President Trump has sent regarding the U.S. commitment to stability and security in Afghanistan have harmed our credibility with our Afghan partners, NATO coalition members, and other countries," said Sen. Jack Reed (D., R.I.).

—Rebecca Ballhaus, Saeed Shah, Qasim Nauman and Ehsanullah Amiri contributed to this article.

## Qatari's Saudi Trip Increases Tensions

A meeting between Saudi Arabia's crown prince and an obscure Qatari royal, officially aimed at narrowing differences between two estranged Gulf neighbors, has instead added more fuel to their long-running diplomatic dispute.

By Margherita Stancati in Jeddah and Dahlia Khalaif in Cairo

Sheikh Abdullah bin Ali Al-Thani's visit to Saudi Arabia was billed as easing access for Qatari citizens in the coming hajj pilgrimage to Mecca. His meeting last week with Crown Prince Mohammed marked the first public encounter between a Saudi leader and a member of Qatar's royal family since a breakdown in relations in June. It was initially seen as an indication of a possible thaw in strained ties.

The problem is that few had heard of the Qatari sheikh beyond tight royal circles, and Doha said he wasn't a government envoy. That situation prompted speculation that Sheikh Abdullah was a pawn in a Saudi plot to promote him as a possible alternative to the country's current ruler, Sheikh Tamim bin Hamad Al-Thani.

"The Saudis put him out there to say: 'There are legitimate people like him who one day could be in a position to take the throne,'" said a Gulf-based Western diplomat. "It's not pushing for regime change, because the change would be within the same family."

Many Qataris, including members of the royal family, have responded by publicly reaffirming their allegiance to Sheikh Tamim, the ruling emir, and playing down the influence of Sheikh Abdullah within the family.

Qatar's government was quick to distance itself from the visit, with the foreign minister saying Sheikh Abdullah had traveled to the kingdom strictly in a personal capacity.

Sheikh Abdullah, in a statement over the weekend, took a different tack. "My goal was to assist Qataris in the hajj process," he said. "The crown prince welcomed my mediation on behalf of my people in Qatar."

A Saudi government spokesman said he wasn't aware of the regime-change allegations. Saudi Arabia and other Arab countries in June cut ties with Qatar over allegations that Qatar supports Islamist groups like the Muslim Brotherhood.

◆ Qatar banks under strain as foreign deposits decline.... B10

## Russia Names Hard-Liner as New Ambassador to U.S.

By THOMAS GROVE  
AND JAMES MARSON

MOSCOW—Russian President Vladimir Putin appointed a hard-line diplomat known for his gruff style as Moscow's new ambassador to the U.S., signaling a more confrontational approach to Washington.

Monday's appointment of Anatoly Antonov, who served for nearly five years in the Defense Ministry, will bring a harsher line at a time when ties between the two countries are at their lowest point since the fall of the Soviet Union.

"His positions are defined by his experience with the Ministry of Defense," said Andrei Kortunov, the head of the Russian International Affairs Council, which has ties to the Foreign Ministry. "Antonov has always been defending the Russian trenches."

The diplomat will have to navigate what some analysts say may become a downward spiral in U.S.-Russian relations

of sanctions and countersanctions. On Monday, the U.S. Embassy in Moscow said it would sharply cut back visa services in Russia after the Kremlin responded to fresh U.S. sanctions by capping the number of U.S. diplomats in the country.

Mr. Antonov will be taking his post in the midst of a growing investigation into ties between members of U.S. President Donald Trump's campaign team and Russian officials, including former Ambassador Sergey Kislyak.

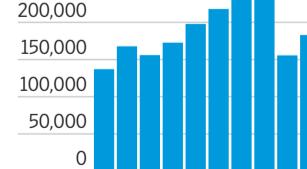
Analysts say Mr. Antonov was selected last year, when Moscow believed Hillary Clinton, who Russian leaders believed would take a harder tack toward the country, would win the presidential race. But they say the increasing tensions between Moscow and Russia, Mr. Antonov will serve the Kremlin's interests.

Mr. Kortunov said Mr. Antonov's arrival likely signals the start of a new approach from Moscow toward Washington, one that will likely see

### Stamp of Reproval

The U.S. is sharply cutting back visa services in Russia after the Kremlin responded to fresh U.S. sanctions by capping the number of U.S. diplomats in the country.

Nonimmigrant visas issued by the U.S. in Russia



Notes: Fiscal year ends Sept. 30; Includes border-crossing cards

Source: U.S. Department of State

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a more adversarial stance and lower chances of cooperation.

"We must understand that any cooperation will be situational and be transactional and that otherwise the U.S. will be hostile to Russia," he said.

The U.S. Embassy on Monday said the effects of Russia's

Acquaintances of Mr. Antonov say his style is reserved and he is more comfortable criticizing and confronting policy decisions than he is hosting receptions and dinners, known as Mr. Kislyak's forte.

Mr. Antonov's job at the ministry was to boost Russia's international defense ties, and he ultimately became the public face of Russia's military during Russia's 2014 annexation of Crimea and start of the war in eastern Ukraine, when relations between Russia and the U.S. began their downward trajectory. Previously he had worked on arms control.

As the U.S. investigation into the extent of Russia's meddling in the election has intensified, relations have soured further. After the passage of new sanctions legislation by Congress, Russian President Vladimir Putin said in July that Russia would have to cut hundreds of diplomats and staff.

The U.S. Embassy on Monday said the effects of Russia's

sanctions on the U.S. diplomatic mission forced it to suspend all nonimmigrant visa operations across Russia on Aug. 23 and restart them on Sept. 1 "on a greatly reduced scale." Nonimmigrant visas will only be issued in Moscow, not at consulates in St. Petersburg, Yekaterinburg and Vladivostok. "Russia's decision to reduce the United States' diplomatic presence here calls into question Russia's seriousness about pursuing better relations," the embassy said.

Russia said the measures will pare down the U.S. diplomatic presence in Russia to the same level Russia has in the U.S. after former President Barack Obama's expulsion of 35 Russian diplomats and their families and the shuttering of two diplomatic facilities late last year for Moscow's alleged tampering with the 2016 presidential election.

◆ U.S., Russia duel over gas exports to Europe..... B1

## WORLD WATCH

ITALY

### Earthquake Hits Island of Ischia

An earthquake Monday night rattled the Italian resort island of Ischia at the peak of tourist season, killing at least one person and trapping a half dozen others, including children, under collapsed homes.

Police said all but one of the people known to be trapped were responding to rescuers and were expected to be extracted alive. One person, however, wasn't responding.

Italy's national volcanology institute said the tremor struck a few minutes before 9 p.m., as many people were having dinner. The hardest-hit area was Casamicciola, on the northern part of the island.

There was great discrepancy in the magnitude reported: Italy's national vulcanology agency put the initial magnitude at 3.6, though it revised it to a 4.0 sustained magnitude. The U.S. Geological Survey gave it a 4.3 magnitude.

At least one hotel and parts of a hospital were evacuated.

Civil protection crews, already on the island to fight the forest fires that have been ravaging southern Italy, were checking the status of the buildings that suffered damage. Ischia is a favorite island getaway, famed in particular for its thermal waters.

—Associated Press

NIGERIA

### President Reappears, Decrying Extremists

President Muhammadu Buhari said his government would step up its campaign against Islamic extremist rebels but made no mention of his health as he spoke to the nation for the first time after more than three months of medical treatment in London.

"Terrorists and criminals must be fought and destroyed relentlessly so that the majority of us can live in peace and safety," Mr. Buhari said in a televised speech on Monday.

"Therefore we are going to reinforce and reinvigorate the fight not only against elements of Boko Haram which are attempting a new series of attacks on soft targets, kidnappings, farmers versus herdsmen clashes, in addition to ethnic violence fueled by political mischief makers," he said. "We shall tackle them all."

Mr. Buhari, 74 years old, didn't say what illness caused him to leave Nigeria in May for treatment in Britain.

The government of Africa's most populous nation itself has never said what was ailing Mr. Buhari, and his long absences have led some commentators to call for his replacement and for the military to remind its personnel to remain loyal.

—Associated Press

## WORLD NEWS

# U.S., Canada in Wood Scrap

Higher American tariffs on lumber would squeeze some firms even as others cheer

By WILLIAM MAULDIN

MADAWASKA, Maine—The river that divides the U.S. and Canada in this border town also cuts directly through the **Twin Rivers Paper** Co.'s wood pulp and paper operation.

The two-country arrangement has worked for years in the tightly integrated operation, with a Twin Rivers Canadian lumber mill up the road supplying wood chips to a plant that turns the chips into pulp in Edmundston, New Brunswick. The pulp is then piped across the St. John River into Maine, where it gets pressed into massive rolls of paper used to make Bible pages, food packaging and shipping labels.

Today, company managers say the entire operation—including 500 jobs on the U.S. side—is at risk, threatened by a trade fight between the U.S. and Canada over the softwood logs from which the chips are collected to make the pulp. This year the Trump administration announced preliminary 27% tariffs on the lumber from Twin Rivers's sawmill, squeezing the margins of the operation and weighing on the rest of the business.

Sawmills and timberland owners from Alabama to Oregon are eager to benefit from the higher lumber prices that come with tariffs on their Canadian competition, which they say benefits from unfair subsidies. But U.S. home builders are complaining about higher lumber prices, and American businesses, like Twin Rivers's paper mill, that rely on raw materials from north of the border, find themselves caught in the middle.

"Ultimately [the tariff] affects everything from where the trees come in to where the paper comes out," said Ken Winterhalter, president



SARAH RICE FOR THE WALL STREET JOURNAL  
of Canada's economy especially on the other side of the continent, in British Columbia. There, forests on government-owned land provide the biggest share of wood for the U.S. home-building industry.

Lumber mills across the U.S. say their Canadian counterparts get below-market access to logs from government-owned land and have urged the U.S. to take actions like the one hitting the Twin Rivers operation.

One of them, the Pleasant River Lumber mill in Dover-Foxcroft, Maine, churns out boards from fragrant spruce, with an American flag printed on each stick. The Brochu family says it uses nearly all American spruce and pine logs in its mills.

Jason Brochu has traveled to Washington with the U.S. Lumber Coalition to argue that Canadian mills in general aren't paying market prices for coniferous logs cut from "crown," or provincial government-owned, land. He backs the preliminary tariffs that Commerce Secretary Wilbur Ross imposed this year and believes any deal to avoid tariffs should limit Canadian lumber strictly to a limited share of the American market.

With the uncertainty hanging over the market, the Brochus for now are delaying a goal of expanding production, instead investing in upgrading equipment to boost efficiency.

"If we can't be competitive because of subsidies, then we have to maintain what we have," Mr. Brochu said.

This year, Mr. Ross included New Brunswick in the preliminary tariffs. The move is supported by the U.S. Lumber Coalition, a powerful group that has the backing of at least 25 U.S. senators.

The Canadian government and the country's industry groups say they are prepared to fight the tariffs.

The Pleasant River Lumber mill, whose owners back the new tariffs

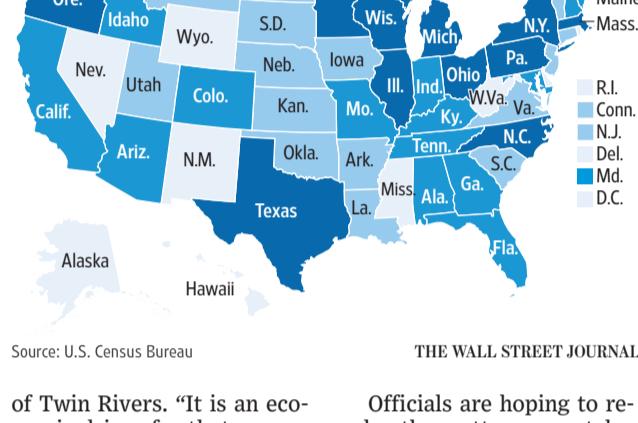
### Tree Trade

Canadian softwood lumber is used across the U.S., with border states and large home-building markets importing the biggest share of the boards, which now face preliminary U.S. tariffs.

#### Softwood lumber imports from Canada

January through June 2017, value in millions of dollars

0 11 40 90 1300



Source: U.S. Census Bureau

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of Twin Rivers. "It is an economic driver for that area, and the impact would be felt in the entire northern part of Maine."

The forest fight is putting Washington and Ottawa at loggerheads at a time when senior officials from both countries are sitting down with Mexican counterparts to renegotiate the North American Free Trade Agreement for the first time since the pact was enacted 23 years ago.

Officials are hoping to resolve the matter separately but concede it could bleed into the talks, complicating political support in the U.S. and Canada.

Fights over lumber and logging have plagued U.S. relations with its northern neighbor for two centuries, especially in and around Maine.

In recent decades, logging and lumber production have remained an important part

Ad Council

I didn't talk  
for a very long time

Jacob Sanchez  
Diagnosed with autism

Lack of speech is a sign of autism. Learn the others at [autismspeaks.org/signs](http://autismspeaks.org/signs).



AUTISM SPEAKS

## IN DEPTH

# BRAZIL

Continued from Page One

ties and has put few rules in place so far to limit the creation of new ones, partly in a bid to foster the country's young democracy. Parties have proliferated as a result.

The majority of would-be party founders are ordinary people angry about Brazilian politics who figure they couldn't do any worse than the politicians now in office.

Under current rules, parties automatically receive about \$30,000 of taxpayers' money per month—\$360,000 a year—once they are approved by the electoral court, and a bonus for each member elected to Congress.

Brazil's largest parties are seeking to change those rules in a bid to protect their turf. Congress is set to vote as early as Wednesday on a constitutional amendment that would effectively reduce the number of political parties in Brazil by allowing funding only after they have elected a minimum number of lawmakers.

Political scientists say the country's problem is too many parties. With 35 official political parties in existence, and 26 of them represented in Congress, most lawmakers just spend their time coalition-building.

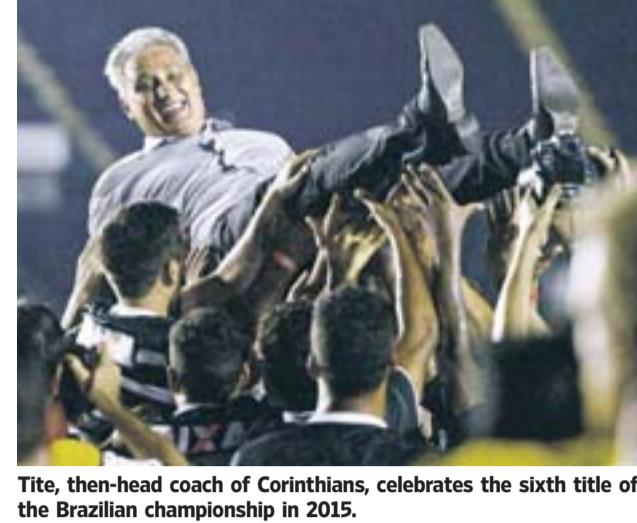
"It's become a joke but really it's a tragedy," says Paulo Sotero, director of the Brazil Institute of the Woodrow Wilson International Center for Scholars in Washington.

One of the parties hoping to get registered for next year's presidential election was formed by Juan Moreno, 40, a burly gas station owner from the beach town of Ubatuba.

Like most of his countrymen, he's livid about corruption so widespread that a third of all members of Congress are under investigation, mostly for graft but a couple for rape and attempted homicide—allegations they have denied, except in a few cases involving minor infractions.

Mr. Moreno is also obsessed with soccer.

To combine both passions, he founded the National Corinthians Party in 2014, after his beloved São Paulo soccer club,



Tite, then-head coach of Corinthians, celebrates the sixth title of the Brazilian championship in 2015.

Corinthians.

Since then he has enlisted the help of his mom, his wife and hordes of soccer fans to prowl the streets with clipboards to gather the exactly 486,679 signatures required to become an official party in Brazil. He's got more than 400,000 and he has less than two months to collect the rest in time for the 2018 vote.

The next step is persuading Tite, the coach of Brazil's na-

tional soccer team, to run for president of the republic. "Can you imagine that?" Mr. Moreno said, wide-eyed at the prospect, on a recent visit to the party's São Paulo headquarters in a run-down shopping mall.

Many aspiring parties don't seem overly concerned with ideology beyond the cause suggested by their names. Mr. Moreno's Corinthians Party doesn't have any policies yet or official positions. "Abortion,

homosexuality, blah blah, the masses don't discuss that," he says.

Other platforms are painstakingly specific, though few seem to offer solutions for the country's deeply troubled state of government finances or other big problems. Some of the potential parties are focused entirely on single issues, such as the struggles of indigenous tribes, slum-dwellers and disabled people.

With Brazil's entire political system now discredited by corruption allegations, the fad now is to avoid the word "party." Among the list of party hopefuls are Equality, Popular Unity, Renovate, Popular Tribune, Real Parliamentary Democracy, Strength Brazil, New Social Order, Common Citizen Movement and Roots.

Over the past three years, Brazil's vast Car Wash corruption probe has implicated scores of top politicians, including President Michel Temer and former leader Luiz Inácio Lula da Silva. Both have denied wrongdoing.

It isn't always easy setting up a political party. Mr. Moreno was disavowed by the Corinthi-

ans soccer club, who dismissed him and his party as "opportunists." Local press branded him a thug for hitting a military policeman—an incident Mr. Moreno says was self-defense. Corinthians fans are eager to sign up; supporters of other clubs are harder to convert, he says.

Mr. Moreno is still optimistic. "Politics is not just for boring men in suits; it's for simple folk too," he says. "We will make Brazilians proud to be Brazilian again!"

One of the Animals Party's founders, Alexandre Gorga, is a bashful security guard at Brazil's Supreme Court. His wife, an animal-rights activist, urged him to take action around the time she persuaded him to stop tormenting cows by giving up milk and cheese.

It was not long before the couple won the support of Nicole Puzzi and other vegans, a relatively isolated group in meat-loving Brazil. Like Ms. Puzzi though, the thought of actually running for office leaves him queasy. Mr. Gorga says: "I never wanted to get involved in politics."

In France, Ms. Le Pen hailed Mr. Trump and Brexit as harbingers and echoed the message of economic nationalism and sovereignty. She amplified her opposition to the EU and unveiled a plan in January to pull France out of the euro.

## Internal critics

Some National Front politicians thought the party should stick to its traditional anti-immigration theme. Among the sharpest internal critics was Ms. Le Pen's niece, Marion Maréchal-Le Pen, a rising star in the party since she won a parliamentary seat in the Vaucluse region of southern France in 2012 with an anti-immigration message.

Ms. Maréchal-Le Pen told the party brass that returning to the French franc was irrelevant to voters' problems in the coming decades, says her longtime lieutenant, Mr. Lépinai.

The elder Ms. Le Pen stuck to the Frexit policy. In a televised debate against Mr. Macron, she gave a raucous performance. She spoke over Mr. Macron, gestured at him theatrically and falsely insinuated he had an offshore account.

A close aide to Ms. Le Pen says the performance gave an impression of recklessness that backfired with French voters. Already trailing in the polls, Ms. Le Pen slumped to a defeat by 32 percentage points.

Ms. Maréchal-Le Pen resigned from office after her aunt's defeat in May, leaving Mr. Lépinai to defend the Vaucluse seat in June's parliamentary elections.

His adversary was political neophyte Brune Poirson, a 34-year-old entrepreneur who says she decided to join Mr. Macron's brand-new party, "En Marche !", after Mr. Trump's victory in November.

The odds of her winning in the Le Pen family bastion were long. But the divisions in the National Front gave her an opening, as did the right's association with the American president in some voters' minds.

She won in an upset, partly because of a weak turnout among National Front supporters. Mr. Macron's upstart movement achieved a large majority in Parliament.

At meeting in late July, National Front leaders reaffirmed their opposition to the EU but said they would prioritize tougher immigration and trade policy over matters of "monetary sovereignty."

A survey of 10 EU countries published in June by the Pew Research Center found that Europeans remain critical of the bloc. A median of 46% disapproved of the EU's handling of its long economic crisis, while 66% disapproved of its management of the refugee crisis.

But dissatisfaction didn't translate into support for leaving. The survey found that, outside the U.K., a median of only 18% wanted to quit the EU, while 77% wanted to stay.

Mr. Appelt, the factory worker from eastern Germany, says voters such as himself will give mainstream politicians a brief opportunity to fix Europe's problems.

"It's now all about whether things take a turn for the better," he says. "If this doesn't happen in the next couple of years, then it is possible that Europe again simply takes a rightward turn."

# EUROPE

Continued from Page One

Centrist leaders such as new French President Emmanuel Macron and German Chancellor Angela Merkel exploited those concerns, and nationalist parties have stopped talking about leaving the EU or the euro—or styling themselves as the local version of Mr. Trump.

Anti-EU nationalists were "so electrified after Brexit and Trump that they thought all of us would be president or prime minister of their country," says Gerolf Annemans, a leading figure in Belgium's Flemish-nationalist party and in a group of EU-skeptical parties in the European Parliament. Instead, he says, "to some extent the Trump election has frightened off parts of the center electorate in Europe."

The tide of far-right and populist parties is still running high in Europe by historical standards, even with the economy picking up steam, and some voters say it wouldn't take much to see them switch back their support.

Far-right and other populist parties made significant gains, despite recriminations over their tactical decision to up their anti-EU rhetoric. National Front leader Marine Le Pen won 34% of the vote in France's presidential election, her party's highest-ever share. Her vanquisher, Mr. Macron, has struggled in his early days with falling poll numbers and some domestic political setbacks.

The anti-immigration Alternative for Germany party, or AfD, is on course to enter the German parliament in September's national elections, the first time a far-right party has done so in decades.

In Austria, elections in October could put the far-right Freedom Party in a position to join the next government. Italy's ideologically eclectic 5 Star Movement, fueled by fury at incumbents, could become the country's biggest party in elections due next year.

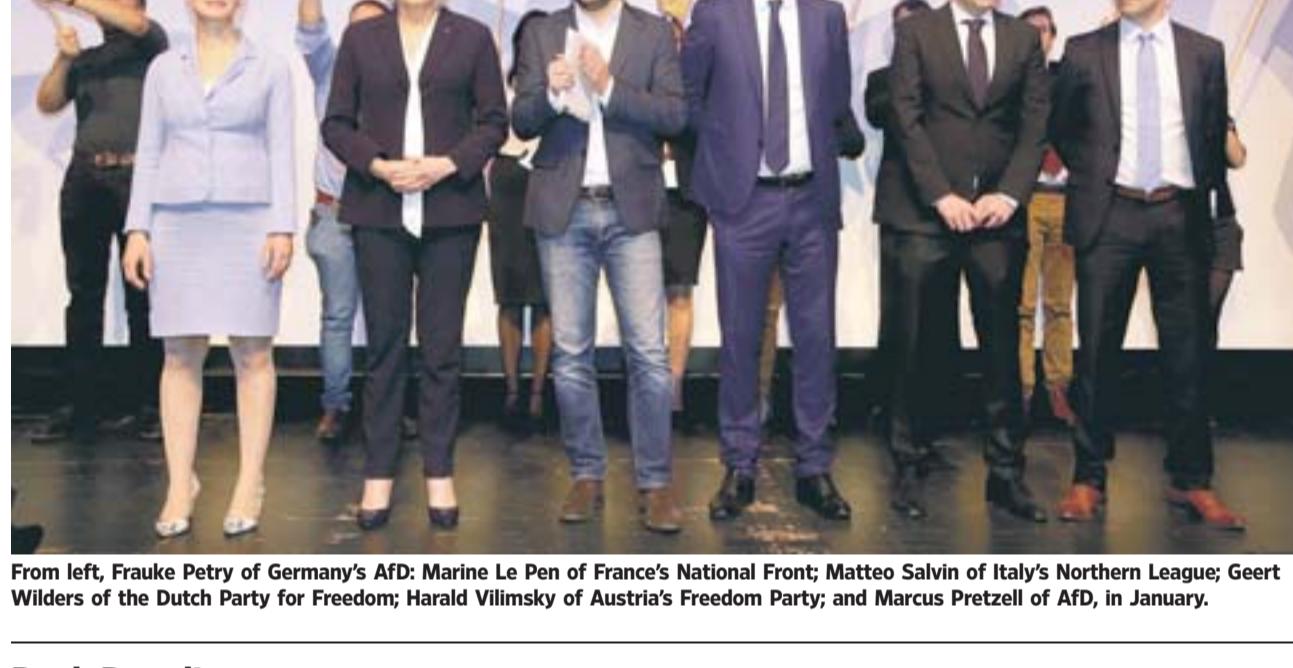
## Declining support

Yet in most of Europe, elections and surveys suggest that populism might have peaked—at least for now. Support for European antiestablishment parties rose to just over 30% in opinion polls in 2016, but has declined to around 23%, according to a composite measure of opinion-poll support developed by economists at bank Nomura Holdings.

The current support still represents a substantial increase from what it was five years ago. That suggests the populist movement is here to stay, even through recent election tactics appear to have backfired.

The Dutch Party for Freedom, led by anti-Islam firebrand Geert Wilders, won more seats in elections this March than in the previous elections in 2012, but fewer than in 2010. Mr. Wilders missed his goal of becoming the Netherlands' biggest party. Like Mr. Wilders, France's Ms. Le Pen performed worse in the presidential election than opinion polls last winter suggested she would. The AfD is polling about 8% in Germany, well below its 15% level of support last fall.

When the heads of Europe's populist parties gathered in the

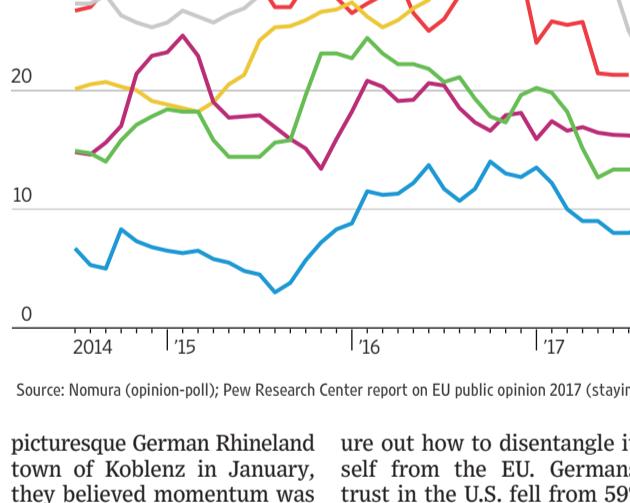


From left, Frauke Petry of Germany's AfD; Marine Le Pen of France's National Front; Matteo Salvini of Italy's Northern League; Geert Wilders of the Dutch Party for Freedom; Harald Vilimsky of Austria's Freedom Party; and Marcus Pretzell of AfD, in January.

## Peak Populism

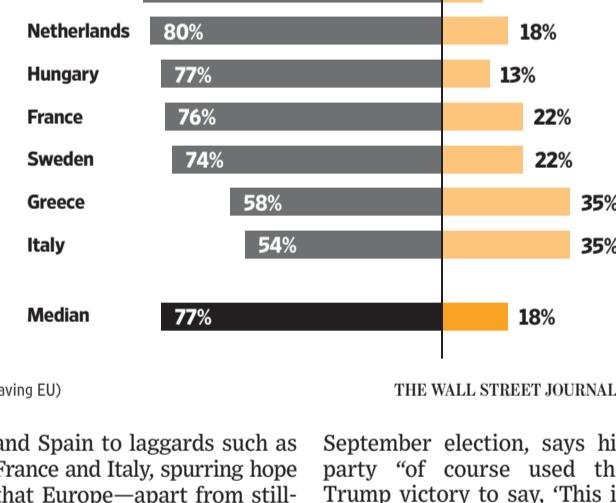
Europeans have grown more skeptical of populist parties, and majorities in many countries want to stay in the EU.

### Opinion-poll support for antiestablishment parties



Source: Nomura (opinion-poll); Pew Research Center report on EU public opinion 2017 (staying or leaving EU)

### Large majorities across many EU member states want their nation to stay in the EU



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picturesque German Rhineland town of Koblenz in January, they believed momentum was with them. The U.K.'s Brexit vote and Mr. Trump's November victory, they said, heralded an antiestablishment wave that would sweep them into power or close to it, while bringing about the end of the EU in today's form.

"Yesterday a free America...Tomorrow a new Europe," Mr. Wilders told a cheering crowd from a stage shared with Ms. Le Pen and other allies.

Mr. Wilders styled himself as the Dutch Trump. Ms. Le Pen visited Trump Tower in New York, although she didn't meet the president-elect. Each promised to emulate Brexit by holding referendums on leaving the euro or EU, proposals dubbed "Frexit" in France, "Nexit" in the Netherlands, and "Öxit" in Austria.

Incumbents believed that populist upsets were distinctly possible. In the German chancellery, some aides to Ms. Merkel feared they might soon lose France as a close and predictable ally. The multilateral order of the West, consolidated since the end of the Cold War, was felt to be in unprecedented danger. "If Le Pen wins, then the EU is over," predicted one longtime German official.

Yet many European voters were unsettled by what was happening in the U.K. and U.S. The U.K. has struggled to fig-

ure out how to disentangle itself from the EU. Germans' trust in the U.S. fell from 59% in Nov. 2016 to 21% in February, and has remained at low levels, according to opinion polls commissioned by public broadcaster ARD.

Support for the EU, battered by long crises over debt and migration, began to recover. The EU's own latest Eurobarometer report on public opinion, published in August, found that trust in the EU has risen to 42%, from 36% a year ago and 32% in late 2015.

Now, he says he has changed his mind. He doesn't know yet who he will vote for in Germany's Sept. 24 parliamentary elections, he says, but it won't be the AfD. He says he finds the party too amateurish and extreme, and that watching events in the U.S. and U.K. has made him more skeptical.

He sees the AfD's policies as similar to Mr. Trump's. "He wants to wall off his country, and the AfD also wants to keep all foreigners from entering, and that doesn't work either," he says. Mr. Trump's political struggles and the U.K.'s difficulties defining its future relationship with Europe have convinced him that isolationism makes for bad policy, he says.

Alexander Gauland, who co-heads the AfD ticket for the

September election, says his party "of course used the Trump victory to say, 'This is also coming in Germany. The establishment is being voted out.' We have a figure like [Hillary] Clinton here: Merkel."

Mr. Gauland says if Mr. Trump had managed to start construction on his promised Mexican-border wall, the AfD could have used the new president's success to trumpet the feasibility of its own demands to close Germany's borders. "Now that it's become tangled up in details, people are no longer paying attention," he says.

Mr. Trump's mixed messages on traditional U.S. security commitments to European allies—in June he affirmed U.S. defense guarantees to NATO allies, after declining to do so at a NATO summit in May—have also hurt support for an EU-skeptical agenda, Mr. Gauland says.

His party continues to campaign for a "Dexit" referendum on leaving the EU unless the bloc agrees to loosen ties between members.

Only 20% of Germans want a looser EU, however, while 78% support more cooperation between EU countries, according to an ARD survey this spring. Another survey by market-research firm GfK in March found that only 10% of Germans would vote to leave the EU in a referendum, while 75% would vote to remain.

# GREATER NEW YORK



Manhattan crowds gathered in Bryant Park, above, and near Radio City Musical Hall, below, to watch the rare solar eclipse on Monday afternoon.



CLOCKWISE FROM TOP LEFT: DAVID COLE/WSJ; ALEXANDER COHN/WSJ; MICHAEL BUCHER/WSJ

## Some Skipped Solar Show

Several were too busy or didn't buy the hype, while others worried about eye injuries

BY MARIANA ALFARO

New Yorkers across the city buzzed with excitement about the solar eclipse Monday—except, well, those who were sitting it out.

"I have seen it before," said Dan Pillai, a businessman doing rounds checking on shops at Central Park a couple of hours before the eclipse began. Mr. Pillai said eclipses are "worth the hype," but didn't think he was missing much by not seeing this one.

There were other New Yorkers not getting in the eclipse spirit. Some said they had too much work to step outside; others said they

didn't want to risk their eyesight looking at the sun; and others just didn't get the hype.

Alex Altu, who works for a moving company, said he was really excited for the eclipse. But there was no way he could take a break to watch it.

"It kinda sucks because even though they say something like that is going to happen in seven years from now, it's still something that's pretty cool that most people don't get a chance to witness," he said.

Niki Dixon, who works at the Sight Improvement Center on 43rd Street, also wasn't able to watch the eclipse because of work. But it wasn't bothering her.

"I didn't necessarily want to watch it," she said. "It was just like, not really interesting to me. I don't really know much about it, it doesn't really matter."

As she walked with a friend to get lunch near Bryant Park during her break, Ashlyn Giulianelli, a production manager, said she didn't understand why people would stop their day when New York only got a partial eclipse.

"You would think that aliens would have come out of the sky," she said, looking at a Bryant Park in Midtown Manhattan packed with eclipse-watching minutes before 2:44 p.m., when about 75% of the sun was covered by the moon.

As Ms. Giulianelli and her friend Gina Ferrando, a production coordinator, made their way to lunch, hundreds of spectators crowded streets, using special glasses or homemade viewers to peer at the sun.

"What I want to know is why people are trusting their vision in a piece of paper," Ms. Ferrando said. "They could've

come from anywhere."

In Central Park, Stephen Lokiec, 64 years old, said he once wanted to be an astronomer, but today decided to miss out on the eclipse because he didn't get the proper glasses.

Mr. Lokiec said he stopped by a few optician stores to see if they had special eclipse glasses, but didn't find any.

"I feel like it's a once-in-a-lifetime opportunity," he said. "On the other hand, I don't know if I would trust my future eyesight to a pair of cardboard glasses. Now that I'm older, I'm more concerned."

Anthony Priolo, who was visiting from New Jersey, also said he wouldn't watch out of fear of hurting his eyes. He said he made no effort to get special protective glasses for the eclipse.

"If I want to get a good picture of it, I'll Google it," he added.

## State's New Bail Policy Faces Legal Challenge

BY CORINNE RAMEY

The mother of a New Jersey homicide victim has teamed up with the bail-bond industry to bring one of the first legal challenges to the state's move to eliminate bail.

The bail overhaul stems from legislation signed by Republican Gov. Chris Christie in 2014 and a constitutional amendment later approved by voters. The changes have drawn praise from criminal-justice advocates, though the bail-bond business has seen them as an existential threat.

On April 5, Jules Black, 30 years old, was driving in Cumberland County, N.J., when he was pulled over for using his cellphone, according to police. The officer smelled marijuana and, after searching the car, arrested Mr. Black for possessing a handgun, police said.

After a court hearing, Mr. Black was released—and, in keeping with the new law, wasn't required to post bail. Four days later, police said, he fatally shot 26-year-old Christian Rodgers.

Mr. Black pleaded not guilty. A lawyer representing him didn't respond to requests for comment.

"I felt that system failed my son," said Mr. Rodgers's mother, June Rodgers, 50, of

Millville, N.J.

Under the old system, New Jersey residents had a right to bail; even defendants accused of the most serious crimes couldn't be held without bail. But in recent years, questions of fairness arose because low-income defendants who couldn't afford bail were held in jail until trial, while wealthier defendants, including those accused of the same crimes, went free because they had the means to pay the bail.

Today, judges rarely assign bail.

Judges set bail for 19 of nearly 22,000 defendants from January through June, said a spokesman for the state's court system. The number of people in jails awaiting trial on June 30 was about 5,700, down from about 8,800 two years earlier.

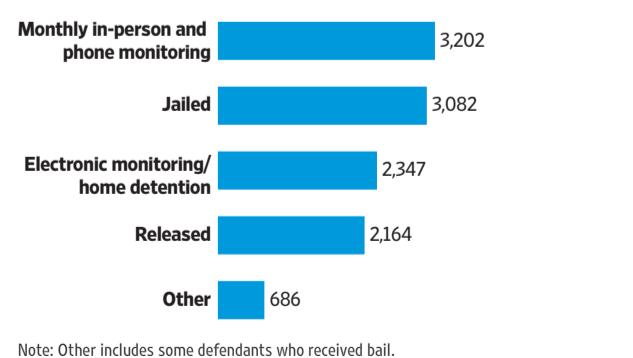
Under rules that went into effect in June, the court recommends those with serious gun charges be held in jail.

The state's bail overhaul hasn't been welcomed by those who work in the bail-bond industry, which typically charges defendants a fee or requires collateral in exchange for posting bail.

After her son's death, Ms. Rodgers scoured the internet, where she found an interview with Michelle Esquenazi, who

### Bail Out

Under new rules designed to eliminate bail in New Jersey, judges set bail for just 19 defendants from January through June. Most others were released, jailed or assigned pretrial monitoring.



Note: Other includes some defendants who received bail.

Source: New Jersey Courts

owns a bail business in New York and is nicknamed the "Bail Bond Queen." She then met others in the industry, eventually connecting with Beth and Duane "Dog" Chapman. Ms. Chapman, president of the trade group Professional Bail Agents of the United States, and Mr. Chapman, a reality-TV star known as "Dog the Bounty Hunter," are longtime industry advocates.

The Chapmans connected Ms. Rodgers to Libre by Nexus, a Virginia company that bails out immigrants from detention centers. Nexus Caridades, a law firm funded by the company, took her case.

The resulting suit, filed in July, names as defendants Mr. Christie, state Attorney General Christopher Porriño and the Laura and John Arnold Foundation, a nonprofit that

Please see BAIL page A8B

## Remarks Imperil Expansion of Charter Schools

BY LESLIE BRODY

The head of a group that approves New York charter schools said Monday that it would be "very difficult" for Success Academy Charter Schools to expand if hedge-fund manager Daniel Loeb doesn't step down from the charter network's board in light of his recent racial remark.

In a Facebook post this month, Mr. Loeb said state Sen. Andrea Stewart-Cousins, a black Democrat who serves as state Senate minority leader, had done "more damage to people of color than anyone who ever donned a hood" because of her loyalty to unions, according to a screenshot reported in the New York Times.

Mr. Loeb has apologized for the post, which was deleted, and said he regretted the language he used in expressing his "passion for educational choice."

A chorus of Democratic politicians and others have called for Mr. Loeb to resign from the charter network in recent days. Joseph Belluck, chair of the Charter Schools Committee that oversees charter schools authorized by the State University of New York, ratcheted up the pressure on Monday.

Mr. Loeb's "continued presence there is going to be quite a challenge for us as the authorizer" of these charters, said Mr. Belluck, who called the Facebook post "reprehensible."

Spokespeople for Mr. Loeb declined to respond to Mr. Belluck's comments Monday.

Success Academies, the city's largest charter operator, has 46 charters open in New York City and wants to grow

to 100 in a decade. Mr. Belluck, a longtime supporter of the high-performing network, heads the committee that decides whether to approve its applications to open new sites, and renew existing ones.

"It would be difficult for me to expand the network of a school that has somebody on the board that holds those views," Mr. Belluck said. It was important, he said, to show children that people should be held accountable for racially charged comments.



Success Academy board member Daniel Loeb's racial comment has drawn the ire of officials.

A spokeswoman for Success Academies said: "SUNY is a strong authorizer and has always been fair and supportive of Success, and we know that it will make decisions on the merits of what's best for students."

Most of the charter network's students are poor and black or Hispanic. Supporters praise its high test scores and orderly environment; critics accuse it of draining resources from traditional public schools.

A spokesman for Ms. Stewart-Cousins said after news of the post broke in early August that "in 2017 it is outrageous and offensive that this type of language is used by someone with such wide political influence."

—Mike Vilensky contributed to this article.

## Tax-Cut Bill Divides Mayor and Council

BY MIKE VILENSKY

The New York City Council is clashing with Mayor Bill de Blasio as it pushes something rare for the liberal legislative body: a tax cut.

Amid a rise in retail closures, a bipartisan majority of council members now support legislation to roll back a 54-year-old tax on Manhattan's commercial businesses.

The effort has put the Democratic mayor, who has been wary of the idea, on the defensive against Democratic City Council members, with whom he is generally aligned. The council coalition now has enough members backing the bill to override a mayoral veto if it comes to that.

"Manhattan retail is in crisis," said Councilman Daniel Garodnick, a Democrat representing Manhattan's East Side who introduced the bill. "We cannot wait any longer."

Mr. Garodnick's legislation was first proposed in 2015 but has attracted growing attention over the past few months as the city grapples with a string of retail closings, mirroring a national trend.

Major U.S. retailers have announced 5,630 store closures in the U.S. this year, a 175% increase over the same period last year, according to an Aug. 18 report from Fung Global Retail & Technology, a retail think tank.

Empty storefronts are increasingly visible on the streets of Manhattan. A mid-year report from real-estate firm Cushman & Wakefield shows Manhattan retail markets are asking less for rents in once-bustling retail markets like SoHo and Times Square.

The current tax of roughly 4% applies to commercial tenants below 96th Street, with a section of lower Manhattan exempted, paying \$250,000 or more in annual rent. Mr. Garodnick's legislation would raise the threshold at which the tax kicks in to \$500,000.

The city's taxes are typically controlled by the state, but the commercial rent tax, instituted in 1963 as the city's

economy floundered, is controlled by the city.

Mr. de Blasio has expressed concerns about losing city revenue since Republican President Donald Trump took office this year and proposed cuts.

The council has estimated the tax cut would cost the city \$55 million in revenue and suggested making it up through savings.

Council Speaker Melissa Mark-Viverito, a Democrat, is often allied with the mayor but has gone up against him on certain issues when the council clashed with his agenda. She will decide if the bill gets a vote before term limits force her off the council next year.

"Council members have expressed strong interest in moving forward with the [bill] and it is under close review," said Robin Levine, Ms. Mark-Viverito's spokeswoman.

The council now has 41

## GREATER NEW YORK



# Posters Will Take Center Stage at New Museum

By CHARLES PASSY

New Yorkers don't have to venture far to see poster art because the city is plastered with it.

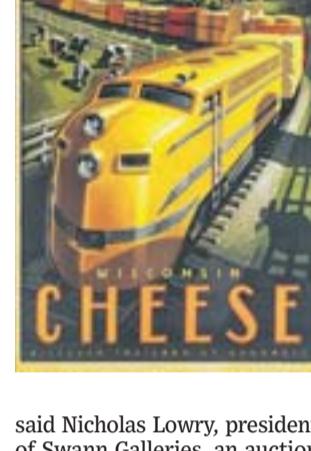
But that hasn't deterred a group of poster enthusiasts who are planning to open what they say is New York City's first museum devoted to the art form.

The museum, dubbed Poster House, will be located in Manhattan's Chelsea neighborhood at 119 W. 23rd St. in the space that formerly housed Tekserve, a store that serviced and sold computers.

The opening is planned for late 2018, though the museum will host a monthlong pop-up exhibit in the space starting Sept. 20.

Poster art is simply too popular not to merit a venue dedicated to showcasing it in all its diversity, museum officials contend. They note that posters are a form of advertising at their core and thus speak to a range of subjects, from politics to sports to film.

"Posters were among the original kinds of clickbait,"



said Nicholas Lowry, president of Swann Galleries, an auction house that sells posters. Mr. Lowry is a member of Poster House's advisory board.

Major New York City museums, including the Museum of Modern Art and Metropolitan Museum of Art, feature posters from time to time, but Poster House officials said they rarely give the art form the full attention it merits.

"Posters are a part of museum collections, but they're a



Poster House officials, top left, tested lighting for a pop-up exhibition at the future home of a museum devoted to poster art.

fringe element," said Julia Knight, the Poster House museum director.

The nonprofit museum isn't a low-cost endeavor. The price tag for renovation of the roughly 15,000-square-foot space will total about \$6 million alone, the Poster House said.

Museum officials say they have \$15 million in guaranteed funds covering the renovation and operating expenses through 2019 from an anonymous group of donors.

The museum won't charge admission, but will ask for a suggested contribution from visitors. While such a policy may not boost Poster House's bottom line, it speaks to the democratic nature of the medium, officials say.

Poster House is likely to benefit from its niche as one of just a handful of poster mu-

seums in the world, say observers of the cultural scene. The museum also would have the advantage of being located in a tourist hub, with proximity to such draws as the High Line park and the Chelsea art galleries.

But in a city as museum-filled as New York, Poster will face plenty of competition, which has resulted in a handful of smaller museums closing in recent years.

A case in point: The Museum of Biblical Art, which closed in 2015 after a decade-long run.

"There are just so many museums. You have to have something really distinctive to make your mark," said Chris Heywood, senior vice president with NYC & Company, the city's official tourism organization.

Mr. Bloomberg pushed hard for such a proposal, but ultimately failed to win approval

from state lawmakers.

Mr. de Blasio said a congestion-pricing initiative isn't likely to win the support of state legislators today, either. And he noted that he had long been critical of Mr. Bloomberg's plan, and of congestion pricing in general, saying it adds an unfair burden to outer-borough motorists. "I've never seen an example of it that I thought was fair," he said.

Earlier this month, Mr. Cuomo said he would push for congestion pricing, changing course because he believed there was more of a political appetite for such a measure.

The plan would charge some drivers a premium to enter the most crowded parts of New York City in the hopes of increasing revenue for mass transit and reducing traffic woes.

"Congestion pricing is an idea whose time has come," the governor said in an interview with the New York Times this month.

Republicans generally are

opposed to higher taxes, higher fees and higher tolls, and believe New Yorkers already pay enough, a spokesman for the state Senate GOP said.

State Sen. Marty Golden, a Brooklyn Republican who backed a congestion-pricing plan pushed by former Mayor Michael Bloomberg, said his support had cost him political capital.

"I took a bullet for that and nothing happened," Mr. Golden said, adding that he would be "very, very cautious" about backing such a plan again. "Taxing people is not the way to go."

Mr. Bloomberg pushed hard

for such a proposal, but ultimately failed to win approval

"Anyone interested in real, achievable solutions to the decades long problems plaguing the city's transportation network would join with us" in backing a congestion-pricing proposal, a spokesman for Mr. Cuomo said.

On Monday, the mayor said he would reserve full judgment on Mr. Cuomo's congestion-pricing proposal until he had seen the details. The governor has yet to release specifics of his plan.

The competing views on the issue come as Messrs. Cuomo and de Blasio feud about how to pay for costly fixes to the city's aging subway system, which is experiencing soaring delays amid record ridership and decades of underinvestment.

# Congestion Plan Isn't Feasible, Mayor Contends

By MARA GAY

New York City Mayor Bill de Blasio said he doesn't believe Gov. Andrew Cuomo's idea to use congestion pricing to help pay for public transit can become law, the latest clash between the two Democrats.

"I do not think it's politically viable," the mayor said at a news conference in Brooklyn on Monday.

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A passenger ferry from Hoboken arriving Monday at 39th Street. The service has operated as a stopgap to train disruptions.

# Hoboken to Midtown Ferry Made Permanent

By PAUL BERGER

A temporary ferry service whisking commuters between Midtown Manhattan and Hoboken is to become permanent.

The eight-minute ride, usually available only during transit crises, will launch on Sept. 5. But priced at \$274.50 a month, will it attract enough passengers to make it viable?

NY Waterway President Arthur Imperatore said some commuters getting a taste of the service this summer could be persuaded to pay extra for the convenience of the ferry.

According to his calculations, ferry users would pay about \$1.50 more per trip compared with the combined cost of a 30-day PATH Smart Card

and a 30-day MTA MetroCard.

"You're always guaranteed a seat on our boats," Mr. Imperatore said, adding that he believes his company's free bus transfer service in Manhattan shortens commutes to some offices north of 34th Street by 15 minutes compared with riding the PATH and subway.

The Midtown ferry service usually operates in times of crisis such as the wake of superstorm Sandy in 2012.

It has become a popular alternative this summer after Amtrak closed several tracks at New York Penn Station for most of July and all of August to carry out emergency infrastructure repair work.

Thousands of rail passen-

gers have been diverted to Hoboken, where NJ Transit has subsidized a free transfer to the PATH rail system or to ferries to Manhattan.

On average, about 2,200 passengers take the ferry each weekday. Mr. Imperatore said he hopes to attract about 1,000 daily passengers for the permanent service.

"It's like the best eight minutes of my day," said Sheryl O'Connell on Monday morning as she took a seat in her regular spot at the back of the ferry's sun-drenched upper deck bound for Midtown.

Told of the proposed pricing options, which include \$8 for a single trip and \$75 for a 10-trip package, Ms. O'Connell said: "That's just way above

what I could afford."

Desmond Porbeni said he enjoyed the service so much that he had been wondering whether it might become permanent. Upon hearing the price, he said that he will probably return to his usual commute on the subway when normal rail service to Penn Station resumes after Labor Day.

NY Waterway intends to run three ferries per hour between Hoboken and Pier 79 at West 39th Street during the morning and evening rush hours.

"We know we won't get every customer," Mr. Imperatore said. "But we think we can attract a good base of ridership."

with the same period in 2016. Earlier this month, Mr. Christie said he welcomed the suit. "Obviously the bail-bond industry makes a lot of money off poor people," he said. "I mean, it's disgraceful, and we've changed the system now so that...if you are poor in this state and are charged with a crime you should not have to stay in jail for being poor."

A spokeswoman for Mr. Porrino declined to comment. The Arnold Foundation, in a statement, called the suit meritless.

Proponents of the overhaul note that, under prior rules, Mr. Black could have paid bail and would have been released.

industry, our livelihoods, and the communities we live in and serve."

"This is bail's ultimate stand," she added.

Others contend the industry is using Ms. Rodgers's tragedy to protect its bottom line.

"For decades, this was one of the best businesses you could be in," said Alec Karakatsanis, a civil-rights lawyer who has fought against the bail system. "It was extremely profitable, with no consumer regulation—essentially like payday lending on steroids."

As for Ms. Rodgers, she says she is merely fighting for her son. "Something has to be done about it," she said.

## BAIL

Continued from page A8A developed the risk-assessment algorithm used to help determine if defendants should be jailed.

The suit argues the risk assessment is faulty and responsible for Mr. Rodgers's death. After the assessment went into effect, "thousands of violent criminals were released into the streets of New Jersey's neighborhoods," the suit claims.

State police data show that during the first seven months of this year, violent crime in New Jersey was lower compared

with the same period in 2016. Earlier this month, Mr. Christie said he welcomed the suit. "Obviously the bail-bond industry makes a lot of money off poor people," he said. "I mean, it's disgraceful, and we've changed the system now so that...if you are poor in this state and are charged with a crime you should not have to stay in jail for being poor."

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## GREATER NEW YORK WATCH

### TRANSPORTATION

#### Penn Station Work Is a Boon for PATH

The extensive track repairs at New York's Penn Station this summer have been a boon for one of the region's rail lines.

While Service on the Long Island Rail Road and NJ Transit has been cut back due to the repairs, ridership on PATH service operated by the Port Authority of New York and New Jersey has soared.

The Port Authority says average weekday PATH ridership reached 298,000 last month, 9% over 2016 and the most since the agency took over the rail line in 1962.

—Associated Press

### BROOKLYN

#### Security Increased For J'Ouvert Festival

New York City officials have shifted the start time of a pre-dawn festival celebrating Caribbean culture and are taking other security precautions in an effort to stem violence ahead of the West Indian Day Parade.

J'Ouvert usually begins at 4 a.m. on Labor Day on the streets of Brooklyn but will start this year at 6 a.m. Revelers will have to pass through metal detectors.

Police stepped up security last year, but three people were shot, two fatally. In 2015, an aide to Democratic Gov. Andrew Cuomo was killed by a stray bullet.

—Associated Press

### WESTERN NEW YORK

#### Cliff Fall Kills Couple, Injures 4-Year-Old

A family hike in a western New York gorge turned tragic when a mother and father died after falling off a cliff and their 4-year-old son was seriously injured, authorities said.

The bodies of Amanda and William Green, both of Buffalo, were discovered along with their injured son Alexander in the Zoar Valley Gorge Sunday, the Erie County sheriff said. Rescuers found the couple's 7-year-old son, Jacob, nearby with non-life-threatening injuries. Authorities believe the adults and child fell about 200 feet down a cliff.

—Associated Press

## CORRECTIONS & AMPLIFICATIONS

Roughly 2,500 children in New York City are waiting to be adopted, and 9,000 are in foster care. An article Thursday about a program that will help children in foster care incorrectly said there are 9,000 children waiting for adoption.

A highball cocktail is three parts soda to one part alcohol. In some editions Monday, an article about the whisky soda incorrectly stated the ratio was three parts alcohol to one part soda.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.

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# LIFE & ARTS

BY ANNE KADET

A GROUP OF friends sat in a circle on the beach in Huntington, N.Y., one recent night to talk about their progress cultivating tranquility. Initially, it hadn't gone that well, said Gerard Healy. He'd tried to kayak but the boat he borrowed from his sister was too small. "I got all wet and haven't used it since," he said.

The group of five was the Huntington Ben Franklin Circle, one of more than 70 groups that have formed around the country in the last 18 months. The groups focus on cultivating the founding father's 13 virtues including silence, frugality and humility.

Modeled on Franklin's Junto, his Philadelphia "club for mutual improvement" that met every Friday evening to discuss the virtues, the modern circles range from invitation-only dinner gatherings to public meetings in municipal libraries.

Some adhere to the suggested format: Members commit to practicing a given virtue and report back at the next session. Others simply offer a freewheeling discussion on a meaty topic, free of the rancor that characterizes a lot of contemporary debate.

The idea was spurred by New York City's 92nd Street Y, when a long email conversation between its executives prompted one to comment that the thread was serving as a sort of Junto for them. The cultural and community center began hosting pilot discussions, and eventually produced a downloadable tool kit to help people start their own Ben Franklin Circles.

Some, though, find applying Franklin's 18th century virtues to 2017 a little thorny.

When Lee Kuczewski joined a Ben Franklin Circle in New York City this summer, "I was expecting to discuss virtues and values," says the 35-year-old entrepreneur.

But the dozen attendees meeting in a small Manhattan church weren't totally on board with Franklin's virtues, starting with 'temperance'.

While Franklin admonished, "Eat not to dullness; drink not to elevation," members were far more interested in tempering their internet addictions.

"Drinking and eating disappeared out of the conversation almost completely," Mr. Kuczewski says.

The group's second gathering included wine and dessert. "Strangely, we all lacked self-restraint," he says. But Mr. Kuczewski says that the conversation did help him curb his screen time.

The 20-odd member circle hosted by the Commonwealth Club in San Francisco serves as less of a self-improvement program and more of a forum for discussing the merits of the virtues themselves, says organizer George Hammond, a retired mergers and acquisition lawyer who has written books on Plato and early Christianity.

"We ask, is this virtue actually good for us?" he says.

In many cases, the virtues are found lacking.

## LIFE What Would Ben Franklin Say?

Modern fans give the founding father's 18th-century virtues a 21st-century twist

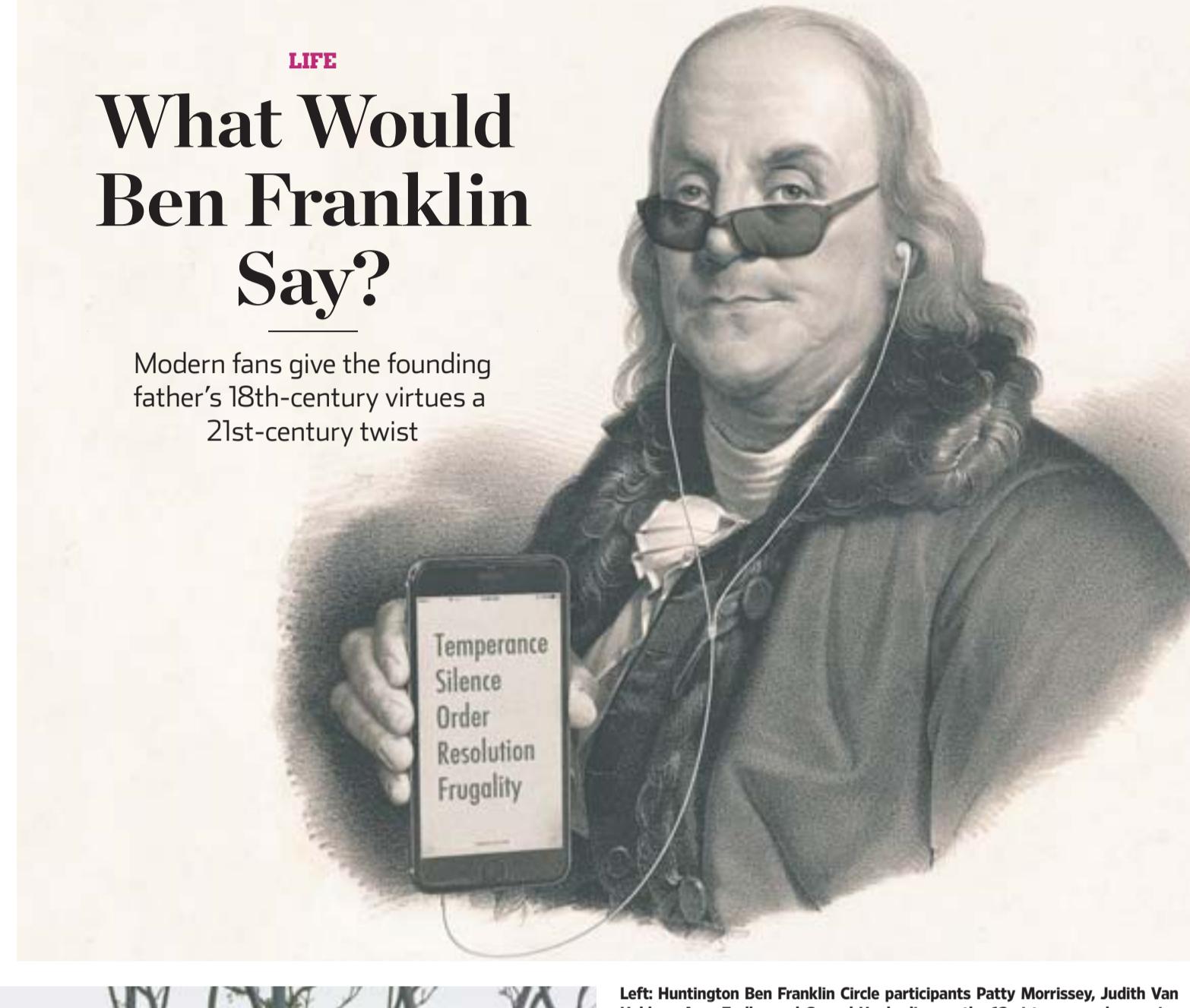


PHOTO ILLUSTRATION BY WILLIAM DUKE (PHOTO: LOCI; HEATHER WALSH FOR THE WALL STREET JOURNAL (2))



Left: Huntington Ben Franklin Circle participants Patty Morrissey, Judith Van Hekken, Amy Endler and Gerard Healy discuss the 13 virtues over beer, wine, popcorn and chocolate. Below: Ms. Morrissey, like many members, keeps a journal to track her progress practicing the virtues.



Hoover Institution and the Citizen University, a nonprofit devoted to fostering citizenship, tweaked Franklin's Junto meeting format to broaden its reach via the internet. It also reduced time demands by suggesting a monthly rather than weekly meetup.

"It's an experiment—an open-source model of taking an idea that's 250 years old and updating it for the 21st Century. Who knows what to expect?" says Ms. Curran.

A Denver group combined a Ben Franklin Circle with its walking club. A Miami circle joins children and seniors. In Kitchell, N.C., Art Beveridge and his friends combined their Ben Franklin Circle with a book club, discussing how characters exemplify the virtues. "It works pretty well," says Mr. Beveridge.

"Although 'cleanliness' is hard, because it's a book, and we don't

know whether they did the dishes."

Mr. Beveridge, a construction consultant and blacksmith, says he does his best to take Franklin's suggestions. Following the discussion of temperance, for example, he began launching his evening cocktail hour with a soda instead of the usual vodka collins. A born storyteller, he is struggling with silence. "But I think I've gotten better," he says. "I listen to my wife more and she appreciates it."

Like Franklin, Tom McGuire, a web developer in Austin, Texas, selects a different virtue to practice every day. He chooses from a list on his smartphone. The biggest benefit of the circle he started, he says, comes from the monthly commitment.

"I know I need to fix some behavior, and having other people to check in with is really where the power is," he says.

In the Seattle circle, discussions on 'cleanliness' and 'order' stirred a lively debate between the neat-freaks and the artist types who insisted that creativity arises from chaos.

"It seems like a silly thing to talk about whether you are clean and tidy, who cares," says Ms. Cane. "But because of the format, people approached it with a seriousness: 'Why have I not considered this as a virtue?'"

"I still make my bed now," she says. "Even though I hate it."

YOUR HEALTH | By Sumathi Reddy

## A STRIKING RISE IN SERIOUS ALLERGY CASES



Insurance claims for dangerous reactions to foods like peanuts and eggs have increased sharply over the past decade.

The rate of reports of severe allergic reactions to foods like peanuts has increased by nearly five times over the past decade, according to a new analysis of private insurance claims.

The analysis looked at private insurance claims with a diagnosis of an anaphylactic food reaction from 2007 to 2016. Anaphylaxis is a systemic allergic reaction in which the immune system affects multiple parts of the body at the same time, often leading to trouble breathing. It can be fatal if not treated promptly and requires an injection of epinephrine and a trip to the emergency room.

The analysis was conducted by FAIR Health, a New York City-based, independent nonprofit that has a database of 24 billion medical and dental claims from 150 million privately insured people.



"This is an incredibly important study," says James Baker, chief executive officer and chief medical officer for the Food Allergy Research & Education (FARE), a Virginia-based advocacy group.

"Clearly our own information suggests that not just the frequency of people having food allergy but the severity of food allergy in individuals has increased dramatically."

The proliferation of food allergies in the western world, particularly to peanuts, has baffled medical experts who struggle with how to advise parents and children for a condition with no permanent cure. Studies have found that as many as 8% of children have a food allergy, with nearly 40% having a history of severe reactions.

The increase could be related

Please see HEALTH page A10

## LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

# Rock and Pop for The Modern World

**ON HER THIRD** full-length album, "Holiday Destination" (PIAS America), out on Friday, the British vocalist-composer Nadine Shah steps into the world of geopolitics as she writes about identity, immigration and other related topics. The events of 2016—Brexit, the rise of nationalism, and attacks on immigrants both physical and verbal—shape her latest lyrics. Some appear as reportage, others from a fictionalized first-person perspective; many are informed by experience. The 31-year-old Ms. Shah's father is Pakistani, her mother Norwegian; she was born in Whitburn on the coast of Northeast England.

"I've been told I'm not English enough to be English and not Pakistani enough to be Pakistani," she said by phone last week from the garden at her home in Tottenham, London. She concedes she has an easier time of it than her dark-skinned relatives who, like she, are Muslim.

Accompanied by modern rock influenced by New Wave and the rhythms of Afrobeat, Ms. Shah's dark, burnished voice unwraps her tales with empathy and urgency, resulting in her best recording to date. Working again with Ben Hillier, who produced her first two albums (as well as discs by Blur, Depeche Mode, Elbow, Natalie Imbruglia and others), Ms. Shah turned over demos in which she sang complemented by her guitar or piano. Mr. Hillier often began to flesh out the instrumentation by adding drum parts, and many songs on the album have at their center Ms. Shah's voice and the sound of a drum kit. In the songs "2016" and "Evil," a simple pattern is at the center of the mix. "Ordinary" features a high-hat cymbal and bottom-heavy percussion that rumbles as if a microphone were set inside the kick drum. Opening the album, "Place Like This" jumps off with polyrhythmic percussion that intensifies as the track progresses.

Ms. Shah and Mr. Hillier, whom she refers to as a full partner in her music-making, haven't stinted on arrangements. Neill MacColl's big riff on electric guitar rings throughout "Yes Men" and Pete Wareham's staccato saxophone adds bitter commentary to the punk-influenced "Out the Way." In "Mother Fighter," the album's most fully realized track, Ms. Shah and the band charge hard, placing a thick sheet of sound and pounding drums under the top line.

Ms. Shah is a dramatic vocalist who is never overwrought or hyperbolic. She conveys honest emo-



## HEALTH

Continued from page A9

to the increasing use of antibiotics, rising rates of C-sections that affect the microbiomes of babies, and an increasingly sterile environment, says Hugh Sampson, director of the Jaffe Food Allergy Institute at the Icahn School of Medicine at Mount Sinai in New York City. All have altered the good bacteria in our intestinal tracts, which alters the programming of our immune systems.

Many years of medical advice telling parents to avoid highly allergenic foods such as peanuts when children are babies may have contributed to increasing allergy rates, he says. Earlier this year medical organizations changed their advice recommending that babies at high and moderate risk of developing a peanut allergy, such as those with eczema, be introduced to the foods by six months.

The rate of food allergies to peanuts and tree nuts have doubled or even tripled over the past two decades in the U.S., Dr. Sampson says.

The FAIR Health analysis found that peanuts were the most common cause of anaphylaxis, making up 26% of claims. Tree nuts, such as walnuts and pistachios, and seeds accounted for 18% of claims, followed by eggs, crustaceans, and dairy. About 33% of claims were due to unspecified or unknown foods.

The analysis also showed a greater increase in claims in rural areas than in cities. "The one thing that surprised me was the bigger change occurring in rural areas as opposed to urban areas," Dr. Sampson says.

The urban and rural area designations were based on the U.S. Census, says Robin Gelburd, president of FAIR Health.

The group will dig deeper into the data in a white paper to be released in October, she says, looking at geographical and gender variations and costs of services, among other factors.

About 34% of claims were in people over 18, she says.

"I think a lot of people assume

children grow out of these allergies, and the fact that we're seeing about a third of the claims attributable to those over 18-years-old is something that raises some interesting questions and invites some further study," Ms. Gelburd says.

Kristin Osborne, a mother to three boys in Virginia Beach, Va., knows the fear of anaphylaxis. Her sons—ages 15, 11 and 5—all have multiple food allergies.

### Serious Spike

The rate of severe allergic reactions to foods has increased by 377% over the past decade. Twenty-two percent of all such claims were reported in 2016.

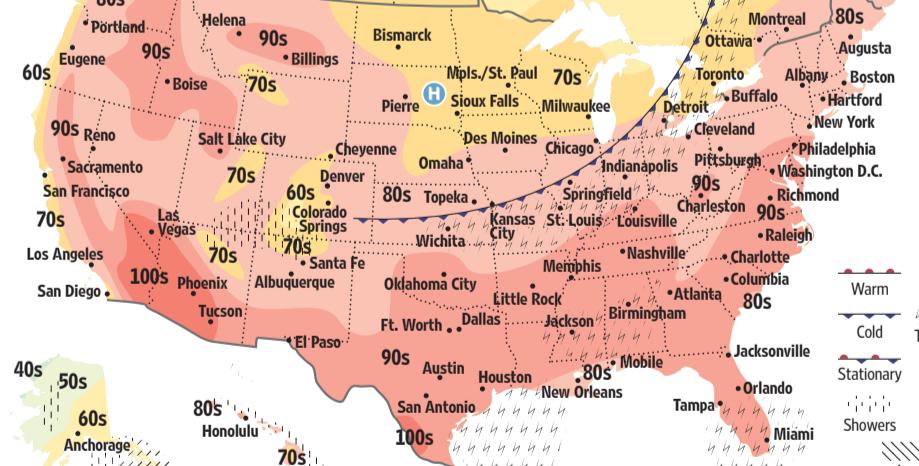


Her middle son, David Osborne, is allergic to peanuts, tree nuts, wheat, dairy and eggs. He has had two anaphylactic reactions in the past 12 months. The most recent was at the grocery store, when she suspects he was exposed to an allergen on the conveyor belt at the checkout line.

"He started wheezing and coughing and couldn't breathe, so I administered epinephrine and rode to the emergency room," recalled the 36-year-old, who works as a disability advocate.

"It's extremely scary," she says of the reactions. "It's kind of like a roller coaster. We really prepare and try to be as proactive as possible, but when it happens, you never really know what the end result is going to be. We just hope to get to the ER in time."

### Weather



### U.S. Forecasts

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

t...storms; r...rain; sf...snow; sn...snow; L...ice

Today Tomorrow

Hi Lo W Hi Lo W

Anchorage 63 51 pc 60 52 s

Atlanta 91 75 pc 90 72 t

Austin 99 73 pc 100 75 t

Baltimore 94 74 pc 85 63 pc

Boise 96 67 s 92 64 pc

Boston 87 71 s 82 64 t

Burlington 87 64 t 78 57 pc

Charlotte 94 72 pc 92 69 t

Chicago 80 59 t 77 60 s

Cleveland 85 61 t 78 60 pc

Dallas 97 78 s 93 73 t

Denver 85 60 pc 88 58 c

Detroit 81 57 t 78 55 pc

Honolulu 89 75 sh 88 76 pc

Houston 96 80 t 95 77 t

Indianapolis 81 61 t 79 58 pc

Kansas City 83 57 t 80 58 s

Las Vegas 101 81 s 100 79 pc

Little Rock 93 74 t 81 65 c

Los Angeles 82 65 pc 81 65 pc

Miami 90 79 t 89 79 t

Milwaukee 78 59 t 75 60 s

Minneapolis 75 55 pc 74 56 s

Nashville 93 73 t 84 64 c

New Orleans 89 77 t 90 78 pc

New York City 89 73 pc 83 65 t

Oklahoma City 92 68 t 85 63 pc

### International

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 73 56 pc 79 58 pc

Athens 87 73 s 87 71 s

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Berlin 65 48 pc 70 54 pc

Brussels 76 59 pc 82 56 pc

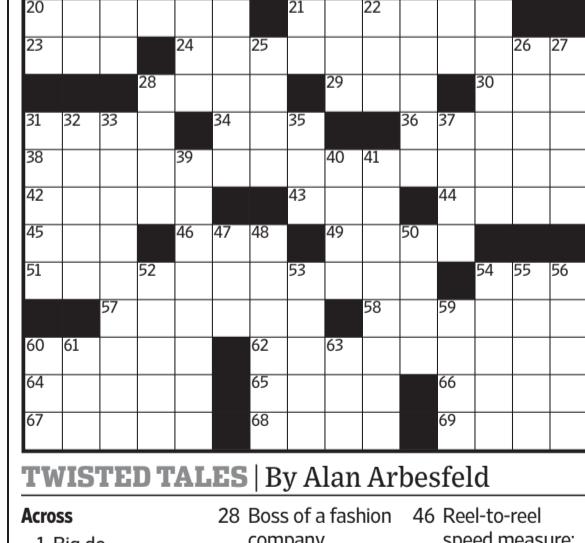
Buenos Aires 110 91 s 106 88 s

Dubai 67 55 c 66 52 c

Dublin 67 55 c 66 52 c

Edinburgh 67 56 sh 68 52 sh

### The WSJ Daily Crossword | Edited by Mike Shenk



#### TWISTED TALES | By Alan Arbesfeld

##### Across

- 1 Big do  
5 Ring event  
9 Frees of rind  
14 Spotted  
15 Roughly  
16 Completely overrun  
17 Paint color with a lot of gray in it  
19 Politico Pelosi  
20 Parcels out  
21 Old game consoles  
23 Thanksgiving staple  
24 Company that introduced the electric Roadster in 2008  
28 Boss of a fashion company  
29 4.0 at a univ., e.g.  
30 Word, in French  
31 Jazz singer Laine  
34 Bird with a booming call  
36 Cumin or cardamom  
38 Feature of the easiest path  
40 Politico Pelosi  
42 Bewildered  
43 Rolls-Royce's parent company  
44 Frankenstein's aide  
45 Pose for a portraitist

- 46 Reel-to-reel speed measure: Abbrev.  
49 Went quickly, in olden days  
51 Get closer to home, in a way  
54 Relaxation destination  
57 Saskatchewan's capital  
58 It needs frequent changing  
60 Puccini creation  
62 Tie on a board  
64 On the up-and-up  
65 End for disk or towel  
66 Azerbaijani neighbor

67 "Shucks!"  
68 Not natural  
69 Ward of Hollywood  
**Down**

1 Test for purity  
2 Guy  
3 Domain  
4 Aware of

5 "Night Moves" singer  
6 Magic, on scoreboards  
7 Conventional  
8 Morgue ID  
9 Move from stovetop to oven  
10 Lie ahead  
11 Putting up money with expectation of a return?

12 Key near the tilde  
13 Reserved  
18 Shakespearean rebuke  
22 Concert blaster  
25 A few  
26 Celebrity chef DiSpirito  
27 Take the helm

28 It may wind up in the garden  
31 Elegance  
32 The Beatles' "Be"  
33 Hidden feature in a computer game or DVD  
35 Thumb drive interface  
37 Settled up  
39 Party in the parking lot  
40 Texter's "It seems to me..."  
41 Took in, in a way  
47 Penultimate Greek letter  
48 Had a hunch  
50 Singer Brickell  
52 Nest on a cliff  
53 Slyly malicious  
54 Pickup in an alley  
55 Potpourri piece  
56 Thunderdome, e.g.  
59 Author Kingsley or Martin  
60 Suffix that may indicate bribery  
61 Church perch  
63 Took in, in a way

Previous Puzzle's Solution

TSA CIRCA DUDES  
ANN USERS UMAMI  
RIGHTHOOK SARAN  
PLUS OMIT EIN  
OPEN PINENEEDLE  
CERTAIN CRATER

TDS KNISH RODS  
CATTLE PEN  
ALSO SOILS FIRE

CANOPY DAL TREY  
CLOTHESPIN RAVE  
LAW AAAH SINE  
ANDES GOODPOINT  
INAWE ATRIA AGO  
MEYER SOBER NEW

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

## LIFE & ARTS

### MUSIC

# The Case For Kendrick Lamar

Five reasons the Compton rapper, with eight Video Music Award nominations, is heir to hip-hop's greats

BY NEIL SHAH

**KENDRICK LAMAR** has the most nominations of any artist, with eight nods, at the 2017 MTV Video Music Awards, which will be held on Aug. 27. The 30-year-old L.A. rapper is having a moment, and here are five reasons music critics and industry insiders give for why.

**1. His virtuosity, versatility and lyricism as a rapper rival that of hip-hop's greats.**

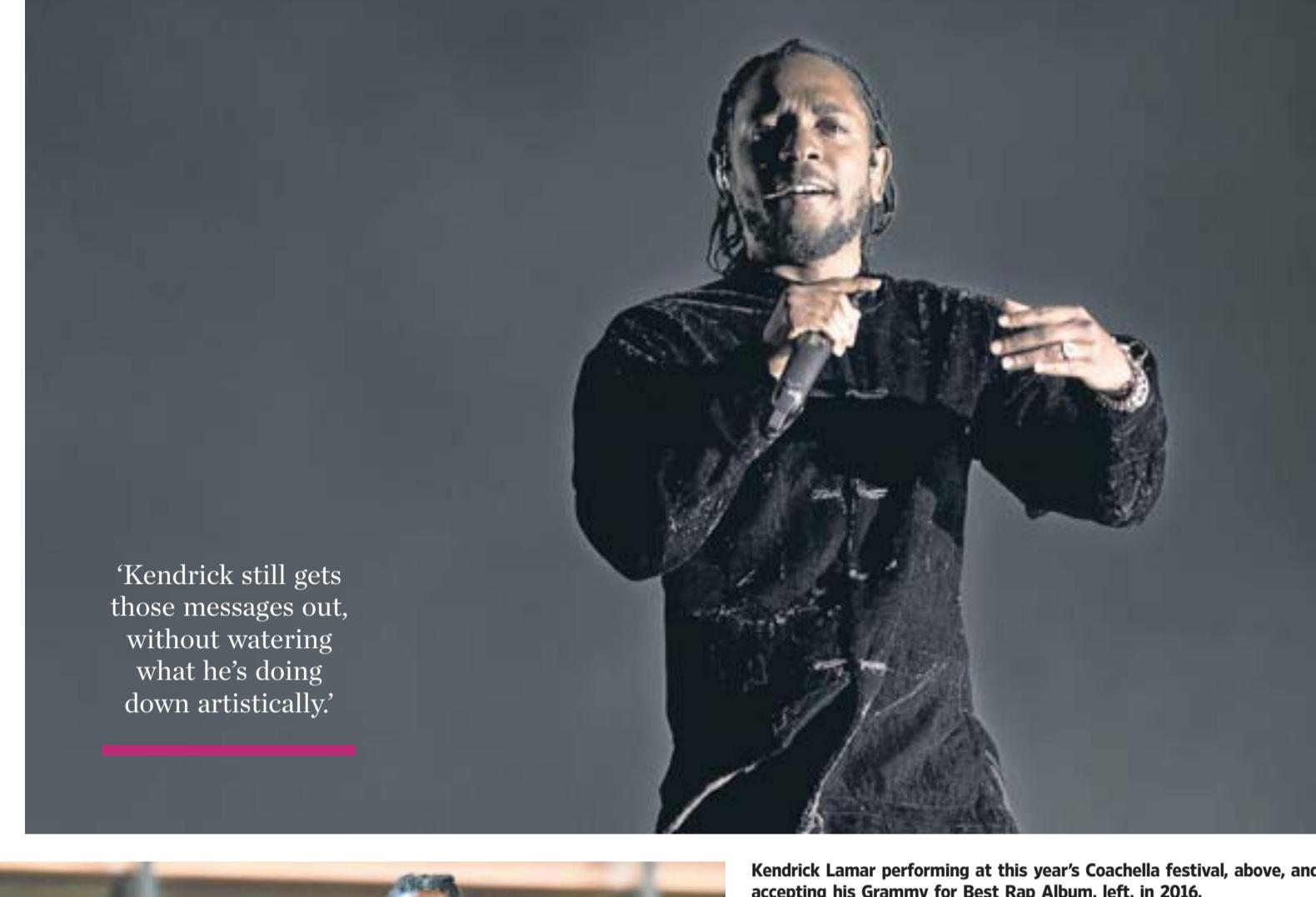
Mr. Lamar's cerebral, jazzy, verbal flow is considered as distinctive as Michael Jackson's squeals or Robert Plant's howl. An heir to rap icons Dr. Dre, Tupac Shakur, Jay-Z, Eminem and Kanye West, Mr. Lamar developed a nasal style that is understated yet attention-getting, critics say. He toggles between different modes—gruff, high-pitched, panicked, full of braggadocio—to inhabit characters. Halfway through "u," from 2015's "To Pimp a Butterfly," for example, he plays a drunken, depressed person in a hotel room, letting his voice crack like an adolescent.

The DNA of Mr. Lamar's delivery is an intense, calculated, lucid rage. "It feels like a really powerful and intelligent expression of an ambient anger in the air in this country," says Amanda Petrusich, who contributes music criticism to the New Yorker. That Mr. Lamar raps as much as he does is noteworthy: Many younger rappers—from Young Thug and Migos to Lil Yachty, Aminé, and XXXTentacion—favor melody and quirky ad-libs to old-school lyricism. Mr. Lamar, first and foremost, is a rapper's rapper.

"We've always believed in Kendrick and his vision, and we're thrilled the rest of the world recognizes it too," says Steve Berman, vice chairman of Mr. Lamar's label, Interscope Records.

**2. He doesn't just aim for hits; he tells album-length stories.**

The seven-time Grammy award winner is proof that artists in the streaming era still make albums. "Lyrical storytelling—that's why he's important," says Lyor Cohen, YouTube's global head of music and a long-time hip-hop mogul. Mr. Lamar makes concept records designed to be ingested in one sitting. On 2012's "good kid, m.A.A.d city," Mr. Lamar takes the listener on a journey through one day in Compton—borrowing his mother's car to see a girl and hanging out with friends and reckoning with the emptiness of drinking and violence. His follow-up, "To Pimp a Butterfly," unfurls as a poem about the responsi-



'Kendrick still gets those messages out, without watering what he's doing down artistically.'



Kendrick Lamar performing at this year's Coachella festival, above, and accepting his Grammy for Best Rap Album, left, in 2016.

question it. The result, experts say, is a sophisticated, soul-bearing gangsta rap. "I've never been violent / Until I'm with the homies," he says on "The Art of Peer Pressure," from "good kid, m.A.A.d city." "Swimming Pools (Drank)," from the same album, criticizes drinking even though it sounds like a drinking song. It isn't that Mr. Lamar believes himself a saint; he's wrestling with the "evil and spiritual," as he puts it on "Section.80," his first studio album, whose cover shows a gun clip and condoms next to a Bible.

**4. He's a populist, a socially aware rapper focused on the struggles of the poor.**

In his music, Mr. Lamar talks about how the poor can get

trapped in vicious circles. He's spoken publicly about how having a father—which many of his friends didn't have—helped him deal with emotions when he was young. Self-worth, personal responsibility, racial pride—these are among Mr. Lamar's themes. "He understands the struggle of the inner cities, and the poor communities," says TT Torrez, music director for New York hip-hop radio station HOT 97. "He doesn't try to be something he's not."

**5. A commercial superstar who makes dense, challenging albums.**

Mr. Lamar has struck a rare balance between commercial aspirations and artistic integrity, critics say. One of pop music's most sought-after guest stars, he's a radio, sales and streaming behemoth. "HUMBLE.," from "DAMN.," hit No. 1 on the Billboard singles chart in May. "DAMN.," whose songs have racked up 2.1 billion on-demand streams, according to Nielsen Music; it recently returned to No. 1 on the Billboard 200 albums chart even though it was released in April. Mr. Lamar also ranks among the critical establishment's most admired artists. "Typically, the more mainstream you go with a rap artist, or really an artist of any genre, the music gets blander, less bold, less experimental, less adventurous," says Anthony Fantano, a music critic with a popular YouTube channel, The Needle Drop. "Kendrick still gets those messages out, without watering what he's doing down artistically."

bilities of power told by Mr. Lamar to one of his heroes, Tupac Shakur. "DAMN.," his latest record, is his most emotional, self-doubting and fragmented, critics say. On its final track, "DUCKWORTH.," Mr. Lamar tells how the man who signed him to a label, Anthony "Top Dawg" Tiffith, had years earlier planned to rob the Kentucky Fried Chicken where Mr. Lamar's father worked. His dad gave Mr. Tiffith free chicken and biscuits, and the robbery never happened. Mr. Lamar—whose surname is Duckworth—

notes that it could have ended in his father's death and left Mr. Lamar to grow up fatherless.

**3. He's an anti-gangsta rapper: He helped repopularize realism in hip-hop, yet critiques its celebration of drugs and violence.**

"To Pimp a Butterfly" uses jazz and neo-soul to update the old-fashioned funk of 1990s West Coast gangsta rap, with Snoop Dogg appearing as a guest. But Mr. Lamar is uncomfortable—he's tempted by excess but can't help

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# SPORTS

## FOOTBALL

# Pitch Counts Hit the NFL

Limiting the number of balls thrown is standard in baseball, but football teams are now doing the same with quarterbacks

BY ANDREW BEATON

**THE ARIZONA CARDINALS** had a problem last season: Carson Palmer's performance fell off a cliff. Their veteran quarterback threw more passes than he ever did, but his touchdowns cratered while his interceptions spiked. Worse, his arm just felt tired.

Palmer's coaches, the Cardinals' brass and Bruce Arians, a quarterback guru and their head coach, could have told their 37-year-old to train more and get stronger for this next season. But they had the opposite in mind. They told him to do absolutely nothing.

The idea of limiting the number of balls thrown is an obsession in baseball, where pitch counts are slavishly obeyed in nearly every game. But not throwing a football for a while is a strange concept for most quarterbacks. And there's a growing idea in the game that it may be the key for a quarterback to throw his best when it counts the most.

"To not do it is just odd," Palmer said at the start of the Cardinals' camp this summer. But having rested, he added: "You just feel better. You feel like you have more zip, more velocity. I feel like I can go out and throw 150 balls in practice—which I'm not going to do."

There's an old-time belief that the more you trained, practiced and threw, the stronger you became. But that thought has vanished from baseball. And now at training camps across the NFL, teams are asking: How much can a quarterback throw before his arm starts wearing down?

Unlike baseball pitchers—who generally are done for the day after 100 or so pitches and carefully monitor their bullpen throws—the question has rarely come up for quarterbacks. Throwing a football is less taxing on the arm, and quarterbacks seldom tear ligaments in their elbow from overuse. Besides, a pitcher can throw as many pitches in a month as a quarterback does in an entire season.

A confluence of shifts have brought it to the forefront in football. Quarterbacks are throwing more than ever in games; teams attempted 36 passes per game last season, a 9% increase over 20 years ago. The best players at the position are frequently playing into their late 30s. And throughout the sport there's an increased understanding for the value of rest.

"Pitchers and quarterbacks are the same animal exactly," says Tom House, the former Major League pitcher turned performance analyst who has worked with pitchers such as Nolan Ryan and now works



Arizona Cardinals quarterback Carson Palmer used the offseason to rest his arm. He said his throws this summer in training camp 'have more zip.'

with high-profile quarterbacks including Palmer and Tom Brady.

As with pitchers, House says, there's generally no magic number of throws to save an arm. But for individuals, it is quantifiable and varies based on their arm, recovery time and age.

Historically, a quarterback might make a few thousand full-speed throws in the offseason. Increasingly, the new goal is to practice just as much but curb throwing.

That can take different forms. During the offseason and training camps, quarterbacks may run through a play but hold off from actually throwing the ball. Or they can make dummy throws holding a towel. They might even throw something other than a football when they train, to alter the weight.

This doesn't mean teams will substitute quarterbacks with relievers after they hit a certain pass count. They also won't curb throws during regular-season games.

But teams are trying to figure out how to keep their quarterbacks' arms spry for the throws that actually matter. The solution could be as simple as telling quarterbacks to not burn out their

arms with countless meaningless tosses that only add wear and tear.

"It's not only just on Sundays. It's all the work you do in camp, [organized team activities] and even during the week," said Ken Whisenhunt, the Los Angeles Chargers' offensive coordinator. "It's something you look at, especially

### How much can a quarterback throw before his arm starts wearing down?

with a quarterback that's been in it for a little while."

Philip Rivers, the Chargers' quarterback, has monitored his throws in recent offseasons. So has the Giants' Eli Manning. Both are entering their 14th seasons and both have thrown more passes over the last three years than any other span in their careers.

Some teams are also taking precautions with younger quarterbacks. The Carolina Panthers put

quarterback Cam Newton on a throw count this training camp as he recovers from rotator cuff surgery.

At an early training camp practice, that meant throwing approximately 20 passes, and most of them were short.

But even before Newton got hurt last season, they considered limiting his throws just to protect him for the long haul. "I know Peyton Manning did it. I know baseball players have been forever doing it," said Mike Shula, Carolina's offensive coordinator.

Even though quarterbacks rarely, if ever, tear an elbow ligament, the subtle effects of fatigue can be just as problematic. A top-line quarterback who's healthy enough to take the field—but not healthy enough to play well—isn't very valuable at all. Palmer's arm simply felt dead last season, and the results backed it up.

"There's not a clinic full of football players coming in for [elbow] surgery," said Glenn Fleisig, research director of the American Sports Medicine Institute. "That doesn't mean football players can throw as much as they want."

There's overuse that can happen in

every sport."

David Morris, head of QB Country, an academy that trains quarterbacks from middle schoolers through NFL players, says he knows several NFL quarterbacks who now won't pick up a football for two or three months during the offseason. He has consulted with noted orthopedic surgeon Dr. James Andrews—the go-to doctor for many top baseball pitchers—who advises quarterbacks to take two months of the year completely off.

"The heavier we've gotten into it, the more we've seen it's not just important, it's the most important part of what we do," said Morris, who was Eli Manning's backup in college at Ole Miss. "The more that it becomes spoken about in the NFL, the more that it'll trickle down to college and high school."

The trickle down effect in the NFL may just be that the same quarterbacks who have ruled for the last decade may be able to stick around longer than anyone imagined. Throw the ball less, and they can play football longer.

"There's no reason," House says, "that all these quarterbacks can't play until they're at least 45."

## BOXING

# HOW CONOR MCGREGOR CAN BEAT FLOYD MAYWEATHER

BY JIM CHAIRUSMI

**AFTER VIDEO OF** Conor McGregor punching a heavy bag recently went viral, the UFC star took a beating on social media.

His movement was awkward and his jabs looked slow, causing many to joke that the heavy bag actually won.

The critiques are in line with most boxing analysts, who give McGregor—a mixed martial artist who will be boxing professionally for the first time—little chance of beating Floyd Mayweather Jr., when the two square off on Saturday night in Las Vegas. Oddsmakers appear to agree, as a \$550 wager on Mayweather to win would net \$100, according to bookmaker William Hill.

The Journal solicited advice for McGregor from boxers and trainers who may have clues to how he can improve his chances against Mayweather, a heavily decorated champion who is 49-0. Some were emphatic: It's a fool's errand.

"Don't get in the ring with Floyd," said boxer Terence Crawford with a laugh. "He's going to capitalize on everything McGregor tries to do." Crawford, who is the undisputed junior welterweight champion, later joined in the mockery by posting a video on Instagram mimicking McGregor's workout.

Others, in various ways, said McGregor's slim hopes rest on channeling the raw aggression of mixed martial arts, attacking hard and pushing rules to make the fight less like a boxing match and more like one of his UFC bouts.

"Anything can happen in the boxing ring," said Australian boxer Jeff Horn, the current WBO welterweight champion. "In boxing,

McGregor's slim hopes rest on channeling the raw aggression of mixed martial arts.

it's never super clean. So the roughness can go. But a guy like McGregor, he's going to have to be extremely rough and somehow get away with possibly being on the verge of disqualification."

Trainer Abel Sanchez, who conditions middleweight champion Gennady Golovkin, said McGregor doesn't have "a snowball's chance in hell" of beating Mayweather. He added that if McGregor is to last, he has to be very aggressive.

"[McGregor] has to come out and try to bum rush [Mayweather]. If he comes out and tries to box [Mayweather], he'll get slaughtered," Sanchez said.

McGregor has to mimic the style Marcos Maidana used in losing two separate fights with Mayweather in 2014.

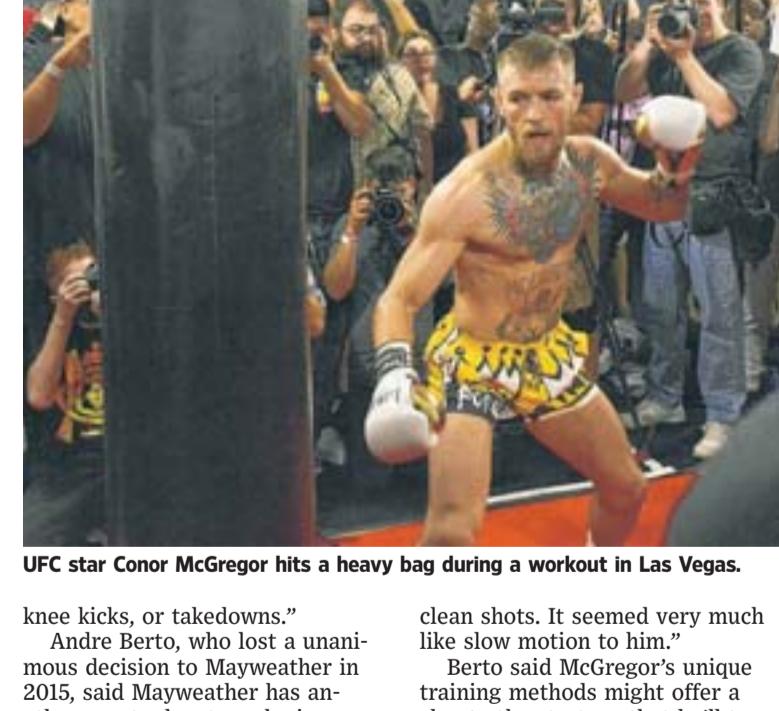
"The only one who has had success recently has been Maidana, because he bum rushed him. But Maidana is a boxer, with great record and a great boxing pedigree. McGregor doesn't have that."

A rule change for the fight could also bolster McGregor's chances. The Nevada State Athletic Commission ruled last week to allow the fighters to wear 8-ounce gloves on Saturday, instead of the 10-ounce gloves normally used for the 154-pound weight class.

"In mixed martial arts, you have 4-ounce gloves that are open fingered. It's much easier to grip a tight fist to where you can drop knuckles on someone," said Heather Hardy, a professional boxer and MMA fighter.

But no matter what gloves the fighters wear, Hardy said it won't be easy for McGregor to even hit Mayweather.

"MMA fighters typically don't move their heads. They are not as evasive as boxers. Like anything else, it is way easier to knock out a stationary target than something that is moving all over the place," she said. "I've seen Mayweather crouch so low that his ass almost hits the canvas. You can't be putting your head down there in MMA where you are susceptible to



UFC star Conor McGregor hits a heavy bag during a workout in Las Vegas.

knee kicks, or takedowns."

Andre Berto, who lost a unanimous decision to Mayweather in 2015, said Mayweather has another great advantage: he is very comfortable in the ring. Born into a family of boxers—his father (Floyd Sr.) once fought Sugar Ray Leonard, while his uncle Roger was a champion in multiple weight classes—Berto said he's never fought anyone has been so relaxed.

"I felt like I was pushing hard but he didn't appear to have to put much effort in," Berto said. "Everything was calculated. Everything was strategized. He was just doing enough to win each round. A lot of defense. Move. Look at the clock. Movement. Movement. Dodge. Dodge. And then he would try to hit me with two or three

clean shots. It seemed very much like slow motion to him."

Berto said McGregor's unique training methods might offer a clue to the strategy that he'll try to employ on Saturday night.

"McGregor just can't sit back and try and play chess against the chess master," Berto said. "He can't try to out slick Mayweather. He can't just try to out technique a guy like that. So he has to try to find different looks that Floyd is not used to. He has to be awkward. He has to be unorthodox."

If McGregor's strategy fails, trainer Freddie Roach, who was in Manny Pacquiao's corner for the 2015 mega-bout against Mayweather, has another suggestion.

"Kick him in the head," Roach said.

ROSS D. FRANKLIN/ASSOCIATED PRESS

MARL THOMAS/ZUMA PRESS

# OPINION

## Steve Bannon Isn't Going Away

By Walter Russell Mead

The defenestration of Steve Bannon will bring some badly needed calm to the White House, at least in the short term. But the deepest crisis of confidence in American foreign policy since the 1940s isn't going away. Neither is Mr. Bannon, as he told me in a late-night telephone conversation over the weekend.

President Trump's highest officials remain committed, one way or another, to defending the global order the U.S. has been building since the Truman era. That includes Secretary of State Rex Tillerson, Defense Secretary Jim Mattis, Chief of Staff John Kelly and national security adviser Gen. H.R. McMaster.

These men share a disdain for the Obama administration's retrenchment and retreat, though they are less hopeful than former President George W. Bush's neo-conservative advisers about the prospects for promoting democracy abroad. They want to check the ambitions of America's rivals while restoring the foundations, both military and economic, of U.S. world power. For Team Trump, defending Pax Americana, costly as it may be, remains the best and even the only realistic foreign-policy option.

As they seek to "normalize" Mr. Trump's foreign policy post-Bannon, they will face two sets of challenges.

One is external: Pax Americana is growing more difficult and costly to maintain in an increasingly disorderly world. From Venezuela's implosion to North Korea's drive for an intercontinental nuclear missile, from the standoff in the South China Sea to the madness of the Middle East, there are urgent problems that resist easy or elegant solutions.

**He aims to defeat the 'globalist' crew by pushing China into the 2018 campaign.**

The second challenge is skepticism—both among the wider public and in the Oval Office—about the continuing value of conventional international relations in an evolving world. Mr. Bannon aims to deepen that skepticism, which he sees as a force that can change the trajectory of American foreign policy and politics alike.

For Mr. Bannon, the assumptions and institutions of the Pax Americana brought victory over the Soviet Union, but they are already failing in a contest with China. Beijing, he claims, has learned to game the very system that most of Washington's established analysts believe is the key to American strength.

The traditional view is that institutions like the

World Trade Organization support U.S. power and security. Mr. Bannon sees them instead as facilitating a deliberate Chinese attack on the economic strength that underpins American social cohesion and military strength. To deal with a new kind of competitor in a new kind of contest, Mr. Bannon believes, the U.S. must move away from the international architecture of the past and embark on a radically new course.

In his view, voters already sense this, even if Washington's power brokers don't. "The country is ahead of the elites," he told me. As China continues to export deflation as a means to stave off economic crisis at home—what Mr. Bannon calls Beijing's mercantilist trade strategy—he expects growing effects on the incomes and jobs of Americans. At the same time, the geopolitical threat of rising Chinese power will be increasingly felt.

Mr. Bannon's former White House colleagues are committed to defending free trade and the "globalist" diplomacy that he thinks will be increasingly unpopular. So he hopes to separate President Trump from the national-security team now in power by making foreign policy a key issue in the 2018 and 2020 campaigns.

Leveraging the Breitbart media empire and his own star power, Mr. Bannon seeks to play the role of a latter-day Paul Revere, riding through

cyberspace to warn the American people that the Chinese are coming. The goal is to create conditions for a new domestic political alignment and a fundamental shift in American strategy abroad.

This is a goal of extraordinary ambition and, some would say, arrogance. But Mr. Bannon's ability to connect with public opinion in ways most thought impossible in 2016 suggests he should not be dismissed out of hand.

Even if his campaign is only partly successful, the foreign-policy divide inside both parties will widen. To the extent that "globalist" foreign policy comes to be identified with tolerating Chinese mercantilism, the public's skepticism about it will likely deepen. As allies and opponents around the world perceive that domestic political support for America's current foreign policy is weakening, friends will begin to hedge, adversaries will test, and the international environment will grow ever more challenging.

The White House will probably be a calmer place now that Steve Bannon has gone. It remains to be seen whether that quiet can extend to the country and the world.

*Mr. Mead is a fellow at the Hudson Institute and a professor of foreign affairs at Bard College.*

William McGurn is away.

## Live Free or High in the Granite State

By Matthew Hennessey

New Hampshire residents enjoy the national spotlight that shines on them every four years during their first-in-the-nation presidential primary. They are less fond of the attention generated by their state's reputation as an epicenter of the opioid epidemic. "It's in every corner of the country, but I have to tell you, I think the Northeast, in particular New Hampshire, is ground zero," Jack Riley, the Drug Enforcement Administration's deputy administrator, said last fall. Only West Virginia has more opioid-related deaths per capita.

The Granite State's struggles appeared on front pages earlier this month when a transcript emerged of a Jan. 27 phone call between President Trump and his Mexican counterpart. Mr. Trump told President Enrique Peña Nieto that he won the 2016 New Hampshire primary because the state is a "drug-infested den." Gov. Chris Sununu, a Republican, immediately hit back, calling Mr. Trump's remark a "misconception" and an "aspersion on an entire state." The state's Democratic U.S. senators, Maggie Hassan and Jeanne Shaheen, accused the president of failing to follow through on his campaign promise to end the opioid epidemic.

But not everyone was so offended by Mr. Trump's

comment. "I have lived in Manchester for 30 years, and the city is plagued with addicts and panhandlers," said one local resident in a letter to the New Hampshire Union Leader, the state's largest daily newspaper. "The city has never been as bad as it is now." Another added, "Sometimes, as the saying goes, the truth hurts."

The wisdom of Mr. Trump's remark aside, the statistics in New Hampshire tell a bleak story. In a state of 1.3 million people, nearly 500 died last year due to overdoses—nearly three times as many as in 2012, according to data from the New Hampshire chief medical examiner's office. Emergency rooms are packed with overdosing addicts and first responders are increasingly expected to bring people back from the brink of death. During a five-week period over the summer, firefighters in the city of Laconia administered 905% as many doses of the opioid antagonist Narcan as they did during the same period in 2016.

Earlier this month the New Hampshire attorney general filed a civil lawsuit against Purdue Pharma, the Connecticut-based company that manufactures OxyContin. The suit alleges that by engaging in deceptive marketing practices Purdue helped fuel the opioid crisis in New Hampshire. "The CDC reports 4 out of 5 heroin users

started with prescription opioids," said Deputy Attorney General Ann M. Rice in announcing the suit. "To defeat the epidemic, we must stop creating new users, and part of that is making sure these highly addictive and dangerous drugs are marketed truthfully and without deception."

**Trump called New Hampshire a 'drug-infested den.' He wasn't entirely wrong.**

New Hampshire's opioid epidemic might have been spurred by abuse of prescriptions drugs like OxyContin. But it is fentanyl—the synthetic painkiller 50 times as potent as heroin—that really drives opioid-related fatalities in the state. New Hampshire ranks first in the nation for per capita deaths due to fentanyl. From 2010 to 2015, according to data from the National Drug Early Warning System, deaths related to fentanyl abuse increased by 1,629% in New Hampshire.

The opioid crisis is often described as a challenge mainly for rural communities, but in New Hampshire the epidemic has become primarily an urban problem. Hillsborough County, in the state's more densely populated southeast, was responsible

for 41% of New Hampshire's fentanyl overdoses from 2010-15. Since the Manchester Fire Department started a 24-hour walk-in program in May 2016, the city's 10 fire stations have received more than 2,000 visits from addicts seeking treatment. The department responded to 461 suspected cases of opioid overdose in 2017.

The addicts aren't just hurting themselves. On Aug. 11 local papers reported that a group of children picked up hypodermic needles on a public New Hampshire beach. In June a 10-year-old girl stepped on a needle on Hampton Beach, just north of the Massachusetts border. Crews are combing New Hampshire beaches at night with what authorities call "a special rake" designed to turn up buried needles.

With their eyes on 2020, politicians of both parties have already begun visiting New Hampshire. Mr. Trump will certainly have a lot to answer for on his next trip. A White House commission established in March promises to supply the president with a strategy for defeating the epidemic by this autumn. Failure could mean his hopes for re-election end up buried beneath the January snow in Dixville Notch.

*Mr. Hennessey is an associate editorial features editor at The Wall Street Journal.*

## Canada Makes a Mockery of a Trade Deal

By Michael Taube

The North American Free Trade Agreement renegotiation process began last week. The U.S. released its 17-page platform in July with more than 100 proposals, including to examine "non-tariff barriers that constrain U.S. exports to Nafta countries," to devise "fair and open conditions for services trade," and to establish a "timely, effective . . . transparent" system for trade disputes.

Canada has a small list, only 10 proposals. Some, including reforms of the investor-state dispute settlement process, are good topics of discussion at the bargaining table.

But Foreign Affairs Minister Chrystia Freeland wants to make Nafta "progressive." So Canada's Liberal government proposes including new chapters related to "gender rights" and "indigenous rights." Seriously. Ms. Freeland wants

Nafta to reflect the government's "commitment to gender equality" and "our commitment to improving our relationship with Indigenous peoples."

**The Liberals want to expand Nafta to cover 'gender rights' and 'indigenous rights.'**

These topics should be discussed in an appropriate forum, but this isn't it. Gender and indigenous rights have nothing to do with a trade deal. Moreover, Nafta's successful renegotiation would benefit citizens of Mexico, Canada and the U.S., including the "progressive" elements Ms. Freeland is worried about.

This is another frustrating example of Canada's political culture. The Liberals are perennial fence-sitters, content

to shift with the prevailing political winds. The current government is one of the most left-leaning in years, regularly casting leery looks at the free market, business community and foreign policy.

The Liberals also seem intent on blurring the lines between political and economic reality and becoming a political and economic alternative to the U.S. Prime Minister Justin Trudeau's recent profile in Rolling Stone—cover line: "Why Can't He Be Our President?"—is part of a long-term marketing strategy to make the young, hip, photogenic leader a progressive hero in the face of Donald Trump's America.

Displeasure with Mr. Trump's leadership has caused a shift in overall perceptions, too. A June Pew Research study found that only 43% of Canadians hold a favorable view of the U.S. That's down from 65% during President Obama's last year in office.

Canadians, many of whom share Mr. Trudeau's and Mr. Obama's political tendencies, seem content with this left-leaning direction. A majority of Canadians, 52.7%, approve of Mr. Trudeau, though that's down from 61.7% last year.

Canada's political culture approves of preposterous proposals like gender and indigenous rights in Nafta. It's the type of modern progressive agenda many Canadians want.

For the country, though, it may be a tactical error. The wiser strategy is for Canada to defend trade liberalization, elimination of unnecessary tariffs and protection of business. If Canada and the U.S. can't find common ground on Nafta, Mexico may end up becoming North America's voice of economic sanity.

*Mr. Taube, a Troy Media syndicated columnist and political commentator, was a speechwriter for former Prime Minister Stephen Harper.*

BOOKSHELF | By Richard Vedder

## Thinking at a Macro Level

**Hayek vs Keynes**

By Thomas Hoerber  
(*Reaktion*, 159 pages, \$22.50)

Today economics is a fundamentally quantitative pursuit, dominated by abstract mathematics and complex modeling, largely removed from the realities of human interaction. But it was not always thus. Economic theory was once concerned with broader questions of society and its values; it was a realm of important ideas that, to paraphrase Richard Weaver, had consequences. Reclaiming economics from the quants is Thomas Hoerber's objective in "Hayek vs Keynes."

By focusing on the 20th century's two great economic theorists and their most significant works—Friedrich von Hayek's "The Road to Serfdom" (1944) and John Maynard Keynes's "General Theory of Employment, Interest and Money" (1936)—Mr. Hoerber seeks to craft a history of economic thought and, in so doing, assess whether these two

"archetypes of economic theory" remain relevant today. Mr. Hoerber, a professor at France's École Supérieure des Sciences Commerciales d'Angers, uses Hayek and Keynes to explore two of the three major approaches to managing economies that have emerged over the past 250 years. Hayek represents the tradition of classical liberalism that received much of its early impetus from Adam Smith and was strengthened by a panoply of international scholars in the 19th century, including Frédéric Bastiat in France, John Stuart Mill in Britain, and, later, the Austrian school of economics led by Hayek's mentor, Ludwig von Mises. This tradition represents the non-interventionist perspective, which holds that market forces alone should largely answer the eternal economic questions relating to how, what, and for whom to produce goods and services.

Keynes, on the other hand, represents the apostles of strong government intervention in democratic societies characterized by competitive market-disciplined capitalism. As Mr. Hoerber describes it, the "General Theory" advocates "a planned economy in which the state sets the framework of economic competition and leaves unfettered the market, with all its positive opportunities for private initiative and freedom to carry on with its good work." Among the hallmarks of Keynesianism is a concern about over-saving and under-investment in times of economic distress and high unemployment, with government stimulus the proposed solution. The third major approach, Marxism, was an important foil for both Hayek and Keynes. Keynes's work was a response to the Great Depression, and he believed he was saving capitalism through occasional government interventions, not destroying it as Marx advocated. Hayek's work was a condemnation of Hitler's national socialism; his attack on totalitarian government was the very antithesis of Marxist doctrine.

If Mr. Hoerber is concerned with assessing the relevance of these economic ideas today, the evidence is abundant. The Marxists were ultimately big losers. In the 1950s, Soviet premier Nikita Khrushchev warned capitalist states: "We will bury you." But the Soviet Union is gone, and Khrushchev's son lives in the still mostly capitalist United States.

**Friedrich Hayek and John Maynard Keynes worked at a time when the study of economics was concerned with society and its values.**

As for Keynes, it seemed in the '50s and '60s that he might be right. Keynesian views became accepted not only in the academy but in real-world macroeconomic planning. For a few decades after the Keynes-influenced Employment Act of 1946, U.S. unemployment rates were typically around 5% and never above 8%. Later generations, however, saw the growing ineffectiveness of Keynesian remedies. Despite enormous deficit spending, American unemployment rates rose sharply in the 1970s. Similarly, the vigorous use of Keynesian fiscal stimulus in Japan in the '90s led to a "lost decade" of almost no economic growth. And the 2009 fiscal stimulus package was followed by 43 months of unemployment above 8%. The evidence shows that societies following the Hayekian classical-liberal model prosper more. High-tax countries with massive welfare states have lower economic growth than more classically liberal economies like those of Singapore and the United States. When government gets even partially out of the way, as it has recently in India and China, growth soars. Unfortunately, Mr. Hoerber misses these realities, along with other considerations essential to understanding his subjects.

One suspects his approach is partly to blame: He has crafted his book as an exercise in comparative textual analysis of the "General Theory" and "The Road to Serfdom," with very limited reference to biographical or secondary sources. He also ignores virtually all of his subjects' other work, such as Hayek's studies on capital theory or Keynes's "Treatise on Money." Thus he elides the rich context provided by Keynes and Hayek's verbal battle, waged in the popular press and academic journals from 1931 to 1946, covering relevant topics ranging from abstract economic theory to practical policy solutions for high unemployment. Mr. Hoerber also frequently veers off onto tangents that have little to do with the thinking of either Keynes or Hayek, such as when he proclaims the European Union an "element of hope" and observes that, since 1950, "it has been a thriving association of nation states which may well provide the only existing framework powerful enough . . . to allow its members to prosper." Tell that to the citizens of Britain or Greece.

This is but one of many dubious speculations on Mr. Hoerber's part. Even worse are his claims that are contrary to historical evidence, such as when he states that "social democrat Willy Brandt in Germany . . . abandoned central planning of the economy." In fact, Brandt—the first Social Democratic head of West Germany—dramatically expanded the welfare state, moving away from the more classical-liberal policies of predecessors Konrad Adenauer, Ludwig Erhard and Kurt Kiesinger. (Not surprisingly, West German economic growth began to decline.) Where Mr. Hoerber is correct is when he asserts that the great differences between Keynes and Hayek are relevant to today's world. Unfortunately, we will have to await another—and much less deeply flawed—scholarly treatment to fully appreciate their significance.

*Mr. Vedder is Distinguished Professor of Economics Emeritus at Ohio University and an Adjunct Scholar at the American Enterprise Institute.*

## OPINION

### REVIEW & OUTLOOK

## Lighthizer's Economics Deficit

**S**teve Bannon may be gone from the White House, but his trade agenda survives in the form of Robert Lighthizer. Last week the U.S. Trade Representative opened renegotiation of the North American Free Trade Agreement (Nafta), and he has made reducing U.S. trade deficits with Mexico and Canada his top priority. But what good is success for Mr. Lighthizer if it means failure for President Trump's agenda of faster growth?

Free trade is always good for consumers, but Nafta has also been a boon to North American producers. Companies have allocated capital to its highest use on the continent, investing where they find a comparative advantage. Two examples are U.S. agriculture and Mexican low-skilled manufacturing. The result has been an explosion in North American trade. Total trilateral merchandise trade has grown to more than \$1 trillion annually from less than \$300 billion in 1993.

Enter Mr. Lighthizer's trade-deficit preoccupation, which holds that unless Mexico buys the same dollar amount of wheat and corn from the U.S. that the U.S. buys in widgets from Mexico, Americans are losing out. This bizarre economics is dangerous to American prosperity.

One of Nafta's many benefits to American global competitiveness is that it allows U.S. manufacturers to access low-priced intermediate goods from the neighbors, add value in the U.S., and then export the final product around the world. Consumers at home and abroad find these U.S. products attractive because they are well-made and competitively priced thanks to continental supply chains. Workers and wages have benefitted too. The growth of high-paying U.S. jobs in technology, innovation, design and marketing depend on this free-trade web of supply chains.

U.S. car and truck makers benefit in particular from intracontinental trade. Production facilities in all three Nafta countries ship unfinished products across borders, often multiple times, before completion. It is not an exaggeration to say that free-trade access to labor and capital across North America is largely responsible for the survival of the U.S. auto industry. John Bozzella, CEO of the Association of Global Automakers, told

Reuters last week that U.S. auto production has increased by more than one million vehicles annually since Nafta and there has been a boom in exports. Whether the industry can survive Mr. Lighthizer is another matter.

Nafta requires that 62.5% of a duty-free vehicle be made in North America. Mr. Lighthizer wants to increase the Nafta content percentage—though he hasn't said by how much. His goal is to lower the content coming from Europe or Asia that could be included in a duty-free Nafta vehicle. This would make production in Mexico less competitive than it is now, and let's not forget that Mr. Lighthizer previously toiled as a trade lawyer for the American steel industry. Squeezing foreign steel producers may also be one of his Nafta goals.

Mr. Lighthizer also wants to add a new mandate that Nafta vehicles contain "substantial U.S. content." The Lighthizer logic is that this will create jobs in the U.S. Yet if higher U.S. content were good for making and selling cars around the world, the government would not have to mandate it. As Mexico's economy minister Ildefonso Guajardo said this weekend, "National content is not used in any [trade] agreement in the world, because it puts too much rigidities to the companies."

Mr. Lighthizer may not want to listen to his Mexican counterpart or to Canadian Foreign Minister Chrystia Freeland, who also opposes national content rules. But American manufacturers, aka the job creators, have issued their own warnings.

"We certainly think a U.S.-specific requirement would greatly complicate the ability of companies, particularly small- and medium-size enterprises, to take advantage of the benefits of Nafta," said Matt Blunt, president of the American Automotive Policy Council that represents GM, Ford and Fiat Chrysler.

Mr. Lighthizer says he wants to restore jobs that have been lost since 1994 when Nafta was launched. But most of those jobs were lost to technology and higher labor productivity. New employment opportunities depend on new export markets and enhanced competitiveness. Step one is to let go of the obsession with Nafta trade deficits.

## (Still) Seeking IRS Accountability

**T**he Obama Justice Department dismissed the IRS political targeting scandal as no big deal, and the Trump Administration hasn't been any better. At least the judiciary is still trying to hold someone to account for this government abuse.

In a little noticed decision last week, federal Judge Reggie Walton ordered the IRS to answer a series of questions by Oct. 16. Notably, the tax agency must finally explain the specific reasons for the specific delays in approving each of dozens of conservative nonprofit applications—delays that stifled free speech during a midterm and presidential election. Judge Walton is also requiring the IRS to name the specific individuals that it holds responsible for the targeting.

These are basic questions of political accountability, even if the IRS has stonewalled since 2013. President Obama continued to spin that the targeting was the result of some "bone-headed" IRS line officers in Cincinnati who didn't understand tax law. Yet Congressional investigations have uncovered clear evidence that the targeting was ordered and directed out of Washington.

Former director of Exempt Organizations Lois Lerner was at the center of that Washington effort, but the IRS allowed her to retire with benefits. She invoked the Fifth Amendment be-

fore Congress. One of her principal deputies, Holly Paz, has submitted to a deposition in separate litigation, but the judge has sealed her testimony after she claimed she faced threats. The Acting Commissioner of the IRS at the time, Stephen Miller, stepped down in the wake of the scandal, but as far as anyone outside the IRS knows, no other IRS employee has been held to account. Even if the culprits were "rogue employees," as the IRS claims, the public deserves to know what happened.

Judge Walton's ruling means that "the IRS must finally acknowledge its wrongdoing (and the reasons for it) in the context of a judicial proceeding in which the agency may be held legally accountable for its misconduct," Carly Gammill told Powerlineblog.com. Ms. Gammill is an attorney at the American Center for Law & Justice who represents tea-party groups in the litigation.

The Trump Administration also has a duty to provide some answers. The Justice Department and IRS have continued to resist the lawsuits as doggedly as they did in the Obama era. Attorney General Jeff Sessions can change that by ordering government attorneys to quickly and fully comply with Judge Walton's orders. Seven years is too long to wait for answers over abuses of the government's taxing power.

## The Navy's McCain Moment

**T**en U.S. sailors are missing after a Navy destroyer collided Monday with a tanker near Singapore. The cause is unknown, but the investigation should go beyond the narrow causes to ask if the collision is further evidence that the military is strained beyond what the force can tolerate.

Chief of Naval Operations Admiral John Richardson on Monday announced a pause in operations around the world. The Navy will investigate the crash of the USS John S. McCain, and also launch a broader review of Navy procedures in the Pacific theater, including training and maintenance. This is warranted given multiple incidents at sea this year.

In June a merchant ship collided with the USS Fitzgerald, a guided-missile destroyer, in Japanese waters. The Navy's incident report details that the crew manning the helm at night didn't detect the danger. Seven sailors died, and last week the Navy relieved the ship's commanding and executive officers, noting "inadequate leadership," which suggests failure by the crew.

In May the USS Lake Champlain collided with a South Korean fishing boat, and in January the USS Antietam ran aground in Tokyo Bay. It's hard to credit all this merely to bad luck.

Whatever we learn about the McCain incident, one reality is that the Navy has been conducting missions across the oceans with less funding and fewer ships. Senior Navy officials told Congress recently that about 100 ships have been deployed routinely each day since 2001. Meantime, the size of the battle force has dwindled 14%. The Navy is now smaller than at any point in modern history, with more ship retire-

ments ahead. That translates to longer and more frequent deployments.

### Are U.S. sailors being pushed into missions without enough training?

To sustain the high operational tempo, ships must crash through scheduled maintenance in between patrols. The demand for fast turnover compresses time for the crew to train at home, which is essential for competence at sea. Sometimes ships

are delayed in the yards, which can condense cycles for on-board qualifications for, say, aviators. This can become a lethal combination of less prepared sailors with less reliable equipment on more dangerous missions.

Another question is tactical. The Navy has damaged two destroyers in the Pacific in one summer, and a smaller fleet means the force can't easily replace this capacity without losing manpower elsewhere. So what risks must the Navy accept during what may be the most dangerous time in the western Pacific since the end of the Cold War?

Similar dynamics are hurting the Army and Marines, the latter of which has had a precipitous increase in fatal aviation accidents in recent years. Congress has for years approved stopgap funding for the military, and the interim measures undermine modernization and readiness. The 2011 sequester cuts have hit everything from pilot proficiency to equipment.

The Navy's review will be instructive, and the families of the sailors on the McCain and Fitzgerald deserve an explanation. The larger question is if the U.S. political class will prevent more needless harm to the less than one percent of American men and women who risk their lives for the rest.

## LETTERS TO THE EDITOR

### Putting the Bell on North Korean Nuclear Cat

Secretary of Defense Jim Mattis and Secretary of State Rex Tillerson explain and defend the Trump administration's new policy of strategic accountability that applies intense diplomatic and economic pressure on North Korea to end its nuclear and ballistic missile programs in "We're Holding Pyongyang to Account" (op-ed, Aug. 14). Messrs. Mattis and Tillerson make clear that military options are on the table.

Your same-day "Iran Parliament Raises Military Spending" (World News) reports that Iran's "response to imposition of new U.S. sanctions includes funds for forces and missiles." Is there any reason to believe that North Korea's Kim Jong Un will be more intimidated than were Iran's mullahs by U.S. actions and therefore won't up the nuclear ante in the face of new sanctions? At the moment, Kim Jong Un appears to be a bigger risk-taker than Iran's leaders.

Switching from a policy of strategic patience (i.e., endless talks) to strategic accountability is the best of many bad options, but the rational decision for the "irrational" Kim Jong Un is to stay the course and patiently wait for regime change in the U.S. Today, there is better than even chance that next year will bring more patient and accommodative Democrats back into Congress, and two years later a less bellicose president in the White

House. America's enemies know that they can stick to their guns (and missiles) and wait patiently for a political course change in the U.S. In the meantime, a president who defies the isolationist mood of the country and actually approves some type of military engagement with North Korea would face enormous domestic opposition. Even an irrational risk-taking enemy of the U.S. would like those odds.

GLENN DALTON

Washington

Henry Kissinger's advice, however sound it may appear, will face several practical problems in implementation ("How to Resolve the North Korea Crisis," op-ed, Aug. 12). The U.S. is so used to being in the driver's seat in international diplomacy that accepting another country, especially China at the present stage, as a coequal, will psychologically be most difficult and will call for great discipline and patience.

Demanding China's cooperation on the Korean issue while at the same time threatening it with severe trade penalties is unlikely to generate a positive response from China.

China and the U.S. share the imperative need to check and reverse North Korea's nuclear program but have dif-

ferring and even contradictory long-term objectives for what Dr. Kissinger calls the "aftermath." The statements of senior American cabinet officials notwithstanding, there is no doubt that the U.S. wants an end to the Kim regime and eventually a unification of the peninsula which can only mean the establishment of a democratic, unified Korea, something which China simply cannot accept.

Dr. Kissinger doesn't define "short term," but he would know better than most people that it would need protracted, at times painful, negotiations to establish even a preliminary framework, let alone congruence among the two most powerful nations.

CHINMAYA GHAREKHAN,  
Scarsdale, N.Y.

Mr. Gharekhani is a former Indian ambassador to the United Nations.

The fact that we are in an acute crisis today perhaps illustrates that the Chinese still believe that a denuclearization would cause the Kim regime to fall (probably right) and that this would open the way, sooner or later, to a Korean reunification which they fear.

For a modern China, a prosperous Korea should be a far better prospect than South Korea and Japan building their own nuclear arsenals.

NOEL DUGUET  
Briarcliff Manor, N.Y.

Dr. Kissinger's advice presupposes the existence of mutually beneficial objectives and outcomes between China and the U.S. for a Korean resolution. But what if China's interests are best aligned not with a denuclearized North Korea but with reunification of the Korean peninsula under exclusively Chinese terms? Allowing and perhaps even assisting North Korea to develop and deploy a nuclear capability of its own, even a limited one, would dramatically alter, or perhaps nullify, the current zero-sum calculus of the U.S. security guarantee.

WILLIAM A. MATTHEWS  
Boston

North Korea has transformed itself from a gerbil into a tarantula by developing missiles equipped with nuclear weapons. Moammar Gadhafi gave up his nuclear program and didn't fare well. Ukraine gave up the large nuclear arsenal it inherited with the dissolution of the Soviet empire, with written assurances of a guarantee of integrity of its sovereign borders that were and continue to be violated.

If I were Kim Jong Un, I would have zero interest in giving up my missiles.

JAMES W. BENEFIELD  
Dunedin, Fla.

### The Better Angels of Phone Artists' Nature

Regarding Richard B. Woodward's "Photography in the Age of the iPhone" (Life & Arts, Aug. 16): What a delightful way to curate a new phone photography exhibit—show images of what artists send back and forth to each other. It is inspiring to see these images used for engaging exchanges. I can't help but be struck by Lenka Clayton's image of the Pennsylvania Railroad World War II Memorial at 30th St. Station in Philadelphia. I often gaze up at it, contemplating the hands and wings of the compassionate angel lifting the body of a fallen soldier.

It reminds me of 30 years ago when I exited the station clutching the hand of my little toddler daughter who had almost fallen through the crack between the train and the platform. After scooping her up just in time, as I left the station I

### Alas, Violence Isn't Limited To One Side of the Spectrum

In his letter of Aug. 17 Jim Low says "there are no 'examples on the left' of the violence we saw in Charlottesville." He then asks: "Who has been murdered at a Black Lives Matter rally?" Unfortunately, the answer is that on the evening of July 7, 2016, five police officers were murdered in Dallas by sniper Micah Xavier Johnson during a Black Lives Matter march protesting police killings of black men. Unlike the violence in Charlottesville, the media didn't portray all of the Dallas protesters as the cause of the loss of life.

NORMAN D. RADFORD JR.  
Dallas

The Dallas police officers slain at the demonstration last July were Lorne Ahrens, Michael Krol, Michael J. Smith, Brent Thompson and Patrick Zamarripa. Say that out loud, Mr. Low.

ELLEN TIETJEN

Lido Beach, N.Y.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

### Pepper ... And Salt

THE WALL STREET JOURNAL



"I'm from Texas, but my hat was made in China."

## OPINION

# The Disturbing Inevitability of Cyberattacks

By Brian E. Finch

**A** small but growing number of cybersecurity experts warn that we are a few keystrokes away from a dystopian world with no lights, running water or modern communications. Some even argue that it will take such a disastrous attack to jolt us into finally building more effective virtual defenses. While the possibility of large-scale cyberattacks gets the lion's share of attention, chaos by small doses is more probable.

**While a systemwide cataclysm is possible, targeted hacks against businesses do more harm.**

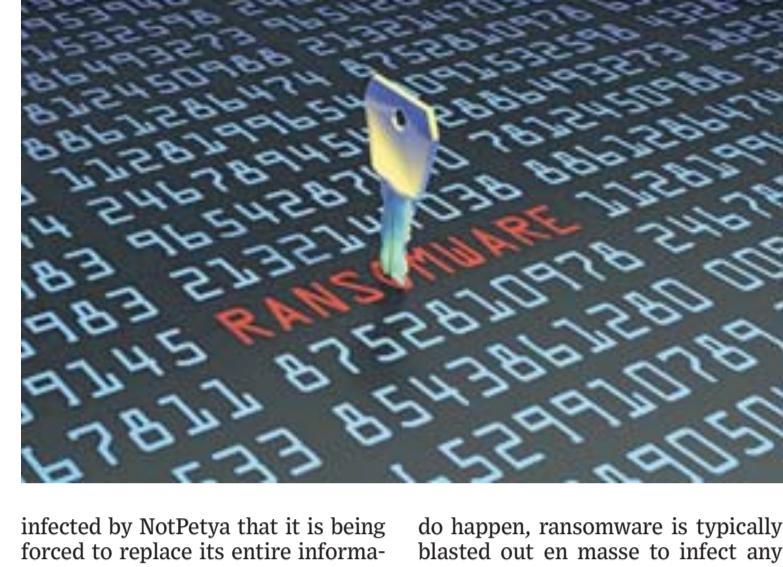
Government and private businesses have invested billions of dollars in cybersecurity measures to protect critical infrastructure, dramatically decreasing the likelihood that hackers could bring about another Stone Age. While rogue squirrels nesting in utility components are responsible for thousands of blackouts, cyberattacks have caused few. Recent incidents reveal a far likelier scenario: paralyzed operations for countless businesses. And even concerns about cyberattacks against business operations have historically taken a back seat to worries about personal data hacks, which can affect millions of individual consumers.

Hackers are increasingly turning to "ransomware," a type of virus that encrypts computer systems and data without the owner's approval. Unless prepared to pay a "ransom" to the hacker, the victim is effectively blocked from ever again accessing the system. Ransomware attacks are bad enough, but their effect can be much worse if the damage is irreversible. And that is exactly how "NotPetya," the latest in a string of global cyberattacks, appears to be playing out.

Businesses of all sizes are suffering significant and lasting damage due to NotPetya because it appears to be modified ransomware code that has no unlock key (even when payment is made). One multibillion-dollar consumer-goods conglomerate, Reckitt Benckiser Group, has had many of its supply-chains systems rendered inoperable by NotPetya, leading to shipment delays, invoicing issues and manufacturing problems. Those business disruptions are expected to cost the company close to \$130 million.

FedEx has also been hit hard by NotPetya. On July 17 it informed the Securities and Exchange Commission that NotPetya was still causing its European subsidiary TNT Express to suffer from widespread service delays, and that it may never be able to restore fully the systems and data encrypted by the virus. FedEx's revenue has already declined as a result, compelling it to report a potential "material" financial impact to the SEC.

Smaller businesses are also vulnerable. One rural hospital in West Virginia had its systems so badly



GETTY IMAGES

infected by NotPetya that it is being forced to replace its entire information-technology infrastructure. A hospital system in Pennsylvania canceled surgeries due to NotPetya. Past ransomware attacks have forced hospitals across the U.S. and U.K. to close down. In those attacks, ambulances had to be turned away until the hospitals expunged the computer virus or paid the hackers for the decryption key.

The problem isn't going anywhere. Cybercriminals launch hundreds of millions of attacks daily across the globe, and recent studies have found that as many as 60% involve ransomware. The dominance of ransomware is simple to explain. It can be obtained free or easily made. It has a high success rate and generates handsome profits for hackers. Ransomware also tends to be used indiscriminately. While targeted attacks

do happen, ransomware is typically blasted out en masse to infect any susceptible computer system.

Sometimes the only solution to a destructive hack is to rip out and replace the information infrastructure, much like what the Saudi national oil company did in 2012 and the U.S. Marine Corps did in 2014 when hackers infested their systems. The fix they ultimately settled on—physically shredding fatally infected laptops, servers and even keyboards—would be financially ruinous to most companies.

Ransomware is not the only threat. The online world is awash in destructive viruses and poorly built malware that causes unintentional harm. Still, the ransomware plague illustrates a larger point: businesses of every size are vulnerable. Some day a company will take a fatal hit to its revenue or reputation.

Fortunately, much can be done to mitigate these threats. For starters, the federal government can spur increased cybersecurity through wider use of the Safety Act of 2002, a law that provides liability protections for companies that use proven defensive technologies. Such protections will help protect companies against lawsuits claiming that they—not their hackers—were responsible for a successful cyberattack.

Next, rather than creating a gargantuan new cybersecurity agency, the federal government should empower existing cabinet agencies to act more quickly against cyberthreats. The government also must take the fight to the hackers. Arrest them. Name and shame foreign governments who enable cyberattacks or host hackers on their territory. These aggressive measures have led to material decreases in hacks. Companies can also help protect themselves by purchasing insurance that covers business-interruption losses, rather than standard policies that only reimburse costs associated with compromised personal data. While catastrophic cyberattacks are always possible, mundane attacks are likelier to cripple companies permanently. The failure to focus on that threat will not only be painful, it will also be painfully obvious in retrospect.

*Mr. Finch is a co-chairman of the cybersecurity practice at Pillsbury Winthrop Shaw Pittman LLP. He served as a member of President Trump's Homeland Security transition team.*

## Is There a 'Hispanic Perspective' on Historical Banana Cultivation?

By Charles L. Geshekter

**D**iversity, according to campus dogma, provides real educational benefits. Counting and mingling students and professors by race, ethnicity or gender is supposed to broaden perspectives and enhance classroom learning.

Maybe that's true in the academic departments built on identity politics. But what critical perspective does a black academic bring to microbiology, civil engineering, or pre-1700 state formation in Ethiopia that a white scholar cannot? What distinctive viewpoint does a Hispanic professor rely on to explain French colonialism, the Afro-Asian history of banana cultivation, or Muslim slave systems that a black instructor cannot?

I taught African history for 40 years at California State University, Chico. When I criticized the overtly divisive racial preferences and gender double standards I witnessed on faculty hiring committees, I was vilified as an "enemy of diversity." This was rich in unintended irony.

Raised in an orthodox Jewish home in west Baltimore, I graduated from the University of Richmond (founded by Southern Baptists), completed my master's at Howard University (the country's pre-eminent historically black college), earned my doctorate in history at UCLA, then taught at a modest liberal arts college. I was once married to a Catholic woman. Hostile to diversity?

As a Jewish American historian of Africa, I specialized in Somalia, a country that's 99% Muslim. I visited Somalia 10 times, conducting research and teaching at the National University in Mogadishu. Somalis always welcomed me with hospitality and collegiality.

In 1984, while working on a PBS documentary called "The Parching Winds of Somalia," I sought permission to film Muslim congregants at prayer in a Mogadishu mosque. The imam there, Sheikh Aden, insisted that I guarantee my crew would behave in a "worshipful manner" during filming. A practical scholar and revered community

leader, Sheikh Aden knew I was Jewish.

After I led my crew in chanting the Muslim profession of the faith (shahada) in his office, I recall Sheikh Aden telling me: "I know who you are, Geshekter. I wish you were a Muslim of the heart. But you are just a Muslim of the mouth. That's good enough." Me, an enemy of diversity?

**Diverse classrooms are livelier, we're told, but most students don't know enough for it to matter.**

Defenders of diversity groupthink maintain that Asian or Hispanic students bring especially novel viewpoints to classrooms, making them essential for higher learning. The former president of CSU Chico once assured me that simply having a variety of students clustered by race or ethnicity contributed to a livelier

mix in classes. This view is appallingly mistaken.

After four decades of teaching, including more than 6,000 individual class sessions, I recall few undergraduates who brought unique perspectives to any historical topic. My courses explored the different interpretations of evidence used to explain the rise of pre-1700 equatorial states (Buganda, Bunyoro, Kongo), the origins of the Bantu language family, and the spread of Islam among the Swahili city-states. Most students had little previous knowledge of African history, regardless of their skin color or ethnicity. How could they enunciate any perspective unavailable to their classmates?

In her 1994 book "Racism 101," the black writer Nikki Giovanni reminds students that it takes individual effort, not group identity, to improve themselves. She dismisses claims that black students, simply because of their skin color, ought to be considered a source of special insight. Ms. Giovanni urges them instead to focus on self-discipline

and studying hard to succeed.

If I were to single out two cohorts whose members disproportionately enhanced the exchanges in my classrooms, they would be military veterans and strong Christians. The vets were disciplined, rarely missed class, and were exemplary in their academic deportment. They kept pace with the readings, peppered me with questions, and insisted on clarifications.

The Christian students had a genuinely different perspective. When I explained why fossil finds from eastern Africa were central to understanding human evolution, they relished challenging me on creationist grounds. That's a true diversity of viewpoints.

As a scholar of African history, I taught students without regard for their skin color, ethnicity or gender. This hardly makes me diversity's enemy—no matter what administrators might say.

*Mr. Geshekter is a professor emeritus of African history at California State University, Chico.*

## If the CEO Is Overpaid, Blame the Compensation Committee

By Robert C. Pozen

And S.P. Kothari

**E**very year, shareholders of U.S. companies weigh in on executive pay by casting advisory votes on the reports of compensation committees. The committees are appointed by corporate boards to make recommendations about appropriate pay levels. Shareholders tend to take their reports at face value, voting to approve them in over 97% of cases. But their confidence is undermined by a lack of awareness about the often flawed methods compensation committees use to determine pay.

The trouble is that compensation committees frequently rely on faulty performance metrics that inflate executive pay. But the committee reports do not provide a sufficient explanation of these metrics to shareholders.

First, their reports routinely use "adjusted" earnings that are much higher than the figures calculated

under Generally Accepted Accounting Principles. While many companies tout adjusted numbers in their press releases on earnings, regulations require these releases to give their GAAP figures equal prominence. By contrast, there is no similar rule for compensation reports, which may use only the adjusted numbers without quantifying their differences from GAAP.

Take Merck & Co., whose CEO had a bonus goal for 2015 of \$3.40 in adjusted earnings per share. The compensation committee concluded that he had met that target, since the company's adjusted earnings were \$3.56 per share. But the committee's report failed to mention that GAAP earnings were only \$1.56 per share.

This example is not unique. In 2015, 93 companies in the S&P 500 announced adjusted earnings that were more than 50% above their GAAP earnings. At most of these firms, the compensation committees set executive pay using the adjusted earnings without quantifying

how they differed from GAAP metrics.

There are valid reasons for excluding certain expenses from the GAAP figures. The costs of one-time events like layoffs might reasonably be omitted when calculating CEO pay. But most compensation reports don't provide sufficient justifications for these omissions. For example, they may write-off "one-time" restructurings that their companies actually undergo almost every year.

More broadly, compensation reports often leave out expenses that truly ought to factor into executive pay, such as litigation settlements for alleged financial misstatements by management. Depreciation and amortization are excluded on the grounds that they are not core operating expenses. Yet they represent wear and tear on the plant and equipment that generate operating income. Committees also exclude taxes, although tax management is clearly relevant to financial performance.

Committees frequently exclude expenses for granting restricted shares or stock options. In 2014 LinkedIn projected adjusted income

of \$950 million for the following year, but only by excluding \$630 million of stock-related grants given to its executives. But it seems wrong to calculate pay packages for top managers with a metric that omits the cost of grants made to those same managers.

**Its report will probably be approved by shareholders, even if it relies on metrics that inflate performance.**

A second problem is that when compensation committees compare what CEOs make at similar firms, they often use an inappropriate set of peers. To provide a fair benchmark, peer companies should be of similar size. But often compensation committees choose peers bigger than themselves, most likely because bigger companies have higher executive pay.

In 2010, the Investor Responsibility Research Center Institute found

that companies with relatively high executive pay were 25% smaller than their self-selected peers by revenue and 45% smaller by market cap. Or consider Office Depot, whose filings we examined. Of the 20 companies in its peer group, all had higher market capitalizations and 13 had higher revenues. It isn't hard to see how this is likely to skew executive compensation upward.

Moreover, although CEOs get large rewards for beating their peer group's average, the penalties for underperforming are usually modest. Take Merck in 2015: Its annualized shareholder return over the previous three years ranked in the bottom quartile of its self-selected peer group, but its CEO still received 80% of the possible payout for that metric.

What's the solution? The Securities and Exchange Commission should require compensation committees to explain and quantify the differences between GAAP earnings and any adjusted figures they use. Committees should also be required to disclose the revenues and market capitalizations of the peers they select.

At the same time, shareholders should become more proactive about advisory votes on executive pay. Institutional investors should formulate public guidelines for compensation committees to follow. Companies should then hold conference calls in which the committee members would explain any variances.

Setting executive pay will always be a tricky process, since the goal is to reflect performance while attracting top talent. To help shareholders accurately judge pay packages, compensation committees must use clearer and more standardized metrics.

*Mr. Pozen is a senior lecturer and Mr. Kothari is a professor at MIT's Sloan School of Management. This op-ed is based on a study published in the July-August issue of the Harvard Business Review.*

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## Notable & Quotable: Joan

Doug MacCash reporting for the Times-Picayune of New Orleans, May 4:

The phrase "Tear it Down" was hastily sprayed in black paint across the base of the golden Joan of Arc statue on Decatur Street in the French Quarter sometime earlier this week. It has since been removed, with only the vaguest traces of the paint remaining.

The "Tear it Down" tag would seem to relate to the debate surrounding the city's ongoing removal of four Confederate monuments. But the statue of Joan of Arc, a 15th-century military leader, martyr and

Catholic saint, hasn't been mentioned in the controversy to this point.

Amy Kirk Duvoisin, the founder of the annual Joan of Arc parade that ceremonially pauses at the statue on the first day of Carnival season, says she's confused by the vandalism.

"Surely, people realize she's not related to American history," she said. . . .

On May 1 in Paris, the controversial former right-wing Nationalist Front Party leader Jean-Marie Le Pen, known for his restrictive views on French immigration, led a rally at a duplicate golden statue of Joan of Arc in Paris.

*Mr. Pozen is a senior lecturer and Mr. Kothari is a professor at MIT's Sloan School of Management. This op-ed is based on a study published in the July-August issue of the Harvard Business Review.*



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# BUSINESS & FINANCE

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## Maersk Trims Sails by Selling Oil Assets

France's Total to pay \$4.95 billion in shares, as Danish group focuses on shipping

BY SARAH KENT  
AND COSTAS PARIS

Total SA has agreed to acquire Danish conglomerate A.P. Moeller-Maersk A/S's oil unit for \$4.95 billion, signaling a renewed appetite for deals in the global oil-and-gas industry.

The deal will help the French energy giant bolster its position among the world's largest oil companies, poten-

tially boosting its earnings and cash flow and shoring up its ability to pay dividends.

By 2019, Total now says its production will reach 3 million barrels a day of oil and gas—a level achieved by only a handful of private companies including Exxon Mobil Corp. and Royal Dutch Shell PLC. Total currently produces around 2.5 million barrels a day.

For Maersk, among the world's largest shipping companies, the deal streamlines its business as it grapples with historic downturns in both the shipping and oil industries.

It is the first sale for

Maersk after it announced plans to break up the company last September. It is also looking to sell or list by the end of next year other units, such as Maersk Drilling, which operates oil and gas rigs mainly in the North Sea, and Maersk Tankers, which moves oil and oil products on a fleet of 158 vessels, and Maersk Supply, a fleet of 44 support ships for offshore operations.

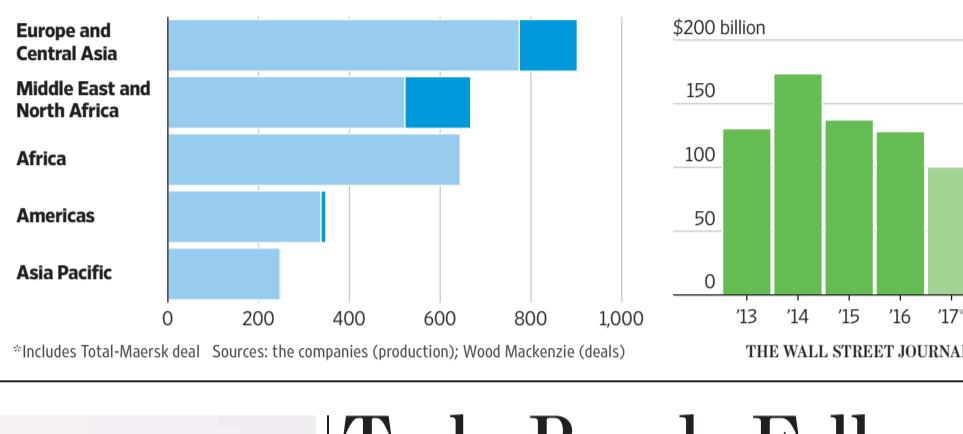
Maersk is trying to reshape itself into a global supply-chain player like United Parcel Service Inc. and FedEx Corp. The plan involves moving more ships through its port operations, APM Terminals,

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### Appetite for Oil

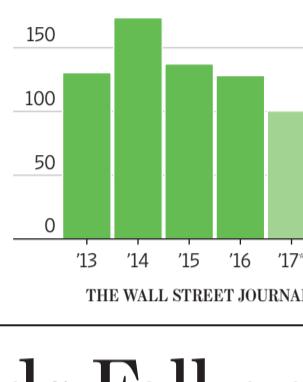
The Maersk transaction adds to Total's output in several regions, and to deal-making momentum in the sector

#### Oil and gas production, average barrels per day in thousands



\*Includes Total-Maersk deal. Sources: the companies (production); Wood Mackenzie (deals)

Oil-industry deals have picked up the pace thus far in 2017



THE WALL STREET JOURNAL.



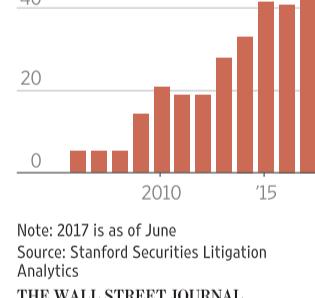
Anadarko Petroleum shut wells after a blast in Colorado this year. Investors sued, saying they weren't warned of safety concerns.

## Shareholders Sue More Frequently

BY SARA RANDAZZO

### Follow the Leader

'Emerging' law firms have been leading a larger percentage of securities lawsuits in recent years.



Note: 2017 is as of June  
Source: Stanford Securities Litigation Analytics

from Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse.

The volume, which doesn't

include suits challenging mergers and acquisitions, is higher than in any equivalent period since Clearinghouse began tracking data in 1996, after the passage of landmark securities-litigation legislation. Under securities laws, investors can sue to recoup losses after a stock drops by proving a company or its employees fraudulently misstated or withheld information that would have been material to buying or selling shares.

"What's going on this year is absolutely without precedent," said Kevin LaCroix, an attorney who advises companies on directors and officers insurance.

Industry watchers say the rise is being driven by enterprising plaintiffs' firms bringing more, arguably weaker, cases on the prospect that companies will settle early to make a case go away.

Advisers are alerting clients

that in the current era, every company, from small-cap firms to corporate giants, needs a plan for defending against fraud accusations after investor losses.

"There's a reality of securities class-actions that needs to be baked in," said Douglas Greene, a securities defense lawyer at Lane Powell PC in Seattle.

These cases rarely proceed to trial. Of cases filed from 1997 to 2016, according to Cornerstone, 48% have been settled, 42% have been dismissed and 10% are continuing. Less than 1% of filings have reached a trial verdict.

Traditionally, the most lucrative cases for plaintiffs have hinged on misstatements within audited financial statements, which can come to light when a company announces plans to revise previously reported results.

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The bonds are being closely watched by investors because Tesla has become a stock-market favorite.

## Tesla Bonds Fall on Investors' Concerns

By MATT WIRZ

Tesla Inc.'s first bonds have fallen more than 2% in price since their issuance 10 days ago, a sign of Wall Street's ambivalence over the electric-car maker.

The Palo Alto, Calif., company sold \$1.8 billion of lower-rated bonds on Aug. 11 to help pay for the Model 3, its first mass-market car.

Tesla took advantage of investors' thirst for higher-yielding securities, selling debt at an annual yield of 5.3%—more than 3 percentage points above comparable Treasurys.

Many investors sat out the deal, questioning the wisdom of buying bonds from a company that hasn't turned an annual profit and is drastically increasing its spending in a bid to break into the capital-intensive auto market.

"God love them, they took advantage of a super strong market to get superlow financing," said Jack Flaherty, a bond portfolio manager at GAM Holdings AG who didn't buy into the new deal.

A spokesman for Tesla declined to comment.

The price of the bond dropped to 97.63 cents on the dollar in late Monday trading, pushing the yield up to 5.65%, according to data from MarketAxess. Bond yields rise when prices fall.

Trading has been heavy. Tesla bonds were the most actively traded junk bonds Monday, with about \$96 million of the debt changing hands, according to MarketAxess.

The bonds are being closely watched by investors because Tesla has become a stock-market favorite.

Tesla shares are up 58% this year despite a 2.8% decline Monday.

The company until this

### Downshift

Tesla bond price

101 cents on the dollar



Source: MarketAxess

month had never issued traditional bonds that must be paid off at maturity. Instead Tesla has raised \$6 billion by selling shares or bonds convertible into stock.

Many high-yield bond prices fell last week, as investors pulled about \$1 billion from junk-bond funds, according to Thomson Reuters Lipper data.

Investors cited a perception that uncertainty tied to policies in Washington and events around the globe has been rising.

The average yield of corporate bonds rated single-B was unchanged last week, according to the Bloomberg Barclays U.S. High Yield Index.

Tesla bonds declined more than similarly rated ones because they pay less interest, investors said, though a person familiar with the Tesla bond sale pointed out that some other recent bond issues have also declined.

"It's more attractive now, but it's not a level I'm willing to step into yet," Mr. Flaherty said.

—Charley Grant  
and Sam Goldfarb  
contributed to this article.

## U.S., Russia Duel Over Gas Exports to Europe

BY GEORGI KANTCHEV

U.S. attempts to export natural gas into Europe's energy market are facing stiff resistance from the region's dominant competitor: Russia.

A tanker arrived in Lithuania on Monday carrying the first shipment of U.S. liquefied natural gas to a former Soviet republic. It follows a handful of other shipments of U.S. gas to Europe and comes after widespread predictions that American exports would help break Russia's dominance of Europe's energy market.

Russia is moving quickly to contain the new competition to its largest energy market. Its state-run energy companies are lowering prices, changing sales methods and developing their own LNG facilities. Moscow is also pushing ahead with a pipeline opposed by Washington and Brussels.

While European governments are eager to reduce

Russia's chokehold and its resulting political leverage, the region's consumers are looking beyond politics for the lowest prices. That favors Russia. Last year, Russia exported record levels of gas to Europe, helped by lower prices and falling domestic production elsewhere in Europe.

"We are tracking the situation on the global gas market and the growth of U.S. shale-gas production," Russia's energy minister, Alexander Novak, said in an interview last month. "Recently we have allocated a lot of efforts to boost our presence on the LNG market."

Many analysts still expect the nascent U.S. exports to eat into Russia's share of the European market, which is about one-third.

The U.S. shale revolution has unlocked vast energy reserves, and the country is expected to become a net natural

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gas exporter.

From Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse.

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### INSIDE

#### ACKMAN LOSES GROUND ON TWO FRONTS

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#### BLUE CHIPS WOBBLE TO A GAIN

MONDAY'S MARKETS, B11

### STREETWISE | By James Mackintosh

## Who Are the Real Speculators?

To politicians and voters, "investors" carry on the noble work of capitalism, while "speculators" are no better than gamblers who treat share prices the same way as racing odds.

A new study suggests the caricature has it backward. The most speculative of speculators, it turns out, make their money when the companies they gamble on have good fundamentals—the cornerstone of what we traditionally think of as investing. And those who think of themselves as the most fundamentalist of fundamental investors make most of their money when the luck of the markets pushes prices up, absent improving company financials.

Understanding where the extremes of investment and speculation make their

money matters for buyers of so-called smart beta exchange-traded funds—vehicles that attempt to exploit anomalies in the market.

In modern parlance, speculators bet on changes to valuation, while investors

care about corporate fundamentals. Strangely, it turns out that momentum strategies driven entirely by the hope that prices will keep moving in the same direction they have been moving make their money from fundamental improvements. And "value" strategies driven by an assessment of fundamen-

tals make their money from rising valuations.

A study in the latest Journal of Portfolio Management by Joseph Kushner, an associate at Goldman Sachs Asset Management, breaks down the past 30 years of returns for value and momentum into valuation changes and business improvement.

Value is perhaps most popular with investors who decry speculation, yet Mr. Kushner found that the approach of buying companies that are cheap as measured by price-to-book ratio made all its gains from a rise in valuations—before rebalancing back into cheap companies once a year. That is, the companies didn't actually get any better; other people were just willing to pay more for them.

By contrast the short-term approach of momentum, holding stocks for just a

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## BUSINESS & FINANCE

### SUE

Continued from the priorpage

But increasingly, smaller law firms are bringing securities cases targeting business disruptions or disasters, failed pharmaceutical trials and disappointing earnings. Such cases are often settled for lower amounts and are more likely to be dismissed, data shows. But that hasn't stopped the flow.

At the current pace, 9.5% of the 4,411 U.S. exchange-listed companies will face a securities suit this year, including merger suits, according to Cornerstone—the highest rate since 1997. That would be up from 5.6% last year.

Researchers Jason Hegland and Michael Klausner at Stanford Securities Litigation Analytics coined the term "emerging" law firm last year, positing that the firms are largely responsible for bringing what they view as higher volumes of lower-quality cases. The pair found the dismissal rate of cases brought by so-called emerging firms was 60% from 2012 to 2016, compared with 45% for established firms.

Their research found emerging firms—which they identify primarily as Pomerantz LLP, the Rosen Law Firm PA and Glancy Prongay & Murray LLP—are more likely to pursue securities cases that aren't pegged to a financial misstatement.

Lawyers at the three firms say suing over smaller losses is just as valid a legal strategy and that smaller companies often have fewer safeguards in place, making them more susceptible to engaging in fraudulent activity.

Laurence Rosen, managing partner of Rosen Law Firm, said the suggestion that "we take lots of bad cases with the



TON KELLY/GETTY IMAGES  
Opioids are at the center of an investor lawsuit facing Depomed.

hope of a few panning out is baseless conjecture."

Jeremy Lieberman, co-managing partner of 80-year-old Pomerantz, said he agrees his firm and others have approached a broader range of cases in recent years, but he calls it a business adaptation as the more obvious accounting misstatements have become scarcer.

"It's a new market, but securities laws apply just as well in this market," he said.

Nonfinancial cases used to account for less than half of nonmerger securities class actions, but have risen steadily, to 75% of those filed in 2016 and to 82% so far this year, Stanford Securities Litigation Analytics data shows.

In recent months, that has included lawsuits alleging Ocular Therapeutix Inc. withheld manufacturing issues and that Tableau Software Inc. inadequately warned about increased competition. Tableau said the case has no merit. Ocular didn't respond to a request for comment.

Shareholders also sued Anadarko Petroleum Corp. after the oil-and-gas company temporarily shut down 3,000 wells

following an explosion in Colorado. The suit claims the company didn't warn investors of safety concerns.

In a court filing, Anadarko called the case an "event-driven complaint" and said the tragedy doesn't give rise to a securities claim.

Under the Private Securities Litigation Reform Act of 1995, plaintiffs' firms primarily earn lead-counsel appointments by representing the investor with the largest loss. That has led more established players to build deep connections with pension funds and other institutional investors.

The smaller firms, meanwhile, have had to create niches with individual, rather than institutional, investors.

More than a decade ago, that meant filing stock-options backdating cases and, later, suits against Chinese companies that did reverse mergers in the U.S.

Now, with those cases dried up, smaller firms look for outward signs of trouble to latch onto, such as an auditor resigning, a short-seller report, or a government investigation, analysts and defense attorneys say.

### MAERSK

Continued from the priorpage and more cargo inland through Damco, its supply-management division handling airfreight, trucks and warehouses.

"We are investing in our core business" of shipping, Maersk Group Chief Executive Soren Skou said. The sale to Total "will strengthen the financial flexibility of AP Moller-Maersk and free up resources to focus our future growth on container shipping, ports and logistics," he said.

The acquisition, announced by both companies on Monday, is the latest sign of consolidation in the oil-and-gas industry, which finally appears to be stabilizing after a prolonged downturn in petroleum prices.

Total and other big oil companies say they have reduced their costs enough to generate cash at crude prices at current levels, about \$50 a barrel, giving them flexibility to grow through acquisitions.

In the U.S., where small shale-oil producers have proved remarkably resilient amid low energy prices, the sector has experienced a flurry of deals. So far this year, deals in North America have totaled \$73.2 billion, more than in all of 2016, according to data from Edinburgh-based consultancy Wood Mackenzie.

Activity has also picked up internationally, particularly in Europe. Though the number of European deals so far this year stands at roughly half the level of those completed in 2016, their value has reached \$16.8 billion, compared with \$5.3 billion in all of 2016, according to Wood Mackenzie.

Many of the acquirers have been private-equity firms and smaller players, eager to get a foothold in major oil areas such as the North Sea.

Earlier this year, Shell sold its British North Sea assets to Chrysaor Holdings Ltd. in a deal valued at as much as \$3.8 billion. Chrysaor is backed by Harbour Energy Ltd., an investment vehicle managed by Washington-based EIG Global Energy Partners.

Total's acquisition of Maersk Oil is one of the biggest deals in the sector since Shell's roughly \$50 billion acquisition of BG Group last year.

Total will pay for the deal with \$4.95 billion in shares, while also taking on \$2.5 billion in Maersk oil debt. The French company will also assume nearly \$3 billion in expected costs for decommissioning oil rigs in the North Sea.

In Monday trading, Total's shares rose 0.3% while Maersk closed up 2.9%.

"We imagine [Total] investors won't be overly enthused with the idea of buying more oil barrels when they are overly concerned with falling oil demand," Bernstein said Monday in a note that praised the deal for adding potentially profitable barrels.

The deal is a vote of confidence in the North Sea, where around 80% of Maersk's reserves are located. The region has been a major oil-and-gas hub for decades but has also been plagued by high costs, aging infrastructure and declining production.

Total will be northwest Europe's second-largest offshore operator once the deal closes, expected in next year's first quarter. The deal has been approved by both companies' boards but remains subject to shareholder votes and regulatory approvals.

—Dominic Chopping contributed to this article.

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## GAS

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ral-gas exporter next year. Since the start of 2016, the U.S. has been exporting gas globally, from Latin America to Asia.

The prospect of such exports has been welcomed in Brussels, where the European Commission—the European Union's executive arm—has sought to limit the influence of Russian energy on the Continent by imposing multiple regulations on the operation and ownership of Moscow's gas infrastructure.

Some lawmakers and officials in Washington have also talked about energy exports to Europe having a geopolitical, as well as commercial, benefit. The U.S. has long criticized what it considers to be Russian interference in Eastern Europe.

In July, President Donald Trump told representatives of a dozen European nations that the U.S. is eager to export energy supplies to them.

Poland last month became the first Eastern European country to receive U.S. LNG. After a meeting with Mr. Trump, Polish President Andrzej Duda said he expected to sign a long-term deal for LNG supplies from the U.S. to reduce its reliance on Russian "blackmailing."

Lithuania expects another shipment in September.

"The arrival of U.S. gas is making Russia nervous. And they should be nervous," said Jason Bordoff, director of the Center on Global Energy Policy at Columbia University and a former energy official in the Obama administration.

The European market makes up 75% of Russia's over-



JENS BUITNER/PICTURE ALLIANCE/DPA/ASSOCIATED PRESS  
Russia is proceeding with a plan to build Nord Stream 2, a Gazprom project to transport gas into Europe through a 750-mile pipeline.

### Fueling Europe

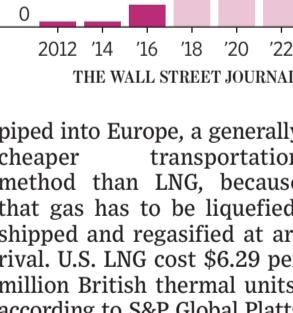
The European Union's top non-EU gas suppliers in 2015, in billions of cubic meters

Russia	121.69
Norway	106.84
Algeria	35.04
Qatar	24.81
Libya	7.08

Sources: Eurostat (suppliers); International Energy Agency (capacity)

### U.S. natural-gas export capacity

100 billion cubic meters



THE WALL STREET JOURNAL.

cargo coming into Europe in the past year. Over the same period, Russian gas delivered into Germany cost an average of \$4.86 per mmBtu.

A July opinion poll conducted on behalf of Winter- shill, a German company involved in Russian energy projects, found that affordability was the main priority for Germans. The survey also found that only 6% of people in Germany believe that the country, and Europe, should import less Russian gas and more U.S. LNG. Germany imports nearly half of its gas from Russia.

There are signs that Moscow is looking to make its gas exports more competitive. State-owned PAO Gazprom has in recent years been experimenting with auctions, where gas is offered to the highest bidder. That is a departure from Russia's traditional model of locking customers into long-term

contracts linked to oil prices. "Energy exports, and gas in particular, have always been Russia's lifeline and a source of influence in Europe, so they will do everything in their power to hold on to it," said Agnieszka Grigas, senior fellow at Atlantic Council, a Washington-based think tank.

Russia is building up its own LNG export capacity. A natural-gas facility on the Yamal Peninsula, just above the Arctic Circle, is scheduled to open by the end of this year, and Mr. Novak, Russia's energy minister, said Russia is working on other LNG proj- ects.

Russia is also charging ahead with a plan to build Nord Stream 2, a Gazprom project to transport gas into Europe through a 750-mile pipeline beneath the Baltic Sea.

—Nathan Hodge contributed to this article.

—Dominic Chopping contributed to this article.

## STREET

Continued from the priorpage month at a time, made money despite falling valuations over the month because, on average, improving fundamental offset the lower multiple.

Money talks, but words matter more to politicians than to those seeking a return from stocks. Value and momentum should both be seen as valid ways to invest—with a plethora of ETFs for both—but also as bets on unchanging human nature.

Value is a bet that shareholders continue to overreact to bad news, so not-

very-good companies are priced as though they were truly awful—the flip side being that really good companies are often priced as though they could never make a mistake. When shareholders wake up to it, the move from being priced as awful to merely bad gives a handy valuation boost.

Momentum is a bet that rising stocks attract new buyers and thus rise further, while falling stocks scare people off and thus fall further. Like value, it has worked well over long periods, and plenty of mutual funds and exchange-traded funds have sprung up to take advantage of both.

Both strategies have been having a tough decade, with value having its second-worst

period of underperformance in data back to 1926. The worst was the 10 years up to a year ago, but value put on a brief spurt after the election.

Mr. Kushner's study throws some light on the recent weakness. Value underperformed mainly because it missed out on the recent sharp rise in valuations of the large growth companies, exemplified by the technology sector. Momentum held better companies than usual, but after being crushed by the speed of the recovery in 2009 it was repeatedly hit by sharp market reversals.

The real question for the future of these strategies is whether they are broken, not whether they are speculative.

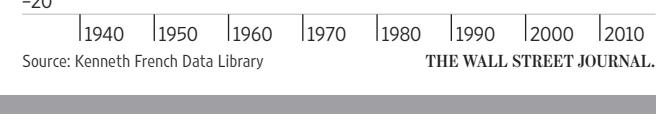
Human nature creates both value and momentum opportunities, but they aren't infinite, and they lose their edge when too much money chases them—probably part of the problem for momentum in recent years.

If we truly live in the winner-takes-all world exemplified by the biggest tech stocks, a value strategy that ends up buying the losers won't work. But there is little reason to think market psychology has truly changed, and investors and speculators alike are probably still overpaying for winners and irrationally underpricing the losers. Eventually reality will dawn and value start to perform again.

### Factoring in a Lost Decade

10-year annualized performance of 'value' and 'momentum' portfolios relative to the U.S. stock market

20 pct. pts.



## BUSINESS NEWS

# LA Times Gets New Publisher

By LUKAS I. ALPERT

Tronc Inc. is undergoing a broad management shake-up at its flagship newspaper, the Los Angeles Times, bringing in internet and media industry veteran Ross Levinsohn as its new chief executive and publisher.

Mr. Levinsohn, who was an interim CEO at Yahoo and had a top role at Fox Interactive Media, replaces Davan Maharaj, a 28-year veteran of the Times, Tronc announced on Monday. Mr. Maharaj had been named publisher in 2016 in addition to his role as editor in chief as Tronc moved to consolidate the roles across its 11 daily newspapers.

Several other senior editors at the paper were also dismissed, the LA Times re-

The shake-up is part of Tronc's efforts to transform its operations.

ported.

Jim Kirk, who until recently had served as publisher and editor in chief of the Chicago Sun-Times until being hired by Tronc earlier this month following a failed acquisition bid, was named interim executive editor to spearhead the search for a new editor in chief, the company said.

The moves highlight the central role the Times has played for Tronc in its efforts to digitally transform a company that over the years has endured a long-running bankruptcy, a spinoff, an ugly shareholder fight and a spurned takeover effort by rival Gannett Co.

All this while, the newspa-

per industry has suffered sharp declines in print advertising and slow growth in digital ad revenue as readership has shifted online.

"We haven't really progressed to where we need to be," said Tronc Chief Executive Justin Dearborn. "Ross is pretty unique in the market, and he has background and history of executing digital transformations."

Mr. Levinsohn also served as CEO of Guggenheim Digital Media for a period after his term at Yahoo, where he was succeeded by Marissa Mayer in 2012. While working for News Corp.'s Fox digital properties in the early 2000s, he oversaw the acquisition of MySpace and helped create the company that is now Hulu. (Since then, 21st Century Fox split with News Corp., owner of The Wall Street Journal, in 2013.)

In a statement, Tronc said Mr. Levinsohn will be tasked with expanding the Times' global footprint, content initiatives and revenue opportunities, among other things.

Tronc, which had been known as Tribune Publishing Co. until June 2016, has pushed hard toward reinventing itself as a digitally focused media company, but has struggled to find its footing amid changes to the media landscape online.

Earlier this month, the company reported a 9% drop in digital ad revenue in the second quarter from a year earlier. It has boosted its digital-only subscriber totals across its titles to 220,000, but remains far behind big publishers like the New York Times and the Journal.

At the same time, the company has battled through a period of turbulent management since being spun off in 2014 from TV assets now called Tribune Media Co.



The company has seen its growth slow in recent years as competitors enter the market and give consumers a variety of new options.

SUBHENDU SARKAR/GETTY IMAGES

## McDonald's Falters in India

Fast-food chain cuts off large franchisee in dispute, adding to woes in market

By CORINNE ABRAMS

MUMBAI—McDonald's Corp. has severed ties with its second-largest franchisee in India, a move that could lead to the loss of nearly 170 outlets and force the fast-food behemoth to start over in a big chunk of this South Asia market.

After years of court disputes over management of the company that controls the McDonald's restaurants in northern and eastern India, McDonald's said Monday it terminated franchise agreements with Connaught Plaza Restaurants Pvt. Ltd., bringing to an end a 22-year-old arrangement.

The only other franchisee in India, Hardcastle Restaurants Pvt. Ltd., runs 242 restaurants in west and south India, which won't be affected.

"We have been compelled to take this step because CPRL has materially breached the terms of the respective franchise agreements," said Barry Sum, a McDonald's spokesman in Hong Kong.

In June, 43 of the 169 restaurants run by CPRL—in which McDonald's India Pvt. Ltd. has a 50% stake—were shuttered because they didn't have the necessary business licenses. Previously, McDonald's tried to oust the company's managing director, Vikram Bakshi, but he fought the decision in court and was reinstated in July.

Mr. Bakshi said the burger chain's latest decision was an "oppressive act" and he is considering his legal options. "This

desperate action taken by the McDonald's Corporation is a direct affront on the Indian legal system," he said in a written statement Monday.

The McDonald's spokesman said CPRL—which opened the first McDonald's restaurant in India—hadn't been paying royalties and had violated other "essential obligations" that it failed to remedy over the past two years.

McDonald's said that CPRL was required to stop using the "McDonald's System," its name, branding and trademarks within 15 days of the termination of its license.

"We understand that this action brings uncertainty for many," McDonald's said. The company said it is working to mitigate the impact on employees, suppliers and landlords and is taking steps to find a new partner for the affected re-

gions.

The breakup marks a painful pause for the Oakbrook, Ill.-based company, as it has been looking to emerging markets like India to offset slowdowns at home and in other more-developed markets like China.

One of the first global restaurant chains to bet on the India opportunity back in the 1990s, McDonald's was initially a huge success, with people in cities like Mumbai and Bangalore lining up for its fare, which had been modified to be beef-free.

In recent years, however, McDonald's and other first movers such as Pizza Hut and KFC have seen their growth slow as a slew of international and local competitors gave consumers new options.

—Debiprasad Nayak and Eric Bellman contributed to this article.

## Macy's Hires eBay Executive, Revamps Merchandising

By SUZANNE KAPNER

Macy's Inc. poached a senior eBay Inc. executive and streamlined top management in an effort to speed up decision making at the struggling department-store chain.

Hal Lawton, 43 years old, will join Macy's on Sept. 8 as president, the company said. He will report to Macy's Chief Executive Jeff Gennette, who had previously held the president's title. Earlier Monday, eBay announced Mr. Lawton's resignation as senior vice president, North America.

Macy's also restructured its merchandising ranks by consolidating merchandising, planning and private-label functions into a single unit, resulting in the elimination of about 100 jobs. The move is expected to save about \$30 million annually with \$5 million of the savings coming in the fourth quarter of the current fiscal year.

"We had a lot of decision makers at the table, and we weren't as fast as we needed to be," Mr. Gennette said of the old structure.



retailer can use more data to better inform how it marks down unsold goods.

Key to his idea was to hire an executive with a solid digital and technology background. Mr. Lawton fit the bill, according to Mr. Gennette, because he also has a strong merchandising track record.

At Home Depot Inc., where Mr. Lawton worked before joining eBay in 2015, he served as senior vice president of hardlines and was instrumental in expanding Home Depot's digital business to nearly \$2 billion from \$400 million, Mr. Gennette said.

At eBay, Mr. Lawton immersed himself in the details of the business, at one point becoming a top-rated seller, in an effort to improve the experience for other sellers on the site.

Mr. Lawton was a key player in eBay's turnaround effort after the 2015 split from PayPal. He will report to Macy's CEO Jeff Gennette.

—Laura Stevens contributed to this article.

## Hamilton Beach Owner to Spin Off Brand, Stores to Focus on Mining

By CARA LOMBARDO

The company that makes Hamilton Beach appliances plans to spin off the brand and a kitchen-accessory store chain, in an effort to focus on its coal and mining businesses.

Nacco Industries Inc. said Monday that spinning off Hamilton Beach Brands Holding Co. as an independent public company will give the housewares business and related retail store, Kitchen Collection, better access to capital and more opportunities to grow through acquisitions and joint ventures.

Nacco Chief Executive Alfred Rankin Jr. said on a conference call that by structuring Hamilton Beach and Kitchen Collection as a single-industry entity, it would receive broader investor interest and analyst coverage.

Hamilton Beach has applied for listing on the New York Stock Exchange under the symbol "HBB," according to a securi-

ties filing.

Nacco will continue to own its other subsidiary, North American Coal Corp., which mines coal primarily for use in power generation and provides services for natural-resource companies.

Hamilton Beach brought in more than \$605 million of revenue last year, while the Kitchen Collection chain reported revenue of \$144 million. Overall, Nacco generated about \$856.4 million in revenue in 2016.

Hamilton Beach produces appliances such as blenders, coffee makers and bag sealers under the Hamilton Beach, Proctor-Silex and Weston brands. Kitchen Collection, which has more than 200 locations, sells cooking gadgets including Hamilton Beach products and other brands.

Hamilton Beach has struggled to lift sales as brick-and-mortar retailers use shelf space for their own private-label appliances and

consumers increasingly purchase specialty housewares online.

Wal-Mart Stores Inc. accounted for 32% of Hamilton Beach revenue last year, while Amazon.com Inc. accounted for 10% of its sales, according to the company.

In the first six months of this year, revenue for Hamilton Beach brands, which includes Kitchen Collection, fell 1.6% to \$293.3 million. The brands had a net loss of \$119,000, driven by a decline in business at Kitchen Collection.

Mr. Rankin will retire and become executive chairman of the Hamilton Beach company, while North American Coal Chief Executive J.C. Butler Jr. will retain his current role and become chief executive of Cleveland-based Nacco. Gregory Trepp, who has been CEO of Hamilton Beach brands and Kitchen Collection since 2010, will lead the new company.

sameness" in Macy's offerings and add more exclusive merchandise to account for 40% of Macy's sales, up from 29% currently. He is also bolstering the Macy's analytics team so the

To that end, he said Monday that he wants exclusive merchandise to account for 40% of Macy's sales, up from 29% currently. He is also bolstering the Macy's analytics team so the

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## TECHNOLOGY

WSJ.com/Tech

# Parts Suppliers React to Amazon

As online retailer expands in business-to-business marketplace, traditional players must step up their game

BY BRIAN BASKIN  
AND LAURA STEVENS

Melanie Lichtfeld, owner of a Madison, Wis.-based plumbing company, used to tell customers they could wait weeks to buy their new kitchen sink from a local supplier. Now she orders the items she needs on **Amazon.com** and they arrive two days later.

Ms. Lichtfeld is one of a growing number of plumbers, electricians and other contractors starting to buy industrial parts online. As part of its business-to-business marketplace, Amazon now sells items as diverse as light switches and hydraulic valves. Last month the company said it had one million customers across fields that also included health-care and office supplies.

Amazon is joining a host of online sellers shaking up the roughly \$130 billion U.S. market for items that keep factories humming and the plumbing working. They threaten a business largely still conducted via salespeople working out of local shops and national distributors that cater to large businesses, as customers are lured away with instant comparison shopping and free delivery.

The largest industrial supplier in North America, **W.W. Grainger Inc.**, with sales topping \$10 billion annually, said it cut prices by as much as 25% this summer after years of losing customers to cheaper online competitors. **MSC Industrial Direct Co.**, a leading supplier to metalworkers, is printing fewer copies of a 4,500-page catalog it calls "The Big Book." The company now generates about 60% of its sales electronically, up from 41% five years ago, including vending machines installed on factory floors that automatically order refills.

Online sellers' push into the market has nabbed much of the industry's sales growth, analysts say, and sparked concern about the future of traditional suppliers. Ms. Lichtfeld said Madison's local suppliers have stopped carrying many items easily found online.

While parts accounted for a sliver of Amazon's \$136 billion in sales last year, the company is a proven disrupter of industries ranging from apparel to video to cloud-data services. Amazon is shaking up the format for

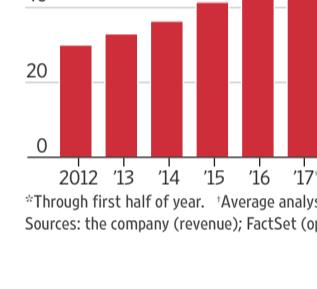


Ohio contractor Shon Albaier-Meere, left, who uses Amazon for business supplies, says buying them online saves her time.

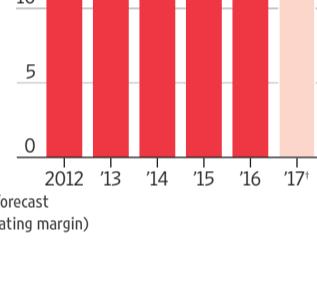
## Going Digital

Grainger is lowering prices and stocking more products to win online customers, sacrificing profits and reducing the need for local branches.

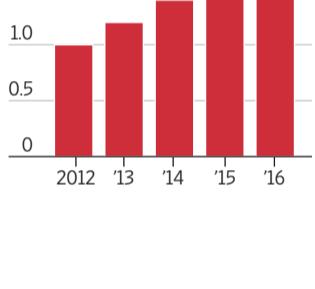
### E-commerce sales as percentage of total revenue



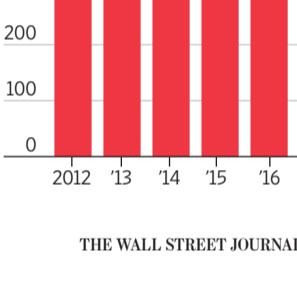
### Operating margin



### Products stocked



### U.S. branch offices



selling industrial parts by allowing distributors and manufacturers to sell products directly to businesses on its marketplace, eliminating middlemen and often undercutting traditional local suppliers. It also offers one-click ordering and transparent pricing, features that are the norm in online retail but less common in the industrial world.

Customers "just want the Amazon buying experience at work," said Prentis Wilson, vice president of Amazon Business, which was launched in 2015.

He said many customers make one-time "spot" orders for parts, but Amazon

is converting some larger businesses to manage their shopping on the marketplace.

Shon Albaier-Meere, the owner of a Mason, Ohio, home construction and remodeling business, said she has used her personal Amazon account to buy supplies. She also buys parts on other sites she finds via Google's comparison-shopping service.

"I don't have time during the day, I need to be on the job," she said. "I'll put the kids to bed at 9 p.m. and start looking for plumbing fixtures in my pajamas."

Big customers, including manufacturers and government agencies, are where distributors like Grainger make most of their money. Sales to these buyers are still growing, with volumes rising 1% last year and 7% this year, the company said in July. But spot purchase

volumes are down 25% since the start of 2016, totaling about \$3 billion annually.

After cutting prices, Grainger is starting to win back more spot purchases and smaller customers, which it failed to attract in recent years, said Elizabeth Ubell, the company's head of e-commerce. She said the goal isn't to beat online sellers on price, but to stay close enough that Grainger's expertise and reliable delivery can complete the sale.

Grainger is competing as a premium service provider," Ms. Ubell said. "Portions of our prices just got out of whack versus where the market was."

Some distributors have a head start compared with Amazon. Many have offered next-day delivery for essential parts for decades and are experts in fulfilling orders fast, from warehouses

around the country.

Distributors also offer extra services, which would require significant investment from Amazon to match. Grainger embeds employees in manufacturing plants to manage inventory.

MSC cuts or dyes metal to meet customer specifications, said Steve Baruch, head of strategy and marketing.

Others remain concerned that buying supplies online would increase the risk of ending up with knockoffs or faulty parts.

Counterfeit products have become a bigger problem for Amazon in recent years, causing the retailer to sue sellers allegedly offering fake goods on its site.

Amazon said that "sellers must abide by performance standards that ensure business customers get the trusted Amazon experience."

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## BUSINESS NEWS

# Putting the Squeeze on Working Capital

Companies are redoubling efforts to free up cash, pay back debt as rates edge up

BY TATYANA SHUMSKY  
AND NINA TRENTMANN

Finance chiefs in the U.S. are shrinking the time it takes to convert trillions tied up in their businesses into tangible cash, while some of their European counterparts struggle to do the same.

The 1,000 largest U.S. public companies reduced the number of days it took to convert working capital into cash received from customers to 35.7 days in 2016 from 37.1 a year earlier, according to a study by Hackett Group Inc., a consulting firm. The same measure of European companies was 40.4 days, up from 39 days in 2015.

There is roughly \$6 trillion in working capital locked up across U.S. and European companies, Hackett estimates. Finance chiefs at companies including Conagra Brands Inc., NRG Energy Inc., and Diageo PLC are among those reducing the amount of cash used to run their operations.

The focus on more efficient use of working capital follows a prolonged period of near-zero interest rates around the world. Credit is becoming more expensive as the Federal Reserve has started inching up interest rates in the U.S., and there are expectations of a less accommodative monetary policy from the European Central Bank.

Therefore, businesses are seeking ways to squeeze more cash out of their operations to



FEFF J MICHIEL/GETTY IMAGES

Diageo has managed to wring cash from its operations. U.S. and European firms have an estimated \$6 trillion tied up in their businesses.

pay down what they borrowed or to avoid taking on new loans.

"Working capital improvements enable companies to pay back debt, fund future growth, reward shareholders and reduce risk," said Paul Moody, associate principal with Hackett. "There's a mentality of 'get your house in order now, when times are good, and be prepared for the unexpected.'"

U.S. companies have \$3 trillion tied up in working capital, which represents the amount of cash left after deducting current liabilities from current assets. Hackett Group estimates that \$1.04 trillion could be liberated through efficiency

improvements.

Companies in Europe have roughly the same amount tangled up in operations, with €1 trillion (\$1.17 trillion) able to be freed, Hackett said. However, these firms struggle when it comes to cash conversion, largely because they held on to 63 days worth of inventory in 2016, up from 57.9 days a year earlier, according to Hackett.

Still, businesses on both sides of the Atlantic are using several tactics to free up cash. They run down inventory levels to reduce the amount of money tied up, collect cash from customers faster and pay suppliers more slowly to avoid

using debt to fund operations.

Companies that cut their cash-conversion cycle by seven days added between 1.05% and 2.1% to their earnings margin, according to Hackett.

Chicago-based food maker Conagra cut its cash conversion cycle by roughly 12 days during its 2017 fiscal year, resulting in a \$263 million, or 27%, reduction in its working capital. The lower a company's working capital—without hitting negative numbers—the more cash efficient it is perceived to be.

The maker of Healthy Choice frozen dinners and Reddi-wip improved capital use in areas including inventory, accounts receivable and accounts payable, said Conagra finance chief David Marberger on the company's fourth-quarter earnings call in June.

Working-capital improvements contributed to an 81% increase in Conagra's net cash flow from operating activities to \$1.1 billion in fiscal 2017, Mr. Marberger said.

Electricity producer NRG Energy said it identified \$370 million in one-time working-capital improvements that will be fully realized by the end of 2019 as part of its broader transformation plan launched last month.

The company expects to net a one-time working capital re-

duction of \$175 million this year by reducing fuel inventory and cutting the amount of machinery and spare parts kept on hand, among other initiatives.

"We have a responsibility to manage working capital at levels appropriate and necessary for day-to-day operations," said NRG finance chief Kirk Andrews, in a statement.

Continental AG said its working capital swelled by €300 million in the second quarter from a year earlier. The German auto-parts maker waits an average of 67 days until its customers settle their bills. That long wait time, coupled with a seasonal uptick in sales, led to the increase in working capital.

Regional differences also play a role, a Continental spokesman said. In China, Continental often receives instead of cash banker's acceptances—a guarantee of future payment signed by a commercial bank—which only come due after 60 to 180 days. In cases like these, it can take more than 100 days before the company receives the money, the spokesman said.

Still, other European companies have succeeded in freeing cash from working capital. Diageo, known for its Johnnie Walker whisky and Guinness beer, said it reduced its working capital by 4.5% over the past two years. The company, in its July results presentation, said that more efficient debtor management and a reduction in overdue customer payments helped shrink working capital.

"We have got really good day-to-day execution around working capital," finance chief Kathryn Mikells said on the company's fourth-quarter earnings call in July.

## BUSINESS WATCH



Cooling towers of Sasol north of Johannesburg. The South African company posted a profit of \$1.55 billion for the year ended June 30.

ANGLOGOLD

### Mining Company Swings to a Loss

AngloGold Ashanti Ltd., the world's No. 3 gold producer, reported a first-half loss Monday as the mining company restructures some of its South African units.

Net loss for the six months to June 30 came to \$176 million, compared with a year-earlier profit of \$52 million. Earnings were hit by an \$86 million post-tax impairment related to certain

South African mines, \$47 million posttax set-aside for potential staff layoff costs there and \$46 million posttax for the estimated cost of settling a class-action lawsuit brought against a group of South African miners.

The company said its headline loss, which strips out certain exceptional and one-off items, came in at 22 cents a share, from a profit of 23 cents a share a year earlier.

Revenue for the first six months of the year rose 4.3% to \$2.13 billion.

—Alexandra Wexler

SHIRE

### Finance Chief Plans To Join U.S. Startup

Shire PLC said Chief Financial Officer Jeff Poulton has decided to leave the company at the end of the year to join a startup in the U.S.

Mr. Poulton plans to join Boston-based agricultural technology company Indigo Ag Inc. as its new finance chief, Shire said. It added that it will initiate a formal search for a replacement.

Revenue for the first six months of the year rose 4.3% to \$2.13 billion.

—Tapan Panchal

SASOL

### Profit Soars 54% on Reduction in Costs

South African petrochemical and energy company Sasol Ltd. on Monday reported a 54% increase in its 2017 profit.

Sasol posted a net profit of 20.37 billion South African rand (\$1.55 billion) for the 12 months ended June 30, compared with 13.23 billion rand a year earlier.

Headline earnings per share fell 15% to 35.15 rand a share.

—Alexandra Wexler

## J&J to Appeal Verdict In Baby-Powder Case

By SARA RANDAZZO

LOS ANGELES—A jury on Monday awarded a woman with ovarian cancer \$417 million in a case against Johnson & Johnson, the latest hit to the pharmaceutical company in widespread litigation over the alleged harms of its baby powder.

The verdict here comes in the sixth completed trial alleging the talcum powder in J&J's popular bath product causes ovarian cancer, and that the company failed to warn about the risks. The company won a trial in March but lost four others, leading to jury awards totaling more than \$300 million that are now on appeal.

A J&J spokeswoman said Monday that the company plans to appeal the latest verdict. Individual jury awards in mass tort litigation are idiosyncratic and are often reduced on appeal. At the same time, the outcome of early trials can give plaintiffs and defendants a better sense of how to value any eventual global settlement.

J&J said in a recent securities filing that as of July 2 it faced 4,800 pending claims in U.S. courts over its talc products.

The four-week trial here hinged largely on a battle of the experts, with pathologists, oncologists and other specialists called in by both sides.

J&J has repeatedly said talc is safe to use as an ingredient in cosmetic products and that its baby powder is labeled appropriately. The company spokeswoman said Monday that while they sympathize with those affected by ovarian cancer, "we are guided by the science, which supports the

safety of Johnson's Baby Powder." She pointed to an April finding by a National Cancer Institute board that "the weight of evidence does not support an association between perineal talc exposure and an increased risk of ovarian cancer."

J&J has latched on to a U.S. Supreme Court ruling in June limiting where cases can be filed in an effort by the company to shed other pending talc cases. A judge declared a mis-

A California jury awarded \$417 million to a woman suffering from ovarian cancer.

## Baidu to Sell Food-Delivery Unit

BY ALYSSA ABKOWITZ  
AND JULIE STEINBERG

Baidu Inc. is selling its takeout delivery business to Ele.me, a rival backed by Alibaba Group Holding Ltd., according to people familiar with the situation.

The cash-and-stock deal, expected to be announced this week, will allow the Chinese search-engine giant to stop sinking money into a costly business that hasn't paid off, according to people familiar with the sale.

Ele.me is valued at \$5.5 billion to \$6 billion after its latest investment round led by Alibaba and its financial affiliate, Ant Financial. As of last year, Baidu's takeout business, called Waimai, was valued at \$2.5 billion.

The people familiar with the sale didn't give details on a purchase amount. Alibaba and Ant are helping fund the acquisition, one of the people said.

Waimai shareholders will hold a minority stake in the combined entity as a result of

the deal, that person said.

The sale is part of a larger refocus for Baidu, which is prioritizing artificial intelligence as its growth driver. In recent months, the search firm has consolidated business units and focused on two AI products, a voice-interaction system called DuerOS and an autonomous-driving open source platform called Apollo.

The deal also signals a defeat in Baidu's attempt to compete in China's fierce online-to-offline, or O2O, market.

## Dividend Changes

Dividend announcements from August 21.

Company	Symbol	Amount	Payable/ Record	Symbol	Amount	Payable/ Record
Increased				WisdomTree Fd US HY Cp Bd	WFHY	5.7 .2425 M Aug 25/Aug23
Cross Timbers Royalty Tr	CRT	7.7 0928/0774 M Sep15/Aug31		WisdomTree Fund Cp Bd	WFIG	3.2 .1325 M Aug 25/Aug23
MGE Energy	MGE	2.0 3225/3075 Q Sep15/Sep01		WisdomTree Fund US ST Cp	SFIG	.19 .08 M Aug 25/Aug23
Westlake Chemical	WLK	12 .21/1906 Q Sep18/Sep01		WisdomTree Fund US ST HY	SFYH	4.5 .1875 M Aug 25/Aug23
Reduced				WisdomTree US HI Div Fd	DHS	3.1 .175 M Aug 25/Aug23
Felcor Lodging Trust	FCH	2.3 .04/.06 Q Aug30/Aug28		WisdomTree US Agg Bd	AGGY	2.8 .12 M Aug 25/Aug23
				DES	2.1 .135 M Aug 25/Aug23	
				DGRW	1.6 .03 M Aug 25/Aug23	
				WisTree US SmCp Qlty Div	DGRS	1.1 .01 M Aug 25/Aug23
				WM EM Local Debt	ELD	4.5 .145 M Aug 25/Aug23
				WT Asia Local Debt	ALD	1.7 .065 M Aug 25/Aug23
				WT Barclays US Agg Bd	AGZD	2.4 .095 M Aug 25/Aug23
				WT Barclays US Agg Bd Neg	AGND	.21 .075 M Aug 25/Aug23
				WT Interest Rtg HY Bd	HYZD	4.5 .09 M Aug 25/Aug23
				WT Neg Dur HY Bd Fd	HYND	4.7 .08 M Aug 25/Aug23
Foreign						
Enerplus	ERF	11 .00784 M Sep15/Aug31				
ETRACS Alerian MLP	AMU	7.2 .3056 Q Sep06/Aug28				
ETRACS Alerian MLP ETN	AMUB	7.2 .3056 Q Sep06/Aug28				

KEY: A: annual; M: monthly; Q: quarterly; R: revised; SA: semiannual;

S2: stock split and ratio; SO: spin-off.

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## CEO Council

# Annual Meeting

November 13–14, 2017  
Washington, D.C.



### Speakers Include:

Betsy DeVos  
Secretary, U.S. Department  
of Education

Chris Liddell  
Assistant to the President,  
The White House

Wilbur L. Ross, Jr.  
Secretary, U.S. Department  
of Commerce

Jay Walker  
Founder and CEO, Upside;  
Founder, Priceline.com

Mark Warner  
Senator (D., Va.), U.S. Senate

Join WSJ Editor in Chief Gerard Baker at this year's meeting to examine the shift in policy currently underway in Washington. Taxes, trade, health care, regulation, America's role in the world—they are all up for notable change, and the consequences for business are considerable.

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## COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

### Futures Contracts

#### Metal & Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
Aug 2.9630 3.0025 ▲ 2.9630	2.9810	0.0405	.774					
Dec 2.9600 3.0230 ▲ 2.9530	3.0015	0.0400	144,670					
Gold (CMX)-100 troy oz.; \$ per troy oz.								
Aug 128.50 129.80	128.470	5.10	.846					
Oct 128.50 129.00	128.290	5.00	.52,133					
Dec 128.10 129.00	128.260	5.10	.397,305					
Feb'18 129.30 130.20	129.00	130.30	5.20	19,177				
Jun 1300.50 1308.60	1300.50	1307.50	5.30	9,508				
Dec 1315.00 1319.20	1315.20	1318.20	5.30	8,103				
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
Aug 885.00 885.00	885.00	941.40	11.90	4				
Sept 925.90 942.55 ▲ 922.80	939.00	11.90	26,627					
Dec 915.75 935.50 ▲ 914.85	931.80	12.30	9,225					
March'18 917.95 918.55	917.65	926.60	12.10	452				
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
Aug 962.60 965.30	962.60	982.70	3.10	1				
Oct 982.30 989.90	979.10	985.50	3.10	62,872				
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
Aug 17.130 17.130	16.990	16.995	0.015	33				
Sept 16.935 17.110	16.830	17.015	0.015	89,745				
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
Sept 48.72 48.75	47.03	47.37	-1.14	62,446				
Oct 48.89 48.91	47.21	47.53	-1.13	513,832				
Nov 49.05 49.06	47.38	47.68	-1.14	206,473				
Dec 49.14 49.17	47.50	47.79	-1.14	331,893				
Jan'18 49.21 49.22	47.61	47.89	-1.14	156,112				
Dec 49.39 49.42	48.09	48.27	-1.10	183,258				
NY Harbor USLD (NYM)-42,000 gal.; \$ per gal.								
Sept 1.6211 1.6249	1.5566	1.5712	-.0492	62,377				
Oct 1.6261 1.6299	1.5722	1.5775	-.0481	86,360				
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
Sept 1.6274 1.6280	1.5734	1.5841	-.0399	58,689				
Oct 1.5400 1.5400	1.4853	1.4961	-.0370	130,430				
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.								
Sept 2.894 2.980	2.867	2.962	.069	117,682				
Oct 2.929 3.014	2.903	2.992	.062	209,909				
Nov 3.004 3.085	2.983	3.060	.052	129,423				
Dec 3.154 3.222	3.130	3.198	.045	92,311				

### Cash Prices | WSJ.com/commodities

Monday, August 21, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday
<b>Energy</b>			
Propane,tet,Mont Belvieu-g	0.7615		
Butane,normal,Mont Belvieu-g	0.9459		
NaturalGas,HenryHub-i	2.980		
NaturalGas,TranscoZone3-i	2.930		
NaturalGas,TranscoZone6NY-i	3.150		
NaturalGas,PanhandleEast-i	2.570		
NaturalGas,Opal-i	2.570		
NaturalGas,MarcellusNE PA-i	1.810		
NaturalGas,HaynesvilleLA-i	2.850		
Coal,Aplic,1,250,000Btu,1,2502-rw	52,600		
Coal,PwdrRvrBsn,880,000Btu,0.8502-rw	11,550		
<b>Metals</b>			
Gold, per troy oz			
Engelhard industrial	1292.34		
Engelhard fabricated	1389.27		
Handy & Harman base	1292.90		
Handy & Harman fabricated	1435.11		
LBMA Gold Price AM	*1295.25		
LBMA Gold Price PM	*1295.80		
Kruegerand,wholesale-e	1342.95		
Maple Leaf-e	1355.87		
American Eagle-e	1355.87		
Mexican peso-e	1564.92		
Austria crown-e	1268.73		
Austria phil-e	1355.87		
<b>Silver, troy oz.</b>			
Engelhard industrial	17,1000		
Engelhard fabricated	20,5200		
Handy & Harman base	17,0250		
Handy & Harman fabricated	21,2810		
LBMA spot price	£13,1979		
(U.S.\$ equivalent)	17,0200		
<b>Metals</b>			
Gold, per troy oz			
Engelhard industrial	1292.34		
Engelhard fabricated	1389.27		
Handy & Harman base	1292.90		
Handy & Harman fabricated	1435.11		
LBMA Gold Price AM	*1295.25		
LBMA Gold Price PM	*1295.80		
Kruegerand,wholesale-e	1342.95		
Maple Leaf-e	1355.87		
American Eagle-e	1355.87		
Mexican peso-e	1564.92		
Austria crown-e	1268.73		
Austria phil-e	1355.87		
<b>Fibers and Textiles</b>			
Burlap,10x40-inch NY yd-n,w	0.5975		
Cotton,1/16 std lw-mdMphs-u	0.6721		
Cotlook' A' Index-t	*77.40		
Hdys,ny native stvres piece fob-u	62,000		
Wool,64s,stable,Terr del-u,w	n.a.		
<b>Grains and Feeds</b>			
Barley,top-quality Mnpls-u	4.70		
Bran,wheat middlings,KC-u	61		
Corn,No.2 yellow,Cent Il-bp,u	3,2400		
Corn gluten feed,Midwest-u,w	77.5		
Corn gluten meal,Midwest-u,w	478.0		
Cottonseed meal,u,w	198		
Hominy feed,Cent IL-u,w	88		
Meat-bonemeal,50% pro Mnpls-u,w	333		
Oats,No.2 milling,Mnpls-u	2,8925		
Rice,5% Broken White,Thailand-l	374.00		
Rice, Long Grain Milled, No. 2 AR-u	22,38		
Sorghum,(Milo) No.2 Gulf-u	7,7313		
Soybean Meal,Cent IL,rail,ton48%-u	296.80		
<b>Fats and Oils</b>			
Corn oil,crude wet/dry mill-u,w	36,7500		
Grease,choice white,Chicago-h	0.3150		
Lard,Chicago-u	n.a.		
Pork bellies,12-14 lb MidUS-u	1,0232		
Pork loins,13-19 lb MidUS-u	n.a.		
Steers,Tex-Oklahoma,Choice-u	n.a.		
Steers,feeder,Oklahoma,City-u,w	153.16		
<b>Commercial paper (AA financial)</b>			
Barley,10x40-inch NY yd-n,w	0.5975		
Bran,wheat middlings,KC-u	61		
Corn,No.2 yellow,Cent Il-bp,u	3,2400		
Corn gluten feed,Midwest-u,w	77.5		
Cottonseed meal,u,w	198		
Hominy feed,Cent IL-u,w	88		
Meat-bonemeal,50% pro Mnpls-u,w	333		
Oats,No.2 milling,Mnpls-u	2,8925		
Rice,5% Broken White,Thailand-l	374.00		
Rice, Long Grain Milled, No. 2 AR-u	22,38		
Sorghum,(Milo) No.2 Gulf-u	7,7313		
Soybean Meal,Cent IL,rail,ton48%-u	296.80		
<b>Corporate bonds, Moody's seasoned</b>			
Aaa	n.a.	3.49	3.24
Baa	n.a.	4.41	4.19
<b>TIPS</b>			
5-year	0.17	0.12	0.29
7-year	0.35	0.33	0.49
10-year	0.45	0.43	0.63
20-year	0.75	0.73	0.97
Long-term avg	0.80	0.78	0.94
<b>Interest rate swaps</b>			
1-year	n.a.	1.00	0.91
2-year	n.a.	1.09	0.98
3-year	n.a.	1.17	1.04
4-year	n.a.	1.25	1.10
5-year	n.a.	1.33	1.16
7-year	n.a.	1.48</	



## BANKING & FINANCE

# Deerfield Settles Insider Charges

By BRODY MULLINS  
AND JULIET CHUNG

WASHINGTON—A large New York hedge fund has agreed to a multimillion-dollar fine to settle what is shaping up to be a major crackdown by the U.S. government on Washington's political-intelligence industry.

The firm, **Deerfield Management Co. LP**, agreed to pay \$4.6 million to settle charges from the Securities and Exchange Commission that it failed to have adequate internal safeguards to ensure that managers didn't make trades based on inside information they received from consultants.

In May, the Justice Department and SEC announced insider-trading charges against Deerfield employees, as well as an official at a health-care agency.

Federal prosecutors also filed charges against a consultant whose job it was to mine the government for information about coming policy changes that could be used to trade stocks.

According to the charges, the Washington analyst obtained nonpublic, market-moving information from a low-level employee of the Centers for Medicare and Medicaid Services and relayed it to the Deerfield employees, who traded on it.

The trades generated more than \$3.9 million in profits from at least May 2012 to November 2013, according to the government.

"Deerfield relied on political intelligence firms, creating a risk that it would receive and trade on illegal inside information," said Robert Cohen, the co-head of the SEC enforcement division's market abuse unit, in a statement. "As it turns out, that is exactly what happened."

Some people familiar with Deerfield were relieved at the result.

"We are pleased to have resolved this matter," a company spokesman said in a statement.

The firm wasn't required to admit guilt; its managing partner wasn't charged with wrongdoing; the fine was in line with expectations; and the nature of the charge was less serious than if the SEC had

found Deerfield was complicit in the insider trading. But uncertainty remains over how the Justice Department charges will play out.

The government is still pursuing charges against two Deerfield employees; the Washington consultant, David Blaszcak, and the former government employee Christopher Worrall. Efforts to reach Messrs. Blaszcak and Worrall were unsuccessful.

In the settlement, which was announced Monday, the SEC said the hedge fund didn't have adequate controls to prevent employees from trading on inside information. The lack of oversight "placed the burden on its own employees to police themselves by identifying issues and informing supervisors," the SEC said in a press release.

The SEC said in the statement that Deerfield employees who traded on the information from the Washington consultant should have been wary that the information could be illicit.

In one email to Deerfield, the Washington consultant said he "heard from a reliable CMS source" that the health-care agency planned to make an announcement that would affect stock prices of certain health-care companies.

Another email sent between two employees at Deerfield noted that the Washington consultant, Mr. Blaszcak, "has a guy" at a government meeting.

The emails were quoted by the SEC's settlement Monday.

It is illegal for individuals to trade stocks based on material, nonpublic information from companies as well as the government.

For more than a decade, hedge funds and other investors have hired an array of lobbyists, consultants and other insiders to find tips about coming decisions by the government that they can use to trade stocks.

The SEC and other regulators have become concerned some of the tips relayed to Wall Street could violate insider-trading rules.

The matter involving the Deerfield employees and Mr. Blaszcak has gone the furthest. The SEC settled a prior investigation into a separate political intelligence firm in 2015.



Foreign deposits in Qatari banks fell nearly 8% month over month in July, and by a similar level in June. A Doha construction project.

## Qatar Banks Under Strain

Funding diminishes as Doha's continuing spat with neighbors leads investors to pull cash

By NIKHIL LOHADE

Qatari banks are facing funding pressure as foreign customers worried about Doha's intensifying spat with its Arab neighbors withdraw deposits.

Foreign deposits in Qatari banks declined nearly 8% month over month in July to 157.2 billion Qatari riyals (\$43.2 billion) after falling by a similar level in June, according to Qatar central-bank data posted on its website Monday.

Deposits from outside the country accounted for about 20% of total bank deposits in July, down from more than 24% in May.

The outflow of foreign bank deposits represents a worrying sign of how Qatar's diplomatic standoff with Saudi Arabia, the United Arab Emirates, Bahrain and Egypt is weighing on the tiny oil-dependent Persian Gulf country, as it tries to ramp up spending on infrastructure, partly related to hosting the soccer World Cup in 2022.

"Any major difficulty in accessing external funding would

impact Qatar's investment program, which has increasingly relied on foreign capital," said Monica Malik, the chief economist at Abu Dhabi Commercial Bank.

The fall in foreign deposits in June and July came despite local banks offering higher interest rates to woo customers.

Analysts expect a further decline because many customers, especially from the Gulf countries, are unlikely to renew their deposits upon maturity amid concerns over repatriation.

Moody's Investors Service this month changed its outlook on Qatar's banking system to "negative" from "stable," citing weakening operating conditions and continued funding pressure facing Qatari banks.

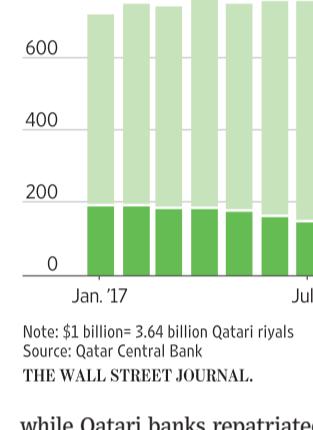
The Qatari government, meanwhile, appears to have taken steps to support the domestic banking sector. Despite the foreign withdrawals, total deposits still increased by 1.3% in July from May.

Qatar's public-sector deposits rose by more than 33% over the same two-month period, mostly in the form of foreign currency, likely reflecting stronger demand for the U.S. dollar.

The public sector also reduced borrowing from the commercial banking sector,

### Heavy Withdrawal

Foreign deposits have fallen at Qatari banks even as public-sector deposits boosted the total.



Note: \$1 billion = 3.64 billion Qatari riyals

Source: Qatar Central Bank

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while Qatari banks repatriated deposits held overseas to reduce liquidity pressure on domestic banks, analysts say.

While Qatar is in a strong position to further support domestic funding requirements—it has reserves of about \$340 billion, including assets of its sovereign-wealth fund—access to foreign capital remains vital to maintain liquidity.

The Saudi-led alliance abruptly broke diplomatic and some commercial ties with Qa-

tar in June after accusing it of sheltering and supporting Islamist groups like the Muslim Brotherhood and Hamas, and citing its alleged links to terrorist groups like al Qaeda.

Qatar denies supporting terrorism but has sought to raise its global profile by mediating regional disputes involving various militant groups. That, however, hasn't gone down well with its neighbors, which don't accept its tolerance for hostile parties for the sake of diplomacy.

A transport ban imposed by the Saudi-led alliance disrupted Qatar's trade routes, affecting imports such as food and construction material. To cope, Qatar has opened new trade routes and is signing deals with new suppliers, but these measures have added time and costs to imports.

Food prices in Qatar rose 4.5% year over year in July, analysts say, citing official Qatar data. Consumer price inflation, however, slowed to 0.2% year over year in July, likely reflecting the rise in uncertainty and softer consumer spending.

The Qatar Stock Exchange's benchmark QE Index fell 0.8% to 9,065.18 on Monday and is down about 9% since June 5, when the Saudi-led alliance broke ties with Qatar.

## J.P. Morgan Will Donate To Rights Groups

By EMILY GLAZER

J.P. Morgan Chase & Co. is planning up to \$2 million in donations to human- and civil-rights organizations following the recent clashes in Charlottesville, Va.

The largest U.S. bank by assets will donate \$1 million split between the **Southern Poverty Law Center** and **Anti-Defamation League** "to further their work in tracking, exposing and fighting hate groups and other extremist organizations," according to an internal bank memo sent Monday that was reviewed by The Wall Street Journal.

This follows bank Chief Executive James Dimon saying in an employee memo last week that he strongly disagreed with President Donald Trump's reaction to the events of Charlottesville and personally supported the disbanding of the president's strategic and policy council of which he was a member. "It is a leader's role, in business or government, to bring people together, not tear them apart," Mr. Dimon wrote in the internal memo.

The debate over the removal of a statue of Robert E. Lee, a top commander of Confederate forces in the Civil War, sparked racially charged protests in Charlottesville.

Mr. Trump said both sides—white nationalists and counterprotesters—were to blame for the clashes.

J.P. Morgan said that beginning in September, it would match employees' donations to a range of human- and civil-rights organizations two for one.

## ADP Rejects Ackman's Nominees to Board



DAVID PAUL MORRIS/BLOOMBERG NEWS

William Ackman will have to plead his case directly to investors.

By CARA LOMBARDO

Automatic Data Processing Inc. board members have rejected activist investor William Ackman's bid for a board seat and those of two other people nominated by his firm, **Pershing Square Capital Management LP**.

ADP's board instead plans to nominate its 10 existing directors for re-election, leaving Mr. Ackman to plead his case for board seats directly to investors. Pershing Square, which owns an 8% stake in ADP, earlier this month tapped its founder, Mr. Ackman, for a seat on ADP's board, along with Veronica Hagen, former chief executive of materials company Polymer Group Inc., and V. Paul Unruh, a former Bechtel Group executive.

But ADP board members voted unanimously to reject all of them, announcing Monday morning that its nominating committee "determined that none of the Pershing Square

nominees bring additive skills or experience."

Mr. Ackman fired back in a statement Monday. "The fact that the board believes that the company's largest owner with an 8.3% stake does not deserve even one board seat speaks to their insularity and lack of shareholder perspective," he said. "By contrast, the cumulative ownership of the board including the company's CEO is less than 0.09% of shares outstanding."

Mr. Ackman has repeatedly clashed with ADP Chief Executive Carlos Rodriguez, whom he would like to see replaced.

Mr. Rodriguez earlier this month called Mr. Ackman a "spoiled brat" during an appearance on CNBC.

Adding Mr. Ackman's nominees would not be an improvement," said John Jones, chairman of ADP. "Unlike Mr. Ackman's nominees, ADP's directors have a deep understanding and appreciation of the current state of ADP's

business and its clients."

Mr. Ackman, known for aggressive tactics but typically gains board seats through negotiations rather than proxy fights, said last week that ADP's stock value could more than double by 2022.

He thinks the company needs to build its own capabilities rather than buy them to prevent startups from further encroaching on its market share. Shortly after the nominations were announced, ADP took the unusual step of disclosing demands Mr. Ackman had made privately and said in a statement it believes it already has a "strong and independent board."

After Mr. Ackman presented his ideas for ADP last week on a conference call, the company said: "We strongly disagree with many of the assertions made by Mr. Ackman in today's presentation, which betrays a fundamental lack of understanding of the current state of ADP's business and strategy."

## Herbalife Hits Activist With Talk of Going Private

By DAVID BENOIT  
AND IMANI MOISE

Herbalife Ltd. raised the specter of going private Monday, sending its stock soaring and dealing a blow to William Ackman, the nutritional-supplements company's chief antagonist.

In announcing that it would buy back as much as \$600 million of its stock from shareholders, Herbalife added an unusual sweetener: The company said it would give any sellers an effective insurance policy so they don't miss out if it is sold in the next two years.

Herbalife said it had ended deal discussions with an unnamed party last week, but its

offer left open the possibility such a sale could still be on the table.

Herbalife shares jumped 9.8% to \$68.04 Monday, giving the company a market value of \$6.4 billion, as investors also took the news as a signal of confidence in its future and that regulatory concerns will dissipate.

It isn't clear whom Herbalife held buyout talks with or how serious the discussions were.

The move will likely continue to pressure the \$1 billion bet Mr. Ackman's **Pershing Square Capital Management LP** made against the company five years ago based on his allegation that it is a pyramid scheme. The company denies

the allegation.

Mr. Ackman first shorted the stock at around \$47; factoring in the cost of the bet, he needs it to fall closer to the \$30 range to make a profit. Mr. Ackman has said Pershing Square would sell out if the wager gets too risky, but personally pledged to take his crusade "to the end of the earth." Pershing Square declined to comment Monday.

Carl Icahn, Mr. Ackman's nemesis and a big Herbalife shareholder, explored selling his stake a year ago but then reversed course and increased it to a level that now stands at about 24%. Mr. Icahn said he wouldn't sell stock into the tender offer.

He and Herbalife agreed he won't acquire more than 50% of the stock unless he plans to buy the entire company. The investor still hasn't hit an earlier ceiling of 35%.

The company will repurchase its stock for between \$60 and \$68 a share, which, at the high end, represents a 10% premium from Friday's closing price.

Herbalife said it has purchased about \$299 million of its shares on the open market this year.

The buyout talks with a private-equity firm called for Mr. Icahn to keep a position in the company, a person familiar with the matter said. Mr. Icahn has publicly mused about such a deal.

Mr. Icahn suggested the insurance policy, known as a contingent-value right, people familiar with the matter said. A common deal sweetener but unusual in a stock buyback, Mr. Icahn has used them previously in takeover offers.

Herbalife was motivated in part by concern that it could have a legal headache if it were sold shortly after buying out some investors, particularly given the earlier talks, the people said.

Founded in 1980, the Los Angeles company sells protein shakes, snacks and other weight-management products through a network of direct sellers.

## MARKETS

# Trader Bets on London

By LAURENCE FLETCHER

Billionaire hedge-fund trader Alan Howard is quitting Geneva and moving back to London.

Mr. Howard, co-founder of Brevan Howard Asset Management LLP and one of the industry's richest and most secretive operators, plans to move to London imminently for family reasons, a person familiar with his plans said.

The news may be seen as a vote of confidence in Britain's business credentials as it negotiates its exit from the European Union.

While the future of London's huge banking industry is uncertain because of questions over passporting rights and efforts by other European cities to attract bankers, some industry insiders believe fund management will thrive and still be able to sell to European investors post-Brexit. About \$435 billion in hedge-fund assets is run out of the U.K., with much more managed in traditional funds.

Mr. Howard moved to low-tax Switzerland in 2010, when several London hedge-fund managers were looking for lower-tax jurisdictions.

Mr. Howard's personal wealth is estimated at £1.04 billion (\$1.34 billion) by the Sunday Times Rich List. He runs a chunk of Brevan's flagship fund and is the most influential money manager at the firm.

Brevan Howard was once regarded as the gold standard in the hedge-fund industry.

Like many macro investors that bet on moves in bonds and currencies, performance more recently has been lackluster. The fund posted small losses for 2014 and 2015, and this year it is down 3.9% through July, according to a person who had seen the numbers. Investors have pulled out billions of dollars, reducing Brevan's assets to around \$13 billion from around \$42 billion at its peak.

# Dow Edges Higher in Quiet Session

Blue-chip index's gain of 29.24 points is biggest in a week; energy stocks drop

By AKANE OTANI AND RIVA GOLD

The Dow Jones Industrial Average regained some ground Monday, eking out a gain after its biggest two-week decline of the year.

**MONDAY'S MARKETS** The blue-chip index traded in a narrow range for much of the session, wobbling between small advances and declines before rising into the close.

The day's moves were muted, a departure from the previous week, when a string of disappointing corporate earnings and flaring geopolitical tensions produced swings in major indexes, government bonds and gold.

With earnings season winding down and little on the economic calendar this week, some investors and analysts say this year's stock rally could remain on pause.

Valuations look lofty, economic growth has been steady but uninspiring and the fate of the White House's policy agenda looks increasingly uncertain, some investors say.

"People are just standing back a little bit and saying let's wait and see what happens here," said Paul Flood, portfolio manager at Newton Investment Management.

Still, the U.S. economy appears supportive for stocks, analysts say, since growth is strong enough to fuel corporate earnings but slow enough to keep the Federal Reserve from raising interest rates quickly.

That should help stocks keep chugging higher, even with investors expressing doubts about the rally, said Jeremy Zirin, head of investment strategy Americas at UBS Chief Investment Office.

The S&P 500 has risen 8.5%

so far this year.

"Equity markets don't just

decline unless you have con-

cerns that growth is going to

decelerate—and there's very

little to suggest that at this

point," Mr. Zirin said.

The Dow industrials rose

29.24 points, or 0.1%, to

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biggest gain in a week. Home

Depot led the index higher, ris-



TING SHEN/XINHUA/ZUMA PRESS

Fed Chairwoman Janet Yellen may offer clues on monetary policy at a symposium later this week.

ment strategy Americas at UBS Chief Investment Office.

The S&P 500 has risen 8.5% so far this year.

"Equity markets don't just decline unless you have concerns that growth is going to decelerate—and there's very little to suggest that at this point," Mr. Zirin said.

The Dow industrials rose 29.24 points, or 0.1%, to 21703.75 on Monday, for their biggest gain in a week. Home Depot led the index higher, ris-

ing \$1.71, or 1.2%, to \$149.20. The S&P 500 edged up 2.82 points, or 0.1%, to 2428.37. The Nasdaq Composite ticked down 3.40 points, or less than 0.1%, to 6213.13, falling for a third consecutive session.

The shares of energy companies in the S&P 500 fell 0.6%, with Chesapeake Energy, Newfield Exploration and Pioneer Natural Resources ending the day as the biggest decliners in the sector.

U.S. crude oil for September

delivery fell 2.4% to \$47.37 a barrel, deepening its declines for the year to 12%.

Oil prices have come under pressure as investors have tried to gauge whether output cuts by global producers would ease a supply glut.

Government-bond prices edged higher for a fourth consecutive session, with the yield on the 10-year U.S. Treasury note falling to 2.182% from 2.196% on Friday. Yields fall as prices rise.

Later this week, analysts expect investors' focus to turn to central banks. Top officials, including Fed Chairwoman Janet Yellen and European Central Bank President Mario Draghi, will gather at the Jackson Hole, Wyo., economic symposium, where they may offer clues on monetary-policy plans.

"I think the ECB, the Bank of England and the Fed are all moving in the same direction, which is to less accommodative policy, and I'm not sure the market is really prepared for that," said Gene Tannuzzo, portfolio manager at Columbia Threadneedle Investments.

Overseas, the Stoxx Europe 600 slipped 0.4%. Early Tuesday, Japan's Nikkei was flat, having fallen in 10 of the past 12 trading sessions. Australia's S&P ASX 200 was up 0.2%. Shares of BHP Billiton were up over 1% after the company tripled its dividend and said it is looking to sell onshore U.S. oil and gas operations.

# Eclipse Plays Muse to Many Market Analysts

By IRA IOSEBASHVILI

end of the week.

"It seems too much like astrology to try to predict the U.S.'s next political firestorm, which will almost certainly eclipse economic data in terms of market impact," the analysts added.

Earlier, interest-rate strategists at Nomura wrote that U.S. markets "have been dealing with an eclipse of another kind. Political uncertainty has finally cast a long enough shadow that even stocks are getting nervous around the vi-

abilities of business-friendly policies."

Karl Schamotta of Cambridge Global Payments used the event in arguing that a currency theory called the "dollar smile" is on the wane. He titled his morning commentary "Total Eclipse of the Smile."

Analysts at LPL Financial noted that while they would "never invest based on the solar system's alignment," equities have risen an average of 17.2% a year after a solar

eclipse, citing data going back to 1900.

Demand for natural gas may get a bump, as the eclipse will briefly affect solar-power generation capacity in the U.S., according to a Raymond James report.

"Muted light like this only occurs once every 100 years. The other muted effect we are experiencing in 2017 is volatility," a separate BMO report said, lamenting the becalmed trading conditions markets have experienced this year.

And analysts at Tudor, Pickering & Holt saw the eclipse as a metaphor for the dim performance of energy stocks.

"Eclipse Day warnings of 'don't look at the sun' could have been borrowed from the energy-investor mantra of late—'don't look at the screen,'" they lamented. "Unfortunately, the energy-stock eclipse has endured considerably longer than today's lunar shadow will."

—Alison Sider contributed to this article.

# Dollar Falls Amid Doubts Fed Will Raise Rates

By IRA IOSEBASHVILI

The dollar fell Monday as investors become increasingly skeptical that the Federal Reserve will lift rates for a third time this year.

The ICE Dollar Index, which measures the U.S. currency against a basket of six others, was down 0.4% to 93.05. The measure hit 92.99 earlier in the session, its lowest level since Aug. 11.

Uneven U.S. economic data and political uncertainty have chipped away at investor confidence in recent weeks. Federal-funds futures, used by investors to place bets on the Fed's rate-policy outlook, on Monday showed a roughly 40% chance of a rate increase by December, down from 43% a month ago, according to CME Group data. Expectations that the Fed will raise rates at a gradual pace tend to weigh on the dollar, making the currency less attractive to yield-seeking investors.

The current backdrop "provides solid justification for the dollar's steady decline for much of this year," said Omer Esiner, chief market analyst at Commonwealth Foreign Exchange. "However, investors are starting to view the greenback's decline as becoming somewhat overdone at current levels, which leaves the dollar ripe for a recovery in the event of positive economic surprises."

Market participants are awaiting comments from Fed Chairwoman Janet Yellen at the central bank's annual economic symposium in Jackson Hole, Wyo., on Friday for clues on how policy makers view the economy.

The euro was up 0.5% at \$1.1817. The dollar fell 0.2% against the Japanese yen to ¥108.98.



WALDO SWIEGERS/BLOOMBERG NEWS

Gold, which has risen 12% this year, could enjoy a surge in momentum-based buying if its price breaks the \$1,300 level, analysts say.

# Gold Bugs Take Shine to Metal's Rally

By CHRIS DIETERICH

Some investors say gold appears poised to keep climbing.

The precious metal has risen over the past month, and a number of bullish investors

say any late-summer market corrections could push gold higher.

Gold was smacked in the wake of the U.S. presidential election, but front-month gold for August delivery settled Monday at \$1,290.80 a troy ounce, up 0.4% on the day. Gold has come close to breaking above \$1,300 two other times this year—in April and June. Analysts say that topping \$1,300 could spark the momentum-based buying that has recently eluded the metal.

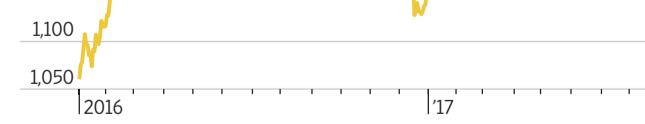
Gold is up 12% in 2017.

As is often the case, gold has benefited from geopolitical turmoil this year, most recently saber-rattling between the U.S. and North Korea. In-

## Chasing \$1,300

Gold is making its third run at the round number this year.

\$1,400 a troy ounce



Note: Front-month Comex gold

Source: WSJ Market Data Group

ederal Reserve in doubt.

That is another plus for gold, because investors sacrifice less yield by owning the metal in lieu of government bonds.

Finally, recent failures by U.S. lawmakers to pass much of anything raises the specter of market turmoil next month, when Congress must raise the debt ceiling and pass a budget to keep the federal government operating.

Hedge-fund manager Ray Dalio this month cited Congress's need to raise the federal borrowing limit as a reason for holding a gold position of between 5% and 10% of assets.

Although on Monday, Senate Majority Leader Mitch McConnell (R., Ky.) said there was "zero chance" that the U.S. would fail to raise the debt ceiling.

For some analysts, the biggest risk to gold prices in the months ahead is any emergence of global inflation, which would prompt global central banks to remove easy-money stimulus efforts.

vestors typically see gold as a haven during times of unease. And it has been propped up by a lackluster U.S. economy relative to the rest of the world. Stronger overseas growth will prompt European central bankers to unwind extraordinary stimulus efforts,

# Treasury Prices Inch Up

By SAM GOLDFARB

U.S. government-bond prices edged higher as investors' caution continued to bolster assets perceived as safe.

The yield on the 10-year Treasury note fell Monday to 2.182%, its lowest close since June 26, compared with 2.196% Friday.

Yields fall when bond prices rise.

Demand for haven assets such as Treasurys has been boosted by a variety of developments recently, including some disappointing corporate earnings, terrorist attacks in Spain, and fallout from President Donald Trump's response to the violence in Charlottesville, Va.

"Treasurys have been firm," said Larry Milstein, head of government and agency trading at R.W. Pressprich & Co. "Part of it clearly has been political uncertainty and the headlines we've been seeing that have caused some flight to safety."

Doubts among investors that the Federal Reserve will raise interest rates for a third time this year have played a large role in depressing Treasury yields in recent weeks.

Minutes from the central bank's July meeting showed that some officials are hesitant to raise interest rates.

## AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$121,418,096,600	\$99,497,237,600
Accepted bids	\$39,000,606,600	\$33,000,037,600
"noncomp	\$535,255,300	\$412,359,200
"foreign noncomp	\$100,000,000	\$812,000,000
Auction price (rate)	99.74444	99.436306
Coupon equivalent	1.016%	1.137%
Bids at clearing yield accepted	71.49%	48.40%
Cusip number	912796MD8	99.436306

Both issues are dated Aug. 24, 2017. The 13-week bills mature on Nov. 24, 2017; the 26-week bills mature on Feb. 22, 2018.

# MARKETS

# Tide Shifts: Cash Exits Emerging Markets

Long streak of inflows for stock, bond funds is snapped; investors turn more neutral

By STEVEN RUSSOLILLO  
AND SAUMYA VAISHAMPAYAN

Investors yanked money out of emerging-market funds for the first time in months, a sign of trouble in what has been a sturdy corner of the market for much of the year.

Emerging-market debt funds and stock funds both had outflows for the week ended Aug. 16, according to fund-data tracker EPFR Global, as many global investors turned more cautious on risk. Before that, money had poured into emerging-market stocks for 21 straight weeks and into emerging-market debt funds for 28 consecutive weeks.

The outflows came as threats of nuclear warfare ramped up between the U.S. and North Korea. Concerns over more political instability in the U.S. following President Donald Trump's response to violence at a white-nationalist rally in Charlottesville, Va., further fueled investor trepidation.

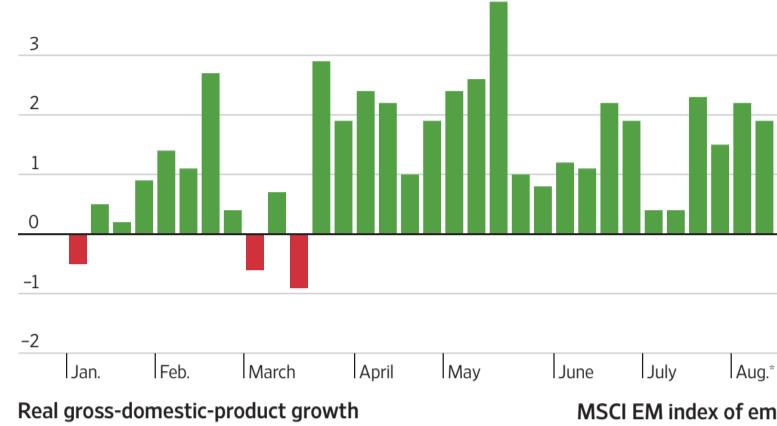
While investors acknowledge the recent bumps, many say it isn't time to call an end to the rally in emerging-market stocks and bonds. Instead, they say, the outflows are indicative of the typical volatility in emerging markets. Rising global tensions and political turmoil in the U.S. also had sparked a pullback in U.S. markets, with the Dow Jones Industrial Average on Thursday notching its biggest decline in three months.

A net \$1.6 billion fled emerging-market equities in the week ended last Wednesday, the largest outflow of the year, according to EPFR Global. It marked the first time investors pulled money from those funds since mid-March.

## Late-Summer Slump

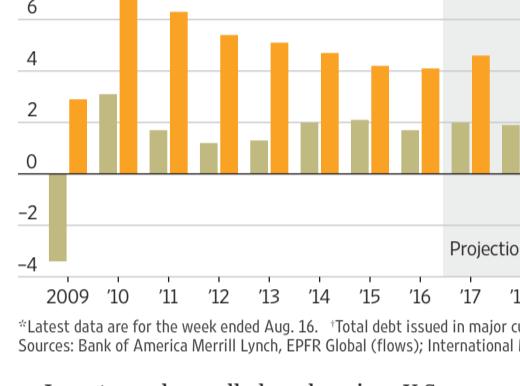
Investors pulled money out of emerging-market funds as they dialed back on risk in the middle of the month, a reversal after many weeks of inflows. These markets have risen in 2017, reflecting rising growth expectations, and companies and governments have seized on the search for yield to sell heaps of bonds.

Weekly flows of money into and out of emerging-market equity funds...



Real gross-domestic-product growth

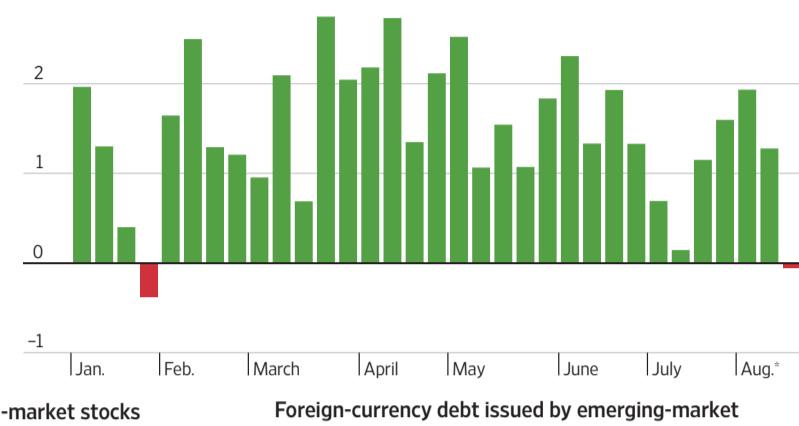
Advanced economies Emerging economies



\*Latest data are for the week ended Aug. 16. Total debt issued in major currencies such as the U.S. dollar, euro, yen. 2017 figure is for the first seven months.

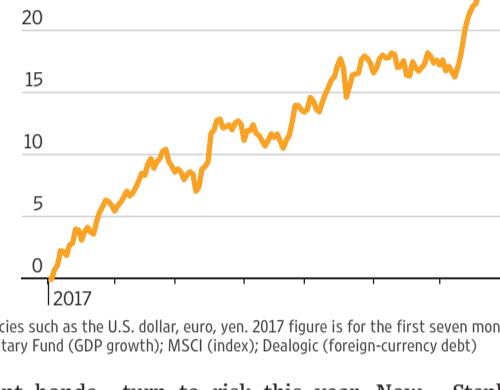
Sources: Bank of America Merrill Lynch, EPFR Global (flows); International Monetary Fund (GDP growth); MSCI (index); Dealogic (foreign-currency debt)

...and bond funds

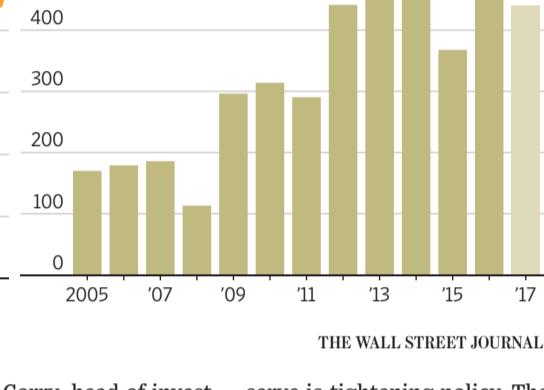


MSCI EM index of emerging-market stocks

percentage change year to date



Foreign-currency debt issued by emerging-market governments and businesses, yearly†



THE WALL STREET JOURNAL.

Investors also pulled cash out of emerging-market debt funds, snapping the longest streak of consecutive weekly inflows since 2013. And \$2.3 billion poured out of high-yield-bond funds, the most in almost six months.

Cracks were forming in emerging markets last month as major central banks started to discuss winding down years of stimulus.

One worry, according to JC Sambor, deputy head of emerging-market fixed income at BNP Paribas Asset Management, is that if Treasury yields

rise, U.S. government bonds would become more attractive. That could trigger outflows from U.S. dollar-denominated emerging-market debt.

Mr. Sambor said that while he has become more cautious, he continues to like local-currency government bonds in India, Malaysia and Indonesia. "We think Asia is on very sound footing," he said, describing growth as improving but "not too hot and not too cold."

Asian stock and bond markets have been some of the biggest beneficiaries of the re-

turn to risk this year. Now, there are signs that those markets are beginning to cool. Foreigners pulled money out of Asian emerging-market stocks in July for the first time this year, selling a net \$800 million in shares in the region, excluding China, according to ANZ.

Foreign investors continued to buy Asian emerging-market debt last month, though their net purchases of \$4.7 billion, excluding China, marked the smallest monthly amount since March.

"I'm encouraged by this increase in risk aversion," said

Stephen Corry, head of investment strategy, Asia Pacific, at LGT Bank in Hong Kong.

Mr. Corry said he is positive on both emerging-market equities and debt. "Several indicators were getting frothy on a short-term basis," he said. "But we keep telling clients if you see weakness, buy more."

And even with the recent outflows, emerging markets have had a strong year, consistently defying events originally seen as stumbling blocks.

Money has a history of flowing out of emerging markets when the U.S. Federal Re-

serve is tightening policy. The Fed has raised interest rates four times since late 2015, including twice this year. But the tightening cycle has been slow and predictable, and hasn't spooked investors.

"We remain relatively optimistic about the outlook for emerging-market capital flows," the Institute of International Finance wrote in a note late last week. "However, the pace of emerging-market inflows...does highlight the risk of periodic setbacks."

—Carolyn Cui contributed to this article.

## HEARD ON THE STREET

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

# Monetary Policy Loses Its Edge

## Yield Hunt

Total returns on Bank of America Merrill Lynch bond indexes



Federal Open Market Committee has put in train. One argument is that if other factors in markets are offsetting the Fed's actions, then tighter monetary policy might be warranted: The central bank has more room to maneuver.

In Europe, meanwhile, the account of the ECB's July meeting included a reference to the idea that a broader and more self-sustaining recovery is less dependent on

monetary policy, a new strand of thought in Frankfurt this year.

These issues run through both financial markets and the economy. In effect, a stronger growth and inflation picture compared with previous years means that still-loose monetary policy may be providing more stimulus and getting more traction, and that central bankers are getting a bigger bang for their buck.

Europe is the test case. The ECB's policy settings are still at emergency levels,

with a negative deposit rate and bond purchases running at €60 billion (\$70.5 billion) a month. But slack is being used up, with unemployment falling. Eurozone capacity utilization has picked up to a level not seen since before the global financial crisis, and the European Commission's business survey has shown an uptick in companies citing equipment and labor as factors limiting production.

Meanwhile, negative rates may be more effective in spurring risk-taking. That is because for as long as interest rates were falling, investors could generate strong returns from risk-free assets such as government bonds.

But that process likely came to an end last year.

This year's Jackson Hole event comes against a backdrop of continued central-bank largess, but markets need to think about policy makers doing less, and soon.

—Richard Barley

## OVERHEARD

Fuel? Check. Sailors?

Check. Cargo? Yep, a million barrels of Venezuelan crude.

Unfortunately, an oil tanker by the name of Karounis has been in limbo in the Gulf of Mexico off the coast of Louisiana for several weeks. It is a modern vessel and isn't suffering from mechanical issues.

The buyer, a U.S. refiner that often purchases Venezuelan cargoes, has been awaiting a letter of credit guaranteeing payment to the owner of the oil. The ship has been chartered by a middleman, according to Hellenic Shipping News.

With sanctions being mulled and widespread belief that Venezuela and its state-owned oil company will soon default on billions of dollars in debt, getting the routine, short-term credits has been problematic.

The owner of the world's largest proven crude reserves is discovering that there is an even more valuable commodity than oil, and one more easily taken for granted: money.

# VR Price Cut Won't Fix Everything

Virtual reality's high price has been a hindrance, but a lower one will only go so far.

High-end VR headsets from Facebook's Oculus division and HTC have been on the market for a little over a year now, yet neither has come close to cracking the mass market. Cost is a big reason why, as both required users to spend several hundred dollars for the headsets and associated gear.

Both manufacturers are trying to ease the sticker shock. Oculus cut the price of its Rift headset plus controller by 33% to \$399 in mid-July. On Monday, HTC took down the combined price of its Vive headset, controllers and room base stations by about 25% to \$599. It should be noted that Oculus billed the Rift's price cut as "temporary," even though it has been in place for six weeks.

Lower prices will likely help move some additional hardware, especially heading into the holidays. Market research firm SuperData estimates Oculus Rift has sold about 460,000 units to date—which is up 56% from the firm's tally prior to its July price cut. HTC is estimated to have sold a little over 700,000 units of the Vive headset to date. Sony's PlayStation VR, which costs less and plugs into existing PlayStation 4 consoles, has sold nearly 1.2 million units since launching last October, SuperData estimates.

But lower prices alone won't get VR to the next level. Must-have games haven't arrived, and major game publishers remain cautious about their potential. Future releases could alter that dynamic. Until then, VR is likely to be a slightly less expensive niche.

—Dan Gallagher

# Smaller Boutiques Winning Merger-and-Acquisition Fees

## Off the Boil

U.S. merger-and-acquisition volumes



\*Through Aug. 18

Source: Dealogic

have seen respectable share-price appreciation this year, in comparison with the mixed M&A performance by the country's biggest banks.

These revenue figures are based on previous deals, but there are reasons to believe that most smaller banks should keep outperforming.

Blockbuster deals that favor global bulge-bracket firms are becoming less common, said Nomura Instinet analyst Steven Chubak. So far this year, the value of U.S.-targeted deals worth more than \$5 billion has fallen by one-third from a year earlier, while smaller deals have been basically flat, according to Dealogic.

Current uncertainty over policy could be particularly problematic for big cross-border deals, especially when executives are unsure how overseas profits and cash repatriation will be treated by the U.S. government.

Boutiques have been gaining on their bigger rivals for years. Their share of M&A revenue from U.S. clients rose to 22% in 2016 from just 8% in 2008, according to Dealogic. This share has held steady at 22% so far this year.

One bank that could keep doing well is Lazard. On a conference call, Chief Executive Kenneth Jacobs pointed to strong deal activity in Eu-

rope, which is enjoying an economic recovery. Lazard was ranked second by Dealogic in M&A revenue in Europe, the Middle East and Africa in the first half of the year. Lazard looks reasonably valued at 11.6 times forward earnings, compared with its five-year average of 14.6 times, and well below an average 16 times for four listed rivals.

If the legislative logjam in Washington clears and policy uncertainty fades, overall M&A activity could snap back. Barring that, investors should look for niche advisers that specialize in still-growing segments.

—Aaron Back