

THE WALL STREET JOURNAL.

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WSJ.com

★★★★ \$4.00

DJIA 26124.57 ▲ 60.55 0.2%

NASDAQ 8109.69 ▲ 1.0%

STOXX 600 386.58 ▲ 0.3%

10-YR. TREAS. ▲ 1/32, yield 2.882%

OIL \$69.51 ▲ \$0.98

GOLD \$1,204.50 ▼ \$2.90

EURO \$1.1709

YEN 111.68

What's News

Business & Finance

U.S. corporate profits boomed in the second quarter, up 16.1% by one measure, aided by tax cuts and stronger economic growth than initially reported. **A1**

◆ **Soaring earnings** at smaller publicly traded companies are driving the Russell 2000 to records. **B1**

◆ **Gains in tech shares** lifted stocks, with the Nasdaq and S&P 500 hitting new highs. The Dow rose 60.55 points. **B11**

◆ **Top-name biotech** analysts are drawing big pay packages amid a boom in the drug-development sector. **A1**

◆ **Turkey's central bank** took steps to undo some emergency support it provided to lenders, jarring investors. **B11**

◆ **GM's plans** to ramp up electric-vehicle output in China were set back amid problems with batteries. **B1**

◆ **Dick's said** weaker sales of Under Armour apparel and a decision to pull back from the hunting business dragged on its results. **B1**

◆ **Investment funds** owning about \$1.9 billion of Puerto Rico's general obligation bonds have formed a committee to seek a restructuring. **B10**

◆ **California lawmakers** advanced a bill that requires major companies based in the state to put female directors on their boards. **A2**

◆ **Salesforce posted** broad-based sales growth and increased its backlog of business in the latest quarter. **B2**

◆ **A Cleveland Browns** linebacker and a former Goldman analyst were charged with insider trading. **B10**

World-Wide

◆ **U.S.-Canada trade ties** took a sudden optimistic turn as the two countries signaled they were on track to meet a Friday deadline to revise Nafta. **A1**

◆ **The ITC blocked** the Trump administration from imposing tariffs on Canadian newsprint. **A5**

◆ **White House counsel** McGahn will leave his post in coming months after the Senate votes on the president's second nominee to the Supreme Court. **A4**

◆ **DeVos is preparing** to release rules strengthening protections for students accused of sexual assault on campus and lessening the burden placed on schools. **A3**

◆ **The U.S. is investigating** whether fugitive Malaysian financier Jho Low used laundered money to pay a U.S. legal team. **A3**

◆ **Trump reiterated** criticism that Google's search engine is biased against conservatives, while saying he prefers not to pursue regulation. **A5**

◆ **Putin softened a plan** to raise pension ages to bolster Russia's finances, backtracking after a public outcry that cut his approval ratings. **A6**

◆ **U.S. lawmakers** are pressuring the administration to confront Beijing over the mass roundup of Muslims in internment camps. **A16**

◆ **Trump cast** new doubt on the future of U.S.-South Korea military exercises. **A16**

◆ **India's Modi** is in danger of losing bragging rights over the performance of the nation's economy. **A16**

U.S. NEWS

State Pushes for Women on Boards

BY VANESSA FUHRMANS
AND ALEJANDRO LAZO

California legislators passed a bill that requires major companies based in the state to put female directors on their boards.

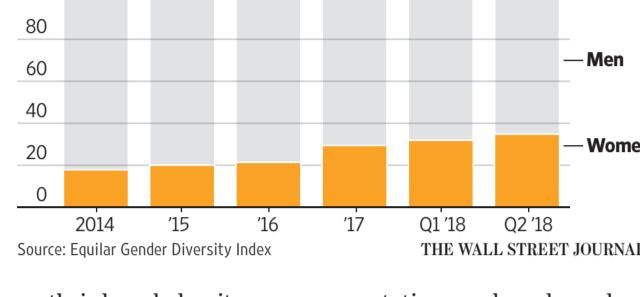
If the bill is signed into law by Gov. Jerry Brown, a Democrat, publicly traded companies based in California will need to have at least one woman on their boards by the end of next year and, for boards of five or more directors, two or three women by the end of 2021, depending on the board's size. Firms that don't would face financial penalties.

The bill passed the state Assembly in a 41-21 vote Wednesday. It is now headed to the state Senate, which approved an earlier version and is expected to back the measure again before it goes to Mr. Brown, who hasn't indicated his position.

"One-fourth of California's publicly traded companies still do not have a single woman

Gaining Ground

At nearly 3,000 of the biggest public U.S. companies, roughly a third of new director seats have gone to women so far in 2018.



on their board, despite numerous independent studies that show companies with women on their board are more profitable and productive," said state Sen. Hannah-Beth Jackson, a Democrat.

"With women comprising over half the population and making over 70% of purchasing decisions, their insight is critical."

The measure could accelerate the diversification of boardrooms around the country. The U.S. has no federal requirement for female representation on boards and no other U.S. state has successfully pushed such a mandate. California's move follows similar legally binding quotas in several European countries.

Opponents of the mandate, led by California's Chamber of Commerce, argued that while they agree with the bill's intent, a quota based solely on gender takes into account only one element of diversity and would violate the U.S. and California constitutions because it could conceivably put com-

panies in the position of turning down a male candidate or displacing a board member based on his sex.

The legislation provides for creating an extra board seat to accommodate a new female member instead of removing a man already on the board.

Countries including France, Germany and Italy have enacted mandates for women on boards in recent years. In the U.S., even some staunch advocates of boosting the numbers of female directors have been reluctant to endorse quotas.

Among firms in the Russell 3000 Index, which includes the vast majority of public companies in the U.S., 17% had all-male boards in the second quarter, according to Equilar, a research firm that gathers data on executives and boards. California is home to 86 companies in the Russell 3000 that don't have any women on their boards, including shoe-maker Skechers USA Inc., entertainment technology firm TiVo Corp. and Stamps.com Inc., which sells printable postage.

TiVo said it takes diversity seriously but because it is undergoing a review of strategic alternatives, it isn't looking for new board members. Skechers declined to comment. Stamps.com didn't respond to requests to comment.

Many large corporations based in California, including Chevron Corp., Netflix Inc. and Alphabet Inc.—the parent company of Google and YouTube—have multiple female directors. The law's passage would put further pressure on Silicon Valley startups to bring gender diversification to their boards before going public.

If signed into law, the California mandate will likely help fuel similar movements elsewhere. Massachusetts and Illinois have passed nonbinding resolutions that push companies to improve the gender balance of their boards. Big investors, including State Street Global Advisors and BlackRock Inc., have pressed firms with all-male boards to change.

—Lynn Cook contributed to this article.

U.S. WATCH

DETROIT

Schools Shut Off Drinking Water

The Detroit school district planned Wednesday to turn off drinking water in all of its schools after higher than acceptable levels of copper or lead were found in some school buildings.

Superintendent Nikolai P. Vitti decided to turn off the drinking water out of caution "until a deeper and broader analysis can be conducted to determine the long-term solutions for all schools," he said. The district has 106 schools.

Initial results this past week showed elevated levels of copper or lead, or both, in 16 of 24 schools at one or more water sources, it said. Water bottles will be provided at the schools until water coolers arrive. Students return to school Tuesday.

Thousands of schools in the U.S. have been found to have elevated levels of lead in drinking water in recent years.

—Tawnell D. Hobbs

TEXAS

Former Officer Gets 15 Years in Shooting

A white former police officer was sentenced to 15 years in prison Wednesday night, after being convicted of murdering an unarmed 15-year-old boy when he fired into a car packed with black teenagers leaving a house party in suburban Dallas.

Roy Oliver, who faced up to life in prison, was sentenced one day after being convicted in the 2017 death of Jordan Edwards. The verdict marked an extremely rare murder conviction for shootings involving on-duty police officers. His lawyers are expected to appeal.

Mr. Oliver was a police officer in Balch Springs when he and his partner responded to reports of underage drinking at the party. Mr. Oliver fired into a car carrying Jordan and his friends, later saying he feared the vehicle was moving toward and endangering his partner. Jordan, who was in the front passenger seat, was shot.

Police initially said the vehicle backed up toward officers "in an aggressive manner," but later admitted that bodycam video showed the vehicle was moving forward as officers approached. Mr. Oliver's partner told jurors he didn't believe his life was ever in danger.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

The California Assembly passed a bill mandating carbon-free electricity production by 2045 by a vote of 44-33. A U.S. News article about the bill that appeared in some editions Wednesday incorrectly put the vote at 43-33.

Paytm, an Indian digital-payments company, was incorrectly called Patym in one instance in a Business & Technology article Wednesday about mobile payments in India.

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

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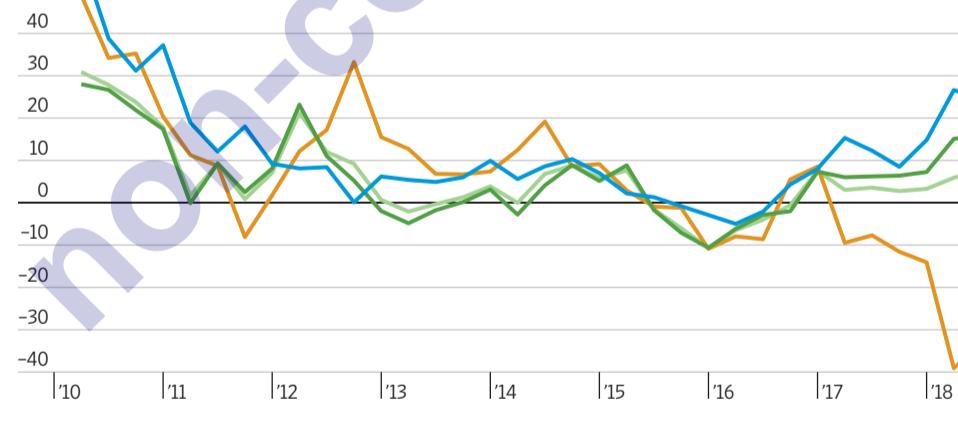


Earnings at retailers have climbed, including Target, which reported its fastest quarterly sales growth in more than a decade.

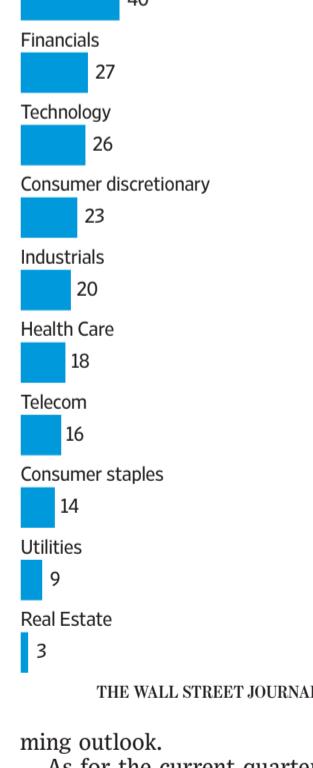
Profit Boom

Bottom lines at U.S. companies are rising thanks to tax cuts and faster economic growth.

Change in corporate earnings, profits and taxes from a year earlier



Change in earnings per share by sector, 2Q 2017 to 2Q 2018



THE WALL STREET JOURNAL.

lier, while those at consumer discretionary companies, such as retailers, were up 23%, Thomson Reuters estimates. Among them, Walmart Inc. and rival Target Corp. reported their fastest quarterly sales growth in more than a decade.

"The U.S. economy and drivers for home improvement spending are strong," Craig Menear, chief executive of Home Depot Inc., told investors earlier this month. "We feel very positive about the strength of the home-improvement sector and the customers' willingness to spend."

Some large public companies credited the tax overhaul for a significant share of their rising profit. United Rentals Inc., which leases construction and other heavy equipment, said lower taxes contributed about half of its 62% increase in per-share earnings. Bank of

America said it expects about half of full-year 2018 earnings growth by S&P 500 companies will stem from tax changes.

The government report on profits differs from S&P 500 data because it measures prof-

its across the whole economy, including private and publicly listed companies. That makes it the most comprehensive scorecard for corporate financial health.

The report also makes adjustments for changes in the value of company inventories

and capital investments, and shifts in business depreciation schedules. That smooths out fluctuations that might result from big commodity price swings or tax changes.

But the government report included a puzzle. Though many individual companies reported increases in dividends and share buybacks, the national data showed little impact on dividends across the entire economy. They were paid out at an annual rate of \$1.22 trillion in the second quarter, down 0.9% from the rate of payment a year earlier.

Mr. Silverblatt noted that dividends tend to change much more slowly than earnings. When raising dividends executives want to be sure they can sustain them. They also are reluctant to lower them, which can be taken by investors as a sign of a dim-

ming outlook.

As for the current quarter, underlying demand appeared solid at the start of the period. Retail sales jumped in July from the prior month and business equipment orders were up.

The Conference Board said Tuesday its index of U.S. consumer confidence climbed to 133.4 in August from 127.9 in July, hitting its highest level since October 2000. The University of Michigan's index of consumer sentiment has declined in four out of the last five monthly readings, but remains at historically high levels.

"The economy is strong," Federal Reserve Chairman Jerome Powell said in Jackson Hole, Wyo., last week, adding that inflation "is near our 2% objective, and most people who want a job are finding one."

—By Vanessa Fuhrmans and Alejandro Lazo; graphic by Daniel A. Stuckey; photo by Scott Olson/Getty Images

U.S. NEWS



Air quality has gotten so bad that many school sports activities are kept indoors. At Mount Spokane High School, teams were able to train outdoors only for a short time.

Fires Blanket Northwest in Smog

Smoke from nearby forest fires has led to air quality worse than Beijing's in some cities

BY JIM CARLTON
AND NOUR MALAS

SPOKANE, Wash.—On a recent morning in this city bred on the great outdoors, the halls of Mount Spokane High School were filled with some 600 football players throwing spirals, cross-country runners doing laps, and marching band members twirling batons.

The air outside was too smoky to breathe.

The Pacific Northwest, sandwiched between Canada's smoldering British Columbia to the north and six fire-racked Western U.S. states, is feeling the side effects of one of the worst fire seasons on record. For much of the past several weeks, clouds of choking smog have upended daily life and posed a health hazard for millions here.

"It was like being at a campfire wherever you went," said Paul Kautzman, Mount Spokane's athletic director, after a particularly noxious day.

Crops are growing slower because of hazy skies, the Seattle Seahawks moved practice to an indoor facility, and people are showing up at hospitals and medical clinics with complaints of wheezing, shortness of breath and other ailments. Surgeries have been canceled because patients are too ill from the smoke.

In Spokane last week, a thick, gray fog draped the sky, obscuring the view of Mount Spokane and the fir trees that dot the skyline here. A YMCA camp had to shuttle 60 children from a park to its nearest indoor facility, where they arrived wearing protective masks.

This region has dealt with smoke pollution before, but this year has been significantly worse, residents and experts say.

Aug. 20 was the worst day so far for Spokane, population 215,000. Its air was dirtier than that of any major city—outpacing typically smog-addled places like Beijing and Lahore, Pakistan, according to a global pollution survey by



IQAir Group, a Swiss-based manufacturer of air-pollution equipment that has a data collection unit. Among 80 cities with populations of more than 300,000, Vancouver, British Columbia, had the worst air quality in the world that day, followed by Seattle, IQAir said.

Under the Air Quality Index, a standard followed by the U.S. Environmental Protection Agency, 101 to 150 is considered unhealthy for sensitive groups, 151 to 200 is unhealthy for everyone, and over 200 very unhealthy. Spokane reached a high of 226 last week. Vancouver hit 165.

Eric Lewis, chief executive of Olympic Medical Center in Port Angeles, Wash., north of Seattle, said he has experienced a sore throat, raspy voice and difficulty breathing—even though he suffers from no respiratory illness and has forsaken his daily walks for more than two weeks.

"It's like suddenly becoming a smoker," he said.

Rain over the Spokane area cleared out the skies Sunday and Monday, but smoky conditions were expected to return later this week there and in other parts of the Pacific Northwest that got a reprieve.

Experts say it is unclear when the smoke will lift for good. An unusually stubborn ridge of high pressure has blocked most of the cleansing onshore winds from the Pacific, said Ranil Dhammapala, an atmospheric scientist at the

Washington State Department of Ecology.

While long-term effects of the smoke inhalation are unknown, short-term effects including coughing and shortness of breath are most pronounced in people with respiratory problems such as asthma and emphysema, said Colleen Reid, assistant professor of geography at the University of Colorado, Boulder, who studies climate change and public health.

Officials at the PeaceHealth St. Joseph Medical Center in Bellingham, Wash., north of Seattle, said they received about 100 telephone complaints of respiratory symptoms on the morning of Aug. 20. Managers at Hoagland Pharmacy in the same city said they sold 85 airfiltration masks out of a case of 100 within hours of its arrival on Aug. 22.

"Even people who don't have lung conditions have been feeling ill effects," said Sarah Farmer, a respiratory therapist at the pharmacy.

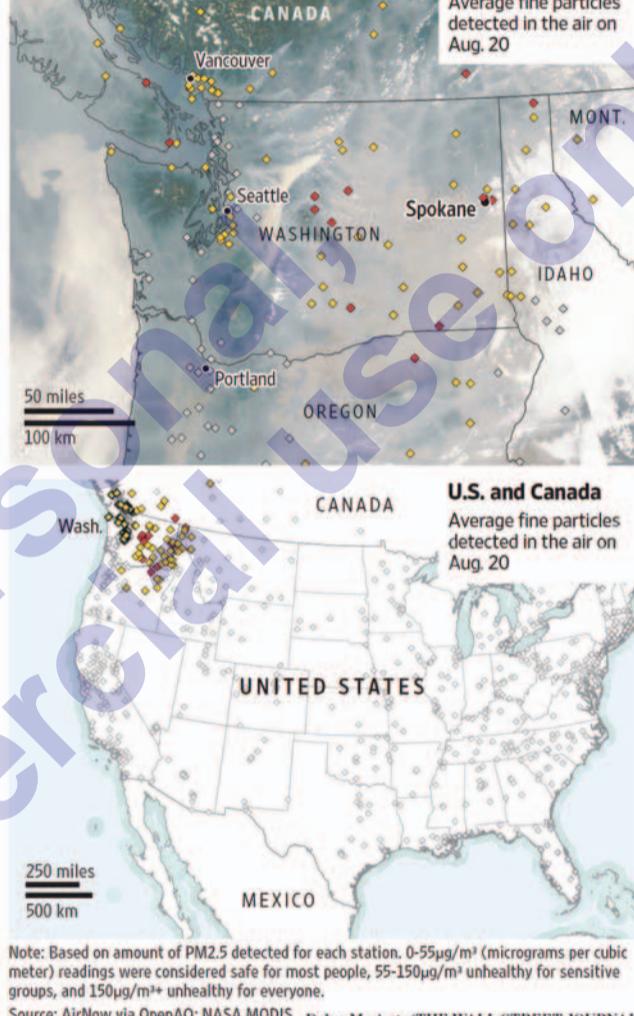
Kara Glass, a 24-year-old farmer in Southern Oregon's Rogue Valley, missed a week of work due to respiratory problems. She said her family also lost two weeks during which they would normally pick cantaloupes and one of its four annual cuttings of alfalfa because smoke-filled skies made the crops grow slower than usual.

Few places have been more affected than Spokane, where residents thrive on easy access

Hard to Breathe

Due to numerous wildfires and a high-pressure system that blocked winds from the ocean, Washington experienced the worst air quality in the U.S. much of last week.

◆ Air safe for most people ◇ Unhealthy for sensitive groups ◆ Unhealthy for everyone



Note: Based on amount of PM2.5 detected for each station. 0-55µg/m³ (micrograms per cubic meter) readings were considered safe for most people, 55-150µg/m³ unhealthy for sensitive groups, and 150µg/m³+ unhealthy for everyone.

Source: AirNow via OpenAQ; NASA MODIS Dylan Moriarty/THE WALL STREET JOURNAL

to lushly forested mountains and trout-filled lakes and streams. With smoke blanketing the Spokane Valley for much of August—a tie for the longest such period in at least 20 years of record-keeping—many have been rushing to escape the great outdoors.

Local YMCA administrators say people who usually hike or swim outdoors have been filling their indoor gyms and pools instead. That has made for some cramped conditions.

"Everyone is trying to figure out what to do," said John Ehrbar, the branch's chief operating officer.

By Aug. 23, the smoke at

Mount Spokane High School had dissipated enough for some players to enjoy their first outdoor practice of the summer.

"You get a little headache sometimes, but it's fine," said Tanner Brooks, a wide receiver and linebacker on the football team. Jacob Zacharias, head drum major for the marching band, was thrilled to get out of the school hall. "We're all kind of going stir crazy," he said.

The reprieve didn't last long. By midmorning, sports teams and the band were called back inside as the air quality worsened. The next day, the school called off a preseason football game.

Rules Will Change on Campus Assaults

BY MICHELLE HACKMAN

Education Secretary Betsy DeVos is preparing to release new rules strengthening protections for students accused of sexual assault on campus and lessening the burden placed on schools, according to a person familiar with the contents.

The rules will narrow the definition of sexual assault that schools are required to adjudicate and will restrict eligible cases to those that occur on campus.

They also will raise the burden of proof used by schools when adjudicating the cases, with schools permitted to choose between two legal standards in determining an accused student's guilt.

The Education Department plans to formally propose the rules in September.

The Obama administration had required schools use a "preponderance of the evidence" standard, which is used in most civil lawsuits. Now, schools will be allowed to revert to a higher standard, which would make it tougher to find accused students guilty.

The new rules are designed to replace 2011 guidelines intended to bolster protections for victims of sexual assault or abuse. University administrators and men's rights activists have complained that those guidelines tilted odds unfairly against the accused.

Victims' rights groups assail DeVos move to strengthen protections for the accused.

Mrs. DeVos revoked those guidelines in 2017. The rules she intends to put in place will carry the force of law without action by Congress.

The rules are being prepared as sexual assaults—and schools' responses—remain a flashpoint on college campuses at the start of the new school year. Both the accused and those accusing their classmates, teachers or others of sexual assault have faulted institutions for shoddy investigations or biased tribunals.

In a speech last year, Mrs. DeVos likened the campus processes used to adjudicate sexual assault to "kangaroo courts" that followed arbitrary rules and offered inadequate protections to those involved.

The new rules drew swift condemnation from victims' rights advocates.

"They are making it more difficult for young people to be able to report sexual assault, and they are tipping the scales so that it will be very difficult for any student who is accused to be held accountable," said Anurima Bhargava, who headed civil rights enforcement for schools and colleges in the Justice Department in the Obama administration.

—Melissa Korn contributed to this article.

U.S. Probes if Fugitive Laundered Funds to Pay Lawyers

The U.S. Justice Department is investigating whether a fugitive Malaysian financier laundered tens of millions of dollars through two associates and used the funds to pay a U.S. legal team that includes former New Jersey Gov. Chris Christie and a lawyer who represents President Trump, according to people familiar with the matter.

By Bradley Hope
in London, Tom Wright in Hong Kong and Rebecca Davis O'Brien in New York



bought with IMDB funds. It is now pursuing a criminal investigation in which Mr. Low, who has U.S. assets, is a target, these people said.

The lawyers and consultants working for Mr. Low include Mr. Christie, who briefly headed Mr. Trump's presidential transition team; Mr. Trump's longtime lawyer Marc Kasowitz; Bobby Burchfield, a lawyer who has served as the Trump Organization's outside ethics adviser; and Ed Rogers, a Washington lobbyist with close ties to the Republican Party.

There is no indication that any of the people who ultimately received payments were aware the funds could have originated from money Mr. Low allegedly siphoned off from IMDB. The Justice Department is investigating Mr. Low's potential use of two intermediaries to facilitate the payments through the international financial system, people familiar with the matter say. A Justice Department spokes-

woman declined to comment.

Representatives for Mr. Low didn't respond to a request to comment. He has previously denied wrongdoing.

Mr. Christie is representing Mr. Low in the asset-forfeiture cases in California, a spokesman for the former governor said. "There has been no communication by Governor Christie with any other area of government on Mr. Low's behalf," the spokesman said, adding there has been "no inquiry made to him by the Department of Justice with regard to any other investigation regarding funding or otherwise."

A spokesman for Kasowitz Benson Torres, Mr. Kasowitz's New York law firm, confirmed the firm represents Mr. Low in Justice Department matters.

"Here, as with all of our clients, our job as attorneys is to represent and vindicate our clients' interests; and here, as with all of our non-pro-bono clients, we are paid for the legal services we provide," the

spokesman said.

Mr. Burchfield said Mr. Low retained his Atlanta-based law firm, King & Spalding, to "advise him on the ongoing investigations," adding that it "performed appropriate due diligence on sources of payment."

Mr. Rogers declined to comment.

The Justice Department is looking into whether a Thai businessman, Phengphan Laogummerd, and American former rap artist Pras Michel, a founding member of the Fugees hip-hop group, played roles in helping Mr. Low make payments, the people familiar with the matter said.

For at least a year, these people say, Mr. Low has relied on Mr. Phengphan to pay accommodation expenses in Hong Kong and Macau, legal and advisory bills and to keep Mr. Low's \$250 million yacht, Equanimity, staffed and maintained.

A representative for Mr. Phengphan said his client "is an independently wealthy

businessman. The source of his income is nothing to do with—and he has not received any money from—Mr. Low."

Mr. Michel was responsible for bringing on another consultant to work on Mr. Low's behalf: Republican fundraiser and venture-capital executive Elliott Broidy, who was vice chairman of the Trump campaign's joint fund with the Republican Party during the 2016 campaign. The route of any payments to Mr. Broidy also are part of the Justice Department probe, the people said.

Mr. Broidy's lawyer has said Mr. Broidy and his wife were hired by Mr. Michel "to provide strategic advice as part of a broader team to Mr. Low."

A lawyer for Mr. Michel said: "I do not know what, if anything, the Department of Justice is currently reviewing, but I am confident that Mr. Michel has not done anything improper."

—Julie Bykowicz in Washington contributed to this article.

U.S. NEWS

Florida Highlights Parties' Stark Divides

By REID J. EPSTEIN
AND ARIAN CAMPO-FLORES

MIAMI—Florida's race for governor will offer the first major test of the Democratic and Republican party bases, both of which are being transformed in the Trump era.

Republican Ron DeSantis, a three-term congressman from northeast Florida, campaigned as an unabashed acolyte of President Trump's nationalist politics who aims to revoke the Affordable Care Act. Democrat Andrew Gillum, the mayor of Tallahassee, ran TV ads calling for an assault-weapons ban, universal health care and impeaching Mr. Trump.

The contest sets up a 10-week fall campaign in a swing state that will serve as a laboratory for the political success

of the two parties' ideological extremes. Neither candidate has yet to expend energy in even perfunctory efforts to appeal across the party lines.

"It certainly is a stunning development politically in the state of Florida, to have nominated two individuals each from the further outside wings of the parties," said David Jolly, a GOP centrist who represented parts of the Tampa Bay area in Congress until 2017.

While Mr. DeSantis, 39 years old, was widely expected to win Florida's GOP primary after Mr. Trump offered enthusiastic support, Mr. Gillum's victory was a shock to Democrats in Florida and Washington. Former Rep. Gwen Graham, a centrist woman in a field with four other men, led every late public poll.

But Mr. Gillum's profile proved a better fit for a divided Democratic primary electorate energized to resist Mr. Trump. Mr. Gillum, a 39-year-old African-American, was a top Florida surrogate

untapped is the great swath in the middle where most Floridians are," said Tampa Mayor Bob Buckhorn, a Democrat who backed Ms. Graham.

Florida voters allied with each candidate said they view the race as a referendum on their political priorities.

Chuck Collins, 83, a retiree in Ormond Beach, said he backed Mr. DeSantis in part because of his allegiance to Mr. Trump. "If he got the support of our president, that means that he's going to continue to support the administration's agenda," he said.

Meanwhile, Kilan Ashad-Bishop, 26, a graduate student in Miami, said she is excited about Mr. Gillum's ability to galvanize the progressive grass roots. "The chat rooms and text threads and social

media were insane last night," she said. "I have never seen this level of excitement among my peers."

The partisan tensions immediately took on racial overtones. In one of his first television appearances, Mr. DeSantis on Fox News on Wednesday called Mr. Gillum "articulate," but said, "the last thing we need to do is monkey this up by trying to embrace a socialist agenda."

DeSantis spokesman Stephen Lawson said the congressman didn't intend the racial overture. But Florida Democratic Party Chairwoman Terrie Rizzo said: "It's disgusting that Ron DeSantis is launching his general election campaign with racist dog whistles."

Neither candidate mentioned the other in their vic-

tory remarks Tuesday night, but Mr. DeSantis told reporters later that Mr. Gillum is "way too liberal for the state of Florida."

"When you start to talk about single payer health care, understand what that means," Mr. DeSantis said. "That is not what Floridians want."

Mr. Gillum sought to draw a contrast between his politics and Mr. Trump's: "We're going to make clear to the rest of the world that the dark days that we've been under coming out of Washington, that the derision and the division that is coming out of the White House...we are going to remind this nation of what is truly the American way."

—Julie Bykowicz
and Janet Hook
contributed to this article.

Trump admirer and progressive mayor turn swing state into a political laboratory.

for Hillary Clinton's 2016 campaign. In the governor's race, his progressive politics drew an endorsement from Sen. Bernie Sanders (I., Vt.).

"We basically elected last night two polar opposites. So

Spread of Drugs Puts Prisons On Edge

By KRIS MAHER

Hours after more than two dozen people were sickened by apparent opioid poisoning at an Ohio prison on Wednesday, Pennsylvania locked down its state prisons, citing similar incidents in recent weeks.

State correctional departments have been stepping up efforts to stop illegal drugs from entering prisons, especially in cases of potent ones like the synthetic opioid fentanyl, in which small doses can be deadly.

In Pennsylvania, 47,000 inmates at 25 prisons will be locked in their cells 24 hours a day until further notice. A spokeswoman for the state Department of Corrections said 30 staff members at facilities had been sickened in August from substances apparently smuggled into prisons.

"People like him," White House press secretary Sarah Sanders said Wednesday. "He's super well-respected around the building, but there's not a plan locked in place at this point."

During his time at the White House, Mr. McGahn has overseen the successful confirmation of Justice Gorsuch and has been in charge of the recent nomination of Mr. Kavanaugh. He has also been focused on filling other judicial vacancies and staffing the Justice Department's legal teams.

Mr. McGahn has "set an amazing stage" for his successor, said former Republican House Speaker Newt Gingrich. "The president will miss him."

Mr. McGahn's pending departure leaves just a handful of senior aides in place who joined the Trump White House as top staffers on Inauguration Day in 2017.

Those include senior advisers Ivanka Trump and Jared Kushner, the president's daughter and son-in-law; Kellyanne Conway and Johnny DeStefano, both counselors to the president; senior adviser Stephen Miller; social-media director Dan Scavino; and deputy chief of staff Chris Liddell.

—Vivian Salama
contributed to this article.



Top White House attorney Don McGahn sat for 30 hours of interviews with Robert Mueller's team.

Exit Draws Concern From Lawmakers

Mr. Grassley, an Iowa Republican, wrote on Twitter, "U can't let that happen."

Senate Majority Leader Mitch McConnell (R., Ky.) said Mr. McGahn's departure "would be a big loss for the Trump administration and the country."

Mr. McGahn has mused to friends about stepping down, and his battles with President Trump over the Russia investigation and other legal matters, including Mr. Trump's initial

plan to block immigration from several Muslim-majority countries, often left colleagues with the impression that he was preparing to quit.

Amid rumors of his departure, several of his top aides in the counsel's office have announced their departures. Utam Dhillon, a deputy White House counsel, was recently named head of the Drug Enforcement Administration.

—Michael C. Bender

News of Don McGahn's departure drew concern from Capitol Hill, including from Senate Judiciary Committee Chairman Chuck Grassley, who an aide said had no advance notice of the move.

"I hope it's not true McGahn is leaving WhiteHouse Counsel,"

pushing for Makan Delrahim, the assistant U.S. attorney general for the antitrust division of the Justice Department. Mr. Delrahim, who led the Trump administration's effort to block AT&T Inc.'s acquisition of Time Warner Inc., is viewed as having more of a political background than Mr. Flood, one person familiar with the matter said.

Mr. Delrahim was staff director and chief counsel to the Senate Judiciary Committee under Sen. Orrin Hatch (R., Utah), and he also wrote an

opinion piece in the New York Post in 2016 urging Republicans to unite behind Mr. Trump in order to prevent Democrats from filling Supreme Court vacancies.

In the Trump White House, Mr. Flood has focused on special counsel Robert Mueller's investigation of Russian interference in the 2016 U.S. election and any possible collusion between Mr. Trump's campaign and Moscow. The probe has led to the recent conviction of Mr. Trump's former campaign manager, Paul

Manafort, and to a guilty plea by Michael Flynn, Mr. Trump's former White House national security adviser, among other cases. Mr. Trump and Russia have denied any wrongdoing.

Mr. McGahn cooperated extensively with Mr. Mueller's investigation, sitting for 30 hours of interviews.

Mr. Trump has said he gave Mr. McGahn permission to do so. On Wednesday, Mr. Trump said he was unconcerned by Mr. McGahn's cooperation: "We do everything straight, we do everything by the

some academics and others. In recent years, biotech analysts have been more bullish than analysts focused on any other industry, though stock performance has been uneven.

Biotech analysts receiving lucrative paydays this year include Andrew Berens, who joined Leerink from Morgan Stanley, and Alethia Young, who joined Cantor from Credit Suisse Group, said people close to the matter. Last year, Jefferies hired Michael Yee away from RBC Capital Markets at an annual compensation of \$4 million, the people said.

After fielding job offers from rival firms, Matthew Harrison got a sizable pay bump to stay at Morgan Stanley, while Citigroup Inc.'s Yigal Nochomovitz received a big raise to stay at the bank, the people said.

Representatives for Leerink, Cantor, Jefferies, Morgan Stanley and Citigroup didn't comment.

A rush of innovation in recent years has created a need for analysts capable of identifying the next hot trend.

Some biotech analysts who aren't considered among the

industry's top tier nonetheless are receiving annual compensation nearing \$1 million, according to hiring executives, while junior analysts are seeing hefty raises. Overall, they said, compensation has doubled and in some cases tripled in the last few years for many

biotech analysts.

Still, analysts acknowledged their big salaries in large part are due to their potential impact on banking deals.

While analysts can't get paid directly from their firms' banking work, having a well-known analyst helps win business by

signaling to clients that the banks understand the sector, bankers said.

The spate of hiring is "heavily driven by capital markets and the banking business," said Mr. Nochomovitz of Citigroup, who hires analysts as part of his team. "To attract business on financing side, banks must have high-quality analysts respected by the buy side...who will be fair, credible and insightful."

As the cost of stock trading drops, stock research increasingly is paid from investment banking profits, said Sanford Bragg, who helps run Integrity Research Associates, a consulting firm that monitors investment research. That creates a potential bias if analysts cater to bankers working on underwriting deals, he said.

"It's a conflict that has to be managed," Mr. Bragg said. "Most large investors don't pay much attention to buy ratings, but the risk is to retail customers and whether they understand these conflicts."

Buy ratings currently represent 76% of all recommendations by biotech analysts, compared with 56% for analysts covering other industries, according to Thomson Reuters' StarMine service, which tracks analysts. Biotech analysts have been more bullish than other

analysts for several years though the sector's stock performance has been uneven.

Mr. Yee's proportion of buy ratings tops the industry average, while Messrs. Nochomovitz, Berens, Harrison and Ms. Young come in below the average.

"There seems to be an association between how hot an industry is in terms of investment banking and the percentage of buy recommendations," said Roni Michaely, a professor of finance at the University of Geneva. "It's hard to believe it's just a coincidence."

The 2003 industry settlement engineered by then-New York Attorney General Eliot Spitzer resulted in 10 large securities firms agreeing to pay \$1.4 billion and to sever links between research and banking, among other steps.

Banks said they continue to adhere to terms of the deal. Analysts face restrictions on their interactions with bankers and are precluded from sales pitches to clients, for example.

But biotech is a sector in which smaller banks can win underwriting business, unlike those where so-called bulge-bracket banks dominate, explaining why top-rated analysts can score big paydays from both incumbent banks and those with ambition to rise in the ranks.



A rush of innovation in biotech in recent years has created a need for analysts capable of identifying the next hot trend.

KITE PHARMA/ASSOCIATED PRESS

Pay Soars For Biotech Analysts

Continued from Page One

Hiring executives said compensation for less-senior analysts also has climbed, and former analysts who left banks to join biotechnology companies have discussed returning. By contrast, leading analysts in other industries generally receive just over \$1 million annually, executives said.

The paydays come as the drug-development industry raises capital at a rapid clip and undergoes a surge in mergers. Fifteen years ago, stock-research analysts at major banks were barred from helping solicit initial public offerings and other banking deals after regulators accused them of hyping companies before 2000's dot-com crash, helping banks win lucrative transactions.

While the banks have said analysts today don't play major roles in transactions, some analysts might feel pressure to be bullish, potentially hurting investors guided by their recommendations, according to

Trump Continues Attack on Google

BY DOUGLAS MACMILLAN

President Trump continued his criticism for a second straight day that Google's search engine is biased against conservatives, while saying he prefers not to pursue regulation of the internet giant.

Mr. Trump posted a video to Twitter on Wednesday that showed Google's home page promoted live broadcasts of former President Barack Obama's State of the Union addresses on YouTube but didn't extend those promotions to Mr. Trump's speeches before Congress.

The post, which included the hashtag #StopTheBias, followed Mr. Trump's claim Tuesday that Google, a unit of **Alphabet** Inc., surfaces news and search results that are unfavorable to himself and other conservatives because of what he sees as the company's left-leaning bias—which Google denied. Mr. Trump in a series of tweets Tuesday signaled potential government action if Google didn't change its alleged practices.

The president reiterated the bias claim Wednesday, telling

reporters at the White House he would like to see Google, along with **Twitter** Inc. and **Facebook** Inc., treat conservatives more fairly. "They are really trying to silence a very large part of this country and those people don't want to be silenced," Mr. Trump said. "You know what we want? Not regulation, we want fairness."

A White House official said the president has made clear he wants his administration to look into the issue, and several officials were tasked with finding options for potential action against social-media companies.

Google said this week that its search results don't reflect any political ideology and it never ranks results to manipulate political sentiment.

A Google spokeswoman said Wednesday that the company did highlight the live stream of Mr. Trump's State of the Union address on Jan. 30. She said Google promoted neither Mr. Trump's speech to Congress in February 2017 nor Mr. Obama's in February 2009 because the first such speech by a new president isn't considered a State of the Union address.

Newsprint Tariffs Blocked

BY BOB DAVIS
AND LUKAS I. ALPERT

The U.S. International Trade Commission blocked the Trump administration from imposing tariffs on Canadian newsprint, handing the publishing industry a victory in a battle it said was crucial to the health of newspapers.

The ITC, an independent government agency, ruled 5-0 that Canadian paper imports didn't cause "material injury" to U.S. paper producers. Under U.S. trade law, tariffs don't go into effect unless the ITC rules that the imports cause harm. The ruling frees U.S. newsprint buyers from paying deposits

equal to tariffs proposed earlier by the Commerce Department—savings worth millions of dollars. The deposits will be refunded, trade experts said.

"We hope today's reversal of these newsprint tariffs will restore stability to the market and that publishers will see a full and quick recovery," said a statement by the News Media Alliance, a trade association of newspapers that has been lobbying on the issue.

The decision comes at a fraught time in U.S.-Canada relations, as the U.S. presses Canada to make concessions to reach a deal to join Mexico in a renegotiated North American Free Trade Agreement.

Nafta Talks On Track

Continued from Page One

pute-resolution system and the Trump administration's goal to gain more access to Canada's dairy market. Neither side disclosed what was discussed on Wednesday.

Still, a deal on Friday would give Mr. Trump significant bragging rights as a negotiator and tactician. The administration threatened Canada for months, with Mr. Trump reiterating this week he would impose tariffs on Canadian autos entering the U.S. if Ottawa didn't reach a compromise.

And yet, by Wednesday, the tense tone had improved significantly. Speaking before a nearly two-hour morning meeting with U.S. Trade Representative Robert Lighthizer, Ms. Freeland said the U.S.-Mexico pact settled the biggest stumbling block toward a deal by resolving the issue of autos. Canada and the U.S. were already in accord on autos in the spring, she added.

That suggests auto-sector issues are largely resolved across all three countries and opens the door to settle other sticking points. Canadian officials have entered "an intense period in the discussions," Ms. Freeland said.

For Canada, remaining part of the 24-year-old trilateral pact is crucial to a trade-dependent economy with about three-quarters of its exports U.S.-bound.

Bank of Canada Gov. Stephen Poloz has warned that some firms are either delaying investments, given uncertainty over Nafta, or are opting to expand operations in the U.S. to hedge against the risk that the trade pact falls apart.

Polling, however, has indicated Mr. Trudeau enjoys broad support among Canadians for his handling of trade issues, including his pugnacious approach to the Trump administration in response to tariffs on Canadian steel and aluminum.

How he handles these coming days and weeks could be



Foreign Minister Chrystia Freeland said Canada was 'optimistic about having some good productive discussions this week.'

crucial for his political future, as his Liberal government faces a re-election test in about a year.

"The Nafta talks are a fixation for Canadians and what it means for their future," said Nik Nanos, president of Ottawa-based polling firm Nanos Research.

For five weeks, Canada was sidelined from the talks as the U.S. and Mexico resolved their differences. While Canada has presented the U.S.-Mexico pact

Canada was sidelined from negotiations as the U.S. and Mexico held talks.

as a positive development, there is concern that pressure is now on Canada to compromise on some key points.

Chief among those concerns is whether Canada can preserve the pact's existing dispute-resolution system, which gives independent panels the power to resolve conflicts among the three countries over tariffs. The U.S. would like to drop the panels, as Mexico agreed to do, or water them down considerably.

But the issue is paramount to Canada, which sees the panels as one of the few ways Ottawa can fight threats of U.S. tariffs in a neutral forum.

The country's resolve on this issue intensified following the U.S. decision to place tariffs on Canadian metals on national-security grounds.

An unrelated case on Wednesday highlighted Can-

Voters Weigh Drilling Ban

BY REBECCA ELLIOTT

Colorado voters in November will consider banning oil and gas drilling within 2,500 feet of homes, businesses and many green spaces, a move that would effectively prohibit it in most of the U.S.'s seventh-largest oil-producing state.

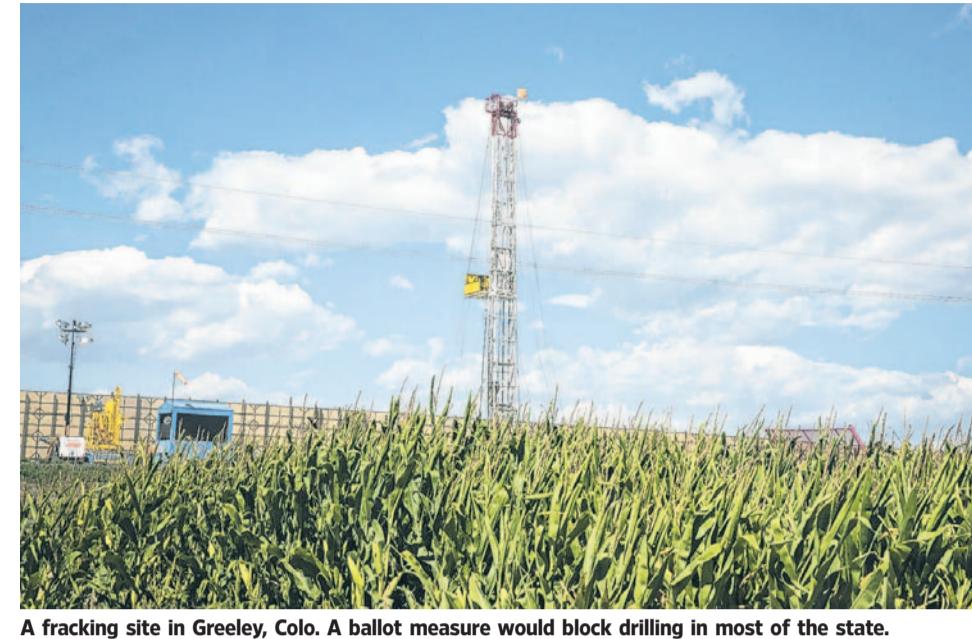
The Colorado Secretary of State's office said Wednesday that antifracking activists had collected enough valid signatures from state voters to put the issue on the fall ballot. That sets the stage for a heated political battle in a fast-growing state where suburban development and oil and gas production have been steadily encroaching on one another, exacerbating tensions.

Colorado requires oil and gas wells to be located at least 500 feet from buildings and 350 feet from recreation areas like playgrounds. The ballot initiative would increase those setbacks to 2,500 feet, or nearly a half mile. That would ban drilling on 85% of the state's nonfederal land, according to an analysis by state regulators.

"This is a ban. It's to drive you out of the state," Chip Rimer, a senior vice president at **Noble Energy** Inc., said at an industry conference in Denver this month where companies sought to underscore the measure's possible economic impacts.

If the measure passes, it would reduce state and local tax revenue by \$201 million to \$258 million in the first year, and result in 33,500 to 43,000 lost jobs, according to a study by the REMI Partnership, a public policy research group.

"Obviously, it would be pretty devastating," said Scot Woodall, chief executive of Denver-based **HighPoint Resources** Corp., which largely drills in rural areas. The initiative would prevent HighPoint from drilling on more than two-thirds of its acreage, Mr. Woodall said.

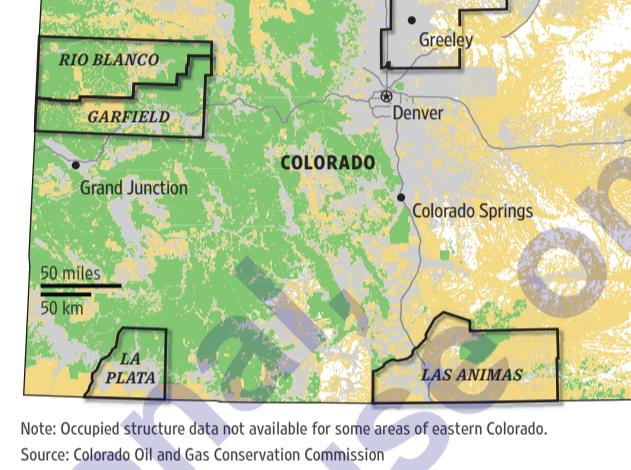


A fracking site in Greeley, Colo. A ballot measure would block drilling in most of the state.

Off Limits

Areas around occupied buildings and vulnerable areas would be off limits to new drilling under a Colorado ballot measure. Unshaded areas would be the only nonfederal land available for new oil and gas development.

■ 2,500-foot buffer zone around vulnerable areas
■ 2,500-foot buffer zone around occupied structures
■ Federal lands ■ Top 5 producing counties



Note: Occupied structure data not available for some areas of eastern Colorado.

Source: Colorado Oil and Gas Conservation Commission

Renée Rigdon/THE WALL STREET JOURNAL.

Activists have campaigned for years for such limitations in Colorado, where wells commonly abut densely populated areas.

Similar statewide initiatives failed to make the ballot in 2014 and 2016. Since then, however, crude production has increased 44% in Colorado,

federal data show, as oil's rebound to nearly \$70 a barrel made it more economical to drill in the state.

That production surge coincided with rapid population growth in the suburban communities north of Denver where drilling is most prevalent. Recent deadly explosions also have brought increased attention to the safety of oil and gas operations.

"Our strategy is to have a ground game that spans the entire state," said Suzanne Spiegel, an organizer for Colorado Rising, the group behind the ballot measure.

Colorado's top politicians have largely come out against the measure—including Democratic gubernatorial nominee Jared Polis.

The initiative is also widely expected to face legal challenges if it passes.

Further complicating matters, Colorado voters this fall also are set to consider a measure that would require property owners to be compensated for any reduction in property value due to new regulations. That law, if approved, could leave the government on the hook for energy companies' lost drilling access.

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WORLD NEWS

Putin Tempers Pension Plan After Outcry

Russian president meets public backlash over proposal to raise qualifying ages

By ANN M. SIMMONS

MOSCOW—Russian President Vladimir Putin softened a plan to raise pension ages to bolster state finances, a rare backtrack following a public outcry that cut his approval ratings to the lowest level in more than four years.

In a televised address Wednesday, Mr. Putin proposed that the pension age for women be increased from 55 to 60 instead of the 63 years proposed by parliament. He didn't mention reducing the proposed increase for men, which would shift the retirement age from 60 to 65.

Mr. Putin's intervention over the plan, however limited, underscores a central challenge he faces after 18 years in power: Russia's economy is facing years of slow growth unless the government makes changes that could undermine Mr. Putin's bargain with citizens to provide relative economic well-being while limiting political freedoms.

Mr. Putin said the main aim of the bill was to ensure the financial stability of the pension system for many years.

"The conclusion is clear," he said. "The active working-age population is decreasing, along with our capability to pay and adjust pensions for inflation. Therefore, changes are necessary."

Failing to act now or choosing temporary superficial fixes, Mr. Putin added, "would be irresponsible and unfair to the country and our children."

The overhaul, which would raise the general age at which people qualify for state old-age pensions for the first time since the early 1930s, comes as Russia's economy is smarting from international sanc-



A woman held a poster reading 'Want to retire, it's time to change the authority!' at a July rally in Moscow against raising retirement ages.

ASSOCIATED PRESS

tions and a depreciated ruble has left average Russians with less spending power. Fierce opposition to the proposed change in recent months has undermined the notion of Mr. Putin's political invincibility.

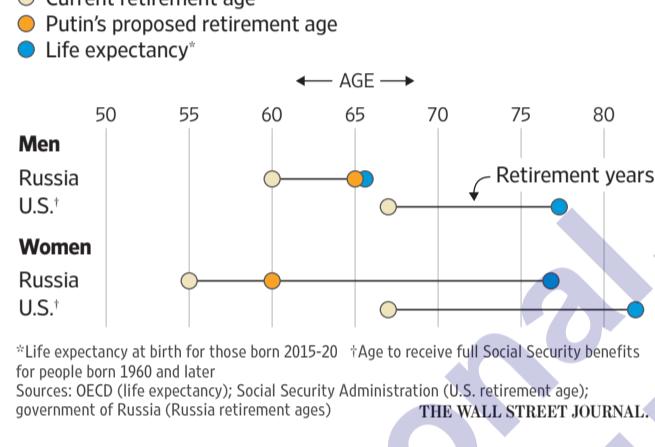
Thousands of citizens protested the proposed legislation at rallies across the country in June, including in some traditionally pro-Putin strongholds in the heartlands. Opponents of the law say it would erode the state social-safety net, which has been a feature of Russian life from the communist era onward and remains a crucial lifeline for Russians.

Russia's State Duma, the lower house of parliament, voted overwhelmingly in favor of the overhaul last month in the first of three readings of the proposed legislation, which must be approved by the upper house before being signed into law by the president.

The Kremlin has sought to distance itself from the unpop-

Working Longer

Russia's proposal to raise pension ages, which would be phased in over 16 years, leaves people with fewer retirement years before reaching present-day life-expectancy levels.



ular law, stressing the role of Prime Minister Dmitry Medvedev's government in drafting the bill. But Russians know that no policy change happens without Mr. Putin's blessing.

"It is the first time that people have understood that Putin is responsible for something, for something bad in this case," said Andrei Kolesnikov of the Carnegie Mos-

cow Center. "Because of that his approval ratings, his trust ratings, have been falling."

The president's popularity has eroded from a high of 89% in June 2015 to 67% in July, according to Levada-Center, a Moscow-based independent polling organization.

Mr. Putin had previously said he didn't like the proposed retirement-age increases but has deemed the overhaul essential as Russia's fast-aging population and shrinking workforce create a growing financial burden.

Today, there is one Russian pensioner for every 2.3 persons of working age, according to the Higher School of Economics in Moscow. In 1959, there were 5 working-age people per pensioner; that number had dropped to 3 by 2007 and is expected to fall further to 2 working-age people per pensioner by 2023.

"If you keep today's pension age...the ratio between pen-

sioners and those who work and make pension contributions will worsen," said Yury Mikhailovich Gorlin, deputy head of the government's Institute of Social Analysis and Forecasting in Moscow. Doing nothing, he added, would make it harder for the government to keep pensions in line with inflation, even if Russia's economy were to grow faster.

On Wednesday, Mr. Putin acknowledged that many Russians were upset about the proposed pension age increase and said it was natural that political forces, "mainly the opposition," would "use this situation for self-promotion and strengthening their positions."

Opposition to the changes has united such unlikely allies as Communist Party supporters and backers of anticorruption activist Alexei Navalny, Mr. Putin's main political nemesis. Mr. Navalny was arrested on Saturday and ordered held for 30 days ahead of a nationwide rally he was planning to lead on Sept. 9 to protest the pension legislation. Authorities said his jailing was related to his organization of an illegal rally in January, according to local media reports.

Data from Russia's pension fund show that 43.5 million people received a state pension last year, costing the equivalent of around \$106.2 billion. This year, the government transferred \$35.7 billion from the federal budget to cover the fund's shortfall, according to State Duma statistics.

In his address, Mr. Putin said pensions cost the country 20 billion rubles a day, or around \$296 million.

Analysts said the popular backlash to the proposed pension changes was predictable.

Many people view the move to delay their retirement as "a violation of Russia's unwritten social contract," said Mr. Kolesnikov of the Carnegie Center.

—James Marson and Nonna Fomenko contributed to this article.

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The Turkish American Community underlines the vitality of US-Turkey relations and calls for continued dialogue to overcome current impasse.

We, the representatives of the Turkish American Community, are deeply concerned and saddened by the recent developments in US-Turkey relations. We are particularly troubled by the recent decision of the U.S. Administration to increase steel and aluminum tariffs levied against Turkey which, we believe, will serve neither American nor Turkish interests. We, therefore, ask the US Administration to re-evaluate its decision.

The US and Turkey, as NATO allies, share a common vision of promoting peace, democracy and prosperity and strived for years together for this purpose in different parts of the world. Their relations made best sense in challenging times. This is certainly one of these times.

Turkish Americans, through their significant contributions in the economic, social and cultural spheres of life, have historically been a viable bridge for better relations between the US and Turkey. We express our genuine belief that preserving good relations between Turkey and the US is vital not only for pursuing shared goals but for the realization of a better future for both Americans and Turks.

Turkish Americans believe that the discourse of threat and escalation of the trade war only exacerbate the situation and dim the prospect of a durable resolution of the issues at hand. We call for prudence and a refocus on long term interests. We remind that a lasting solution requires continued dialogue based on the principles of mutual respect and the rule of law.

The hard gained solidarity and friendship between US and Turkey cannot and should not be sacrificed for short-term objectives. History tells us that political hardships can be overcome by time. Yet it would be much more difficult to restore economic ties once the momentum and the spirit of cooperation is lost.

On behalf of the Turkish-American Community

Turkish Union of Chambers and Commodity Exchanges (TOBB USA)

**Foreign Economic Relations Board of Turkey (DEİK)
Turkey-U.S. Business Council (TAİK)**

Independent Industrialists and Businessmen Association (MUSIAD USA)

Turkish American National Steering Committee (TASC)

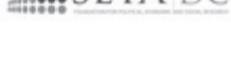
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WORLD NEWS

Shortage of EU Workers Squeezes British Farms

Weak pound and expected tightening of immigration rules put off seasonal laborers

By WILL HORNER

BRITISH workers long ago turned their back on farm work, put off by low wages, the physical work and, in recent years, the availability of higher-paying, year-round jobs in an economy where unemployment is at 4%.

Bulgarians and Romanians had picked up the slack, arriving in large numbers in the summer and earning enough money to live off back home for the rest of the year.

But since the Brexit vote in June 2016, that stream has been slowing down. The net number of EU migrant arrivals dropped to 87,000 in March 2018, a 54% decline since the referendum and the lowest level since 2012, the national statistics agency said last week.

"These were people that had returned, year after year after year," said Sharon Cross, Ethical Working Director, for G's Group, a vegetable grower in Cambridgeshire. "But with Brexit, they decided to go to other countries where there was not the threat that work would be removed."

A recent report by the

Chartered Institute of Personnel and Development, an association of human-resources professionals, warned that labor demand nationwide was growing faster than supply, exacerbated by the "supply shock of far fewer EU nationals coming into the U.K."

With vacancies at the highest level since 2001, filling them was getting harder for jobs of all skill levels, the report said.

In June, the government said it would relax visa quotas for non-EU doctors and nurses, in an effort to ease a health-care staffing crisis that has worsened since the Brexit vote.

With agriculture particularly hard-hit, what is happening to Mr. Chambers's farm, WB Chambers & Son, in the southeastern county of Kent isn't exceptional. Farms across the U.K. hire 75,000 seasonal workers a year, 98% of which come from the bloc.

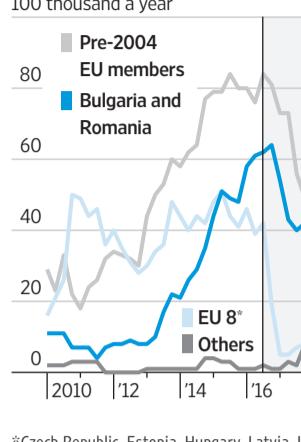
"This is the first year that I am finding people who have been here for a long time are going back home," said Salih Hodzhev, the production director for the Chambers farm.

Falling Short

Since the Brexit vote, Britain has faced challenges attracting immigrants and filling open jobs.

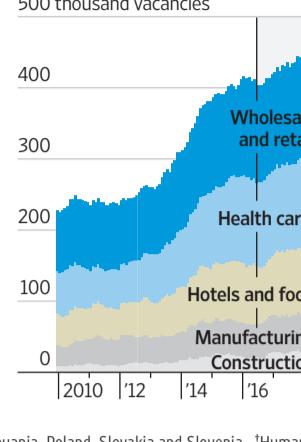
EU immigration is dropping...

Net arrival rate of EU migrants to the U.K.



...while vacancies are soaring...

Job openings in industries with more than 150,000 EU workers



...and the pound remains weak.

How many Bulgarian leva £1 buys



*Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia *Human health and social-work activities

Sources: U.K. Office for National Statistics (net migration, vacancies); Thomson Reuters (currency)

THE WALL STREET JOURNAL.

He said that for the first time the business, operating since 1952, was considering scaling back production next year.

Mr. Hodzhev, originally from Bulgaria, came to work for Mr. Chambers for three months in 2001 on an agricultural worker program. But he stayed and worked his way up. Now he is a British citizen, with two children who consider themselves more English than Bulgarian.

The program was discontinued

at the end of 2013 when immigration restrictions on Bulgaria and Romania were lifted. But now farmers are demanding its return.

The U.K. Home Office didn't comment on whether it would reintroduce the program but said it was "working hard to ensure the labor needs of the agriculture sector are met once we leave the EU."

On Mr. Chambers's farm on a recent 90-degree afternoon,

the Bulgarians working among rows of raspberry bushes made clear they had other options—Germany, in particular.

"If I can't come, then I just won't come," said Atanas Doychinov, 32, from Petrich, Bulgaria, who has been coming every summer for 10 years. "But if there were no people to come and pick the fruit, it's the farm that wouldn't survive."

—Jenny Gross contributed to this article.

Qatar Woos 'Trump Influencers'

Continued from Page One

2017 in the U.S., the year of the blockade, up from \$4.2 million the year before, according to its federal filings on payments to registered foreign agents. As of June 2018, the country was directly employing 23 lobbying firms, up from seven in 2016, its filings show.

It spent some of that on lobbyists with ties to Mr. Trump and paid others to ply the halls of Congress—a typical approach aimed at pressing lawmakers and top administration officials.

Atypically, it also turned to friends, associates and well-placed admirers of the president. It deployed the list of 250 "Trump influencers" such as Mr. Dershowitz who are known to have the president's ear formally or informally, Mr. Allaham says. He and Mr. Muzin say they compiled the list and approached their targets, sending roughly two dozen to Doha, covering their expenses and paying some directly. Among others they sent were former Arkansas Gov. Mike Huckabee and conservative radio host John Batchelor; Mr. Huckabee and Mr. Batchelor didn't respond to requests for comment.

They also arranged meetings in the U.S. between Qatari officials and some Trump associates, they say, including Steve Witkoff, a fellow New York developer with no history in politics. Mr. Witkoff didn't respond to requests for comment.

Steve Bannon, former senior counselor to Mr. Trump, says while Qatar's opponents, Saudi Arabia and the United Arab Emirates, spent U.S. lobbying money "the usual way, by paying all the same old names, Qatar tried something different." The Saudi and U.A.E. embassies in Washington didn't respond to requests for comment.

"Getting all of these influencers, the Jewish leaders and people close to the president, shows a high level of sophistication," says Mr. Bannon, long a critic of Qatar.

Jassim al-Thani, a Qatari Embassy spokesman in Washington, says the broader effort was necessary because of the "lobbying army" of Middle East rivals. "Without question, it took time and resources to replace the blockading states' lies with the truth, including inviting delegations to visit Qatar and investigate the blockade for themselves," he says. He declines to discuss the campaign's specifics. He doesn't dispute Mr. Allaham's and Mr. Muzin's accounts.

Mr. Allaham's and Mr. Muzin's lobbying firms earned at least \$3 million from their work for Qatar, their federal filings show. They say the Qatars implored their guests to spread the word about what they saw as Qatar's good works, including its aid to rebuild Gaza. They say they didn't demand the visitors communicate their views in any specific fashion, declining to give details of their discussions with any individual on the list.

There are signs Qatar's pro-



President Trump in April with Qatar's emir, Sheikh Tamim Bin Hamad al-Thani. Last year, after Mr. Trump criticized Qatar, lobbyist Joey Allaham, below right, helped draft a list of 'influencers' including Alan Dershowitz, below left, to win the president over to the emirate.



MICHAEL BROCHSTEIN/ZUMA PRESS
KEVIN HAGEN FOR THE WALL STREET JOURNAL

gram may have paid off. Mr. Trump reversed his stance and in April welcomed its emir, Sheikh Tamim Bin Hamad Al Thani, into the White House, patting him on the knee and calling Qatar "a valued partner and longtime friend." A congressional bill to label Qatar a terrorist-supporting nation due to its alleged ties to Hamas stalled.

"You can see from the meeting with the emir, the body language and the words, that the outreach to Trump has been successful," says Kristian Coates Ulrichsen, a Middle East studies fellow at Rice University. Qatar's unconventional outreach to "people in the bubble around the president," he says, was a "clever move that has obviously produced results."

Responding to questions about whether the Qatari effort influenced Mr. Trump, National Security Council spokesman Garrett Marquis says: "The improvement of the U.S. government relationship with the Qatars has occurred due to many successful official bilateral engagements over the past year."

Some who traveled to Doha—including Mr. Dershowitz—say they feel duped because they hadn't known the trips were part of a state-lobbying effort. Messrs. Allaham and Muzin say they didn't mislead anyone.

Mr. Allaham conducted most of his work without registering as a foreign agent until June. He says he didn't initially file that paperwork because he intended to connect Qatari investors with American projects, which typically wouldn't have required registration.

The Trump challenge

Qatar's challenge was evident early in the Trump administration. The U.A.E. and Saudi Arabia had better relationships with the new White House than the Qatars. In May 2017, Mr. Trump traveled to Saudi Arabia for a Mideast summit, where Qatari officials attended sessions on ending terror financing and other issues. Mr. Bannon and another former senior White House official describe the Qatars' attitude during the meetings with Gulf counterparts as "uncooperative." The Embassy's Mr. al-Thani says Qatari officials eagerly participated in everything they could.

Days later, businessman and Republican donor Elliott Broidy, who has business interests in the U.A.E., paid for a Washington conference critical of Qatar and the Muslim Brotherhood, says Mark Dubowitz, chief executive of Foundation for Defense of Democracies, which put on the conference. Rep. Ed Royce (R., Calif.), chairman of the House Foreign Affairs Committee, introduced a bill labeling Qatar a terrorism sponsor.

In June, countries including the U.A.E., Saudi Arabia, Egypt and Bahrain announced their blockade. Mr. Trump said at a news conference: "Qatar has unfortunately been a funder of terrorism." Mr. Bennett says his main task was to develop the country's long-term strategy in the U.S.

About the same time, Messrs. Allaham and Muzin, who knew each other through Republican Jewish circles, say they were creating a quick-strike plan to pitch to the Qatars. Mr. Allaham

say. After Mr. Trump's criticism, it contracted with the legal and lobbying firm of Republican former attorney general John Ashcroft for \$2.5 million to audit its counterterrorism procedures, the firm's federal filings show.

Mr. Ashcroft, who endorsed Mr. Trump before his election, didn't respond to requests for comment. Qatar in July 2017 hired Avenue Strategies, a lobbying firm led by onetime Trump campaign adviser Barry Bennett, eventually approving a contract valued at \$6 million a year, the firm's filings show. Mr. Bennett says his main task was to develop the country's long-term strategy in the U.S.

After visiting in January, Mr. Dershowitz praised the country in a newspaper column as "quickly becoming the Israel of the Gulf states, surrounded by enemies, subject to boycotts and unrealistic demands."

Mr. Dershowitz declines to discuss payments, saying: "I don't make long trips to foreign countries paying my own way." He returned to Qatar in March to give a lecture.

He says he went both times as an academic. Told the lobbyists viewed him as a Trump influencer, he says: "If I had known their purpose with me was maybe to impact the president, I would not have gone." He says he mentioned nothing to Mr. Trump about Qatar.

ham, 43, was a former high-end kosher restaurateur with a side business arranging luxury Passover excursions. Texas Sen. Ted Cruz attended his 2015 Passover event in Dana Point, Calif.

Mr. Muzin, 43, was then Mr. Cruz's deputy chief of staff. A physician and lawyer, Mr. Muzin advised the Republican's presidential campaign until it ended, then helped Mr. Trump's.

The Qatars agreed to their influencer-list proposal, and the pair quickly set sights on Mr. Dershowitz. Mr. Dershowitz had won Mr. Trump's praise as "a good lawyer" and "legal scholar," which Messrs. Allaham and Muzin say attracted their attention.

Mr. Dershowitz says he had reservations about visiting Qatar, partly because it has previously allowed members of Islamist groups like Hamas to live in the country. Mr. Allaham assured him Qatar was serious about changing its ways.

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Huckabee's visit

Mr. Huckabee visited Qatar in early January after Mr. Muzin says he approached the former governor. He is a vocal supporter of Israel, and his daughter is the White House press secretary. After his trip, he tweeted that he found Doha "surprisingly beautiful, modern and hospitable." Mr. Allaham paid him a \$50,000 honorarium for the visit, a foreign-lobbying report shows. Mr. Allaham says Mr. Huckabee is a consultant who deserved compensation.

Another identified as influential was Chris Ruddy, a member

of Mr. Trump's Mar-a-Lago resort and chief executive of Newsmax Media Inc., which runs a conservative cable channel. Mr. Allaham says he introduced Mr. Ruddy to the Qatars, who began negotiating a multi-million-dollar stake in Newsmax. The talks broke down after Politico published an article revealing their discussions, Mr. Allaham says. Mr. Ruddy says "we never discuss our investors or people who might be interested in investing."

Mr. Allaham also met with Mr. Bannon, who had received \$100,000 last fall to speak at another Broidy-sponsored conference about the country's purported links to terrorism. Mr. Allaham conveyed to Mr. Bannon that Qatar was interested in funding his projects, both say. Mr. Bannon says he declined the offer and communicated with Mr. Allaham only to dissuade him from working on Qatar's behalf. Mr. Allaham doesn't dispute that account.

Qatar's campaign sparked a lawsuit by Mr. Broidy claiming Qatar and some of its agents, including Mr. Muzin, conspired to steal his emails, which included details of his work for the U.A.E., to discredit him as part of the lobbying campaign. A federal judge dismissed Qatar and Mr. Muzin as defendants, and the two rejected the allegations.

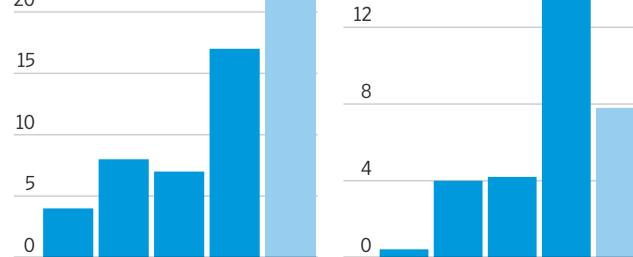
Mr. Broidy's lawsuit, filed in March in federal district court in Los Angeles, revealed Mr. Allaham's work on Qatar's behalf. Mr. Allaham's subsequent Justice Department reports show he used money from Qatar to donate \$100,000 to the Zionist Organization of America, a pro-Israel group that has been dubious of Qatar's claims it doesn't fund terrorist groups.

The organization's director, Morton Klein, who is close to Mr. Trump's top advisers on Israel, also visited Doha, say Messrs. Allaham and Muzin. Mr. Klein returned the donation after learning it came from Qatar, he and Mr. Allaham say. "I was in absolute shock," Mr. Klein says, adding he "never in any way lobbied for Qatar."

Messrs. Allaham and Muzin say they stopped working for Qatar in June; filings show they remain registered agents of Qatar. In July, they formed a lobbying and investment-advisory firm, Stonington Global.

The rollout of their new firm was overshadowed by controversy around a partner they announced at the same time, former White House national security adviser Mike Flynn. Mr. Flynn is awaiting sentencing after pleading guilty last year to lying to federal investigators about his conversations with the Russian ambassador to the U.S. during Mr. Trump's transition to power. After the firm's announcement was publicized, Mr. Flynn's attorneys said he wasn't aware it was launching so soon and said he wouldn't be joining after all. Messrs. Allaham and Muzin say Mr. Flynn isn't working with their firm, though they hope to have him rejoin them after his sentencing. Mr. Flynn didn't respond to requests for comment.

The release announcing their new firm says they "will build on their success representing the State of Qatar."



Note: Through June 30, 2018. Data don't include subcontractors

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GREATER NEW YORK

Cuomo and Nixon Spar in Tense Debate

The two faced off in their only matchup before the Democratic primary next month

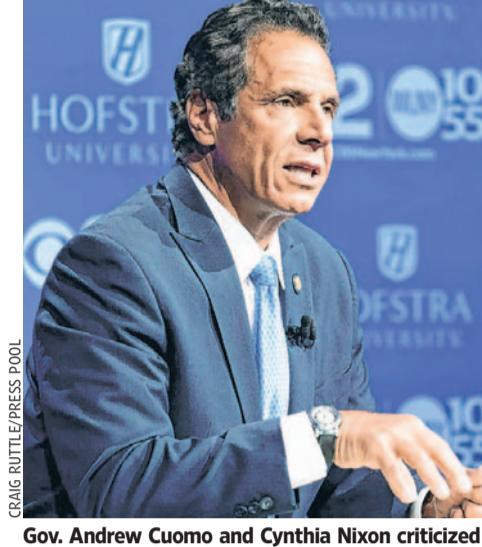
BY KATIE HONAN

New York Gov. Andrew Cuomo and Democratic challenger Cynthia Nixon came out swinging in their gubernatorial debate Wednesday evening, with each taking shots at one another's credentials as they sparred over the aging subway system, public corruption and campaign-finance reform.

The debate was the one and only contest between the two before the Sept. 13 primary for governor. Mr. Cuomo seized the opportunity to criticize Ms. Nixon, a 52-year-old actor and activist who has never run for office, for her lack of experience.

"The governor of New York is not a job about politics, it's not about advocacy," he said. "It's about doing. It's about management. This is real life."

Ms. Nixon said her years as



Gov. Andrew Cuomo and Cynthia Nixon criticized each other during the televised event on Long Island.

an advocate for education and LGBTQ rights primed her for the position. Being governor, she said, should be measured by efficiency, not years in office.

"I'm not an Albany insider, like Gov. Cuomo, but I think that experience doesn't mean that much if you're not actually good at governing," she said.

The debate, held at Hofstra University, aired on CBS television affiliates across New York state and on 1010-WINS radio. It was the first-ever for Ms. Nixon, who used the forum to show another side to voters who may know her best from her role on TV's "Sex & the City."

She entered the debate an

underdog: A July 18 Quinnipiac University poll puts Mr. Cuomo ahead of her by more than 30 points, leading in all voter categories. His campaign also has dwarfed hers in fundraising. As of Aug. 28, the governor spent more than \$5.3 million, with more than \$31 million left in his campaign account.

Ms. Nixon was on the attack during the showdown, talking over the 60-year-old governor, challenging him on his record and accusing him of changing his position on marijuana legalization only after she said she supported it.

"Can you stop interrupting?" a flustered Mr. Cuomo asked during one of the many times Ms. Nixon spoke while he was answering a question from the debate host, Marcia Kramer.

"Can you stop lying?" she said in response.

The debate questions ranged from the toll on the new Mario Cuomo Bridge to marijuana legalization to corruption in Albany.

When asked if he would delay the proposed Metropolitan Transportation Authority fare increase to help commuters, Mr. Cuomo deflected the question, saying the city and the state shared the responsibility of funding the subways. "We need the city and the state to both share the fiscal responsibility," he said.

Ms. Nixon, who has made

public transportation a key issue in her campaign, said she would delay the increase.

"I think it's unconscionable that Gov. Cuomo is thinking about raising fares on a system that is working so poorly," she said. The governor controls the subway system, she noted. "To pretend anything else is completely disingenuous."

Tomeka Robinson, an associate professor of rhetoric and public advocacy at Hofstra University, said Ms. Nixon came off as a strong contender against the governor.

"By her showing that while she's not an Albany insider but she has some very clear ideas and is very knowledgeable on state policies, budgeting and everything else, people will see her as a nice alternative to Gov. Cuomo," Dr. Robinson said.

Lis Smith, a spokeswoman for Mr. Cuomo's campaign, said Ms. Nixon tried—but failed—to get under the governor's skin. "She showed that she didn't have the experience or the temperament to be governor," she said.

People Sweat It Out for the Hottest Tickets in Town



Not even Wednesday's scorching heat could stop would-be theatergoers, like the ones above, from seeking deals on Broadway tickets.

Temperatures hovered in the 90s much as they had on the previous day, when the National Weather Service issued a heat advisory. And ticket sales were just as hot.

The Times Square TKTS

Booth sold 1,815 tickets on Tuesday, according to the Theatre Development Fund, the non-profit organization that operates it—a small drop-off from the previous Tuesday's sales of 1,881, when New York temperatures were more bearable.

"It's not that bad," said Susan Laird, of Orange County, Calif., who arrived in Times Square with her daughter Emma at 10

a.m., hoping to score matinee tickets to the Andrew Lloyd Webber musical "School of Rock."

The steamy weather is related to a meteorological condition known as a Bermuda High, said meteorologist John Murray of the National Weather Service. The term refers to an area of high pressure in the western Atlantic Ocean that causes warmer, more humid air to blanket the region.

New York tourists and residents alike can soon expect relief. Thursday is likely to start off humid, Mr. Murray said, but temperatures will fall and the chance of rain will increase to between 20% and 30% on Friday and Saturday. Labor Day weekend is expected to start off in the mid-70s and hit the mid-80s by Monday afternoon.

—Maya Sweeney

MS-13 Killed Teenager, Police Say

BY ZOLAN KANNO-YOUNGS

The body of a teenage boy allegedly killed more than a year ago by members of MS-13 was unearthed by police on Wednesday near a Catholic high school on Long Island, Nassau County officials said.

Police received a tip on Tuesday about a body buried in a grassy area near Kellenberg Memorial High School, a Catholic school in Uniondale, and discovered the remains buried in a "shallow grave," said Nassau County Police Department Commissioner Patrick Ryder.

While Mr. Ryder didn't iden-

tify the victim, he said police received information that it was the body of a teenager killed by members of Mara Salvatrucha, the violent international street gang known as MS-13.

"It is MS-13," Mr. Ryder said. "We will be relentless in the pursuit of going after these individuals that have committed crimes in Nassau County." The gang has captured national attention in recent years for the brutal killings of young people, particularly on Long Island. The bodies of four men were found in neighboring Suffolk County on eastern Long Island in April 2017. The previous year, gang mem-

bers with baseball bats and machetes killed two female Brentwood High School students, police have said.

President Trump has highlighted violence committed by MS-13 on Long Island, traveling to the region last summer to give a speech on the topic in front of a crowd of uniformed officers. The parents of the two slain Brentwood students were Mr. Trump's guests at his first State of the Union address.

"There are too many parents, too many families who have seen their children butchered by these gangs," Nassau County Executive

Laura Curran said at a crime-scene news briefing Wednesday. "This needs to stop."

Police have five individuals in custody for previous crimes who are connected to the killing of the teenager found on Wednesday, Mr. Ryder said. He declined to reveal whether authorities are looking for more suspects. A Nassau County police spokesman didn't comment on the cause of the teenager's death.

"This is another grim discovery," said Nassau District Attorney Madeline Singas. "This body belonged to a person. It was someone's son, someone's brother, someone's friend."

Lower East Side Ferry Service Begins

BY PAUL BERGER

New York City launched its sixth ferry route Wednesday, completing the first phase of the service's expansion and opening up the waterway to people who live and work on the Lower East Side.

Jomary Peña hopped on the boat at East 34th Street shortly before 9:30 a.m. and headed for her job as a production manager at The Public Theater at Astor Place.

Ms. Peña, who is 25 years old and lives in the Soundview section of the Bronx, said her bus and subway commute usually takes just under two hours.

Now, she can take the ferry from a recently launched service at Soundview, transfer at East 34th Street to the Lower East Side service, which stops at Stuyvesant Town, and be at work in about an hour.

Ms. Peña said the ferry has changed her life. "It's just nice to see a lot of people in the Bronx going to the city because it's so convenient now," she said.

New York City launched the ferry service in May 2017. It has expanded to include routes that stretch along the East River, linking the Bronx, Queens, Manhattan and Brooklyn.

Initially, the city expected 4.6 million riders annually. Based on ridership so far, it has increased its estimate to about 9 million yearly riders by 2023. The city also has invested in larger boats to manage the most crowded routes.



Passengers rode a ferry on the new Lower East Side route.

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MANHATTAN

Officer Is Charged With Beating Man

A New York Police Department officer faces assault and other charges for allegedly beating a 19-year-old homeless man and then lying about the incident to his superiors and prosecutors, the Manhattan District Attorney's Office said Wednesday.

Officer Elijah Saladeen, 48 years old, of the Bronx and a 19-year veteran of the NYPD, was on duty when he punched the handcuffed man in the head and ribs after finding him sleeping in the stairwell of a Manhattan apartment building in February 2017, prosecutors said.

Mr. Saladeen, who is suspended without pay, pleaded not guilty, said Rae Koshetz, his attorney. "My client is confident that once all of the facts are known that he will be exonerated," she added.

—Zolan Kanno-Youngs

NEW JERSEY

Homeless Samaritan Sues Fundraisers

A homeless man whose selfless act of using his last \$20 to fill up the gas tank of a stranded motorist in Philadelphia got him world-wide attention is suing the couple who led a \$400,000 fundraising campaign to help him.

Johnny Bobbitt says he is concerned that Mark D'Amico and Katie McClure have mismanaged a large part of the donations raised for him on GoFundMe. The New Jersey couple denies the claim, saying they are wary of giving Mr. Bobbitt large sums because they fear he would buy drugs.

Mr. Bobbitt's suit contends the couple committed fraud by taking money from the fundraising campaign for themselves. He is seeking undisclosed damages. His lawyers want a judge to appoint someone to oversee the account. A hearing is set for Thursday.

—Associated Press



Chava Lapin taught a language class at 'Trip to Yiddishland.' The annual weeklong retreat included violin lessons by Sylvan Lake, along with bingo, klezmer music and yoga called 'stretch and kvetch.' Campers ranged in age from a baby to a 93-year-old. While adults studied, children played outside.



ENID B. ALVAREZ FOR THE WALL STREET JOURNAL (3)

Tradition! Yiddish Camp Is a Hit

By LESLIE BRODY

ture in its original form.

"My great-grandparents spoke Yiddish, and this is keeping their memory alive," said Sarah Segal, a 16-year-old who has come to the camp with her family for a decade. "Speaking it makes me feel closer to them."

Just as at many summer camps, there are cabins, a lake and campfire singalongs. The main draw to Yiddishland, however, is the language.

There is bingo in Yiddish, klezmer music, and yoga called "stretch and kvetch." The annual weeklong retreat, held earlier this month, draws a small but growing group of devotees to Hopewell Junction, N.Y., about 70 miles north of New York City.

For many, learning Yiddish offers a nostalgic link to Jewish roots and grandparents from Eastern Europe who spoke it every day. For some, it unlocks the mysterious vocabulary often used by older relatives who didn't want children to understand. For more advanced students, the retreat gives access to Yiddish litera-

ture in its original form. the Workmen's Circle, a secular organization that seeks to bolster progressive Jewish identity through social activism and language classes. It sponsors a range of events to attract families, including a

'My great-grandparents spoke Yiddish, and this is keeping their memory alive.'

Hanukkah festival called Latkepaloza, which stars a staffer dressed up like a giant blue dreidel.

The group even runs a course called Yiddish for Dogs, where owners learn commands, like "zits" for "sit" and "tsurik" for fetch. The next

class will be Sept. 30 in Central Park.

Lovers of the language have seen a surge of interest. This summer's Yiddish version of the musical "Fiddler on the Roof" at the Museum of Jewish Heritage in Manhattan has been a hit. So has an online comedy series called "Yidlife Crisis."

Once the everyday language of Central and East European Jews, Yiddish emerged in the 10th century in Germany and includes German, Hebrew and Slavic elements. The number of speakers has dropped dramatically since World War II, when millions were killed during the Holocaust.

Researchers estimate between 600,000 to 3 million people worldwide speak Yiddish now, according to Agnieszka Legutko, a Yiddish expert at Columbia University. It

is still spoken as a first language in ultra-Orthodox Jewish communities.

Ms. Legutko says Yiddish lessons have become more popular lately, with online courses giving them a boost. "For people who don't identify as Jewish through religion or Zionism, it's the perfect alternative."

Aviva Ray, who escorted her 93-year-old mother to Yiddishland, skipped the language classes. She recalled being one of the few Jews in her elementary school in a New Jersey suburb. "It was very hard to be different," she said. "As a kid you don't appreciate the culture."

Golda Shore, 89, said she comes up from West Palm Beach, Fla., every year for camp. "It's like an extended family," she said, "and a wonderful feeling of community that's lacking in the world."



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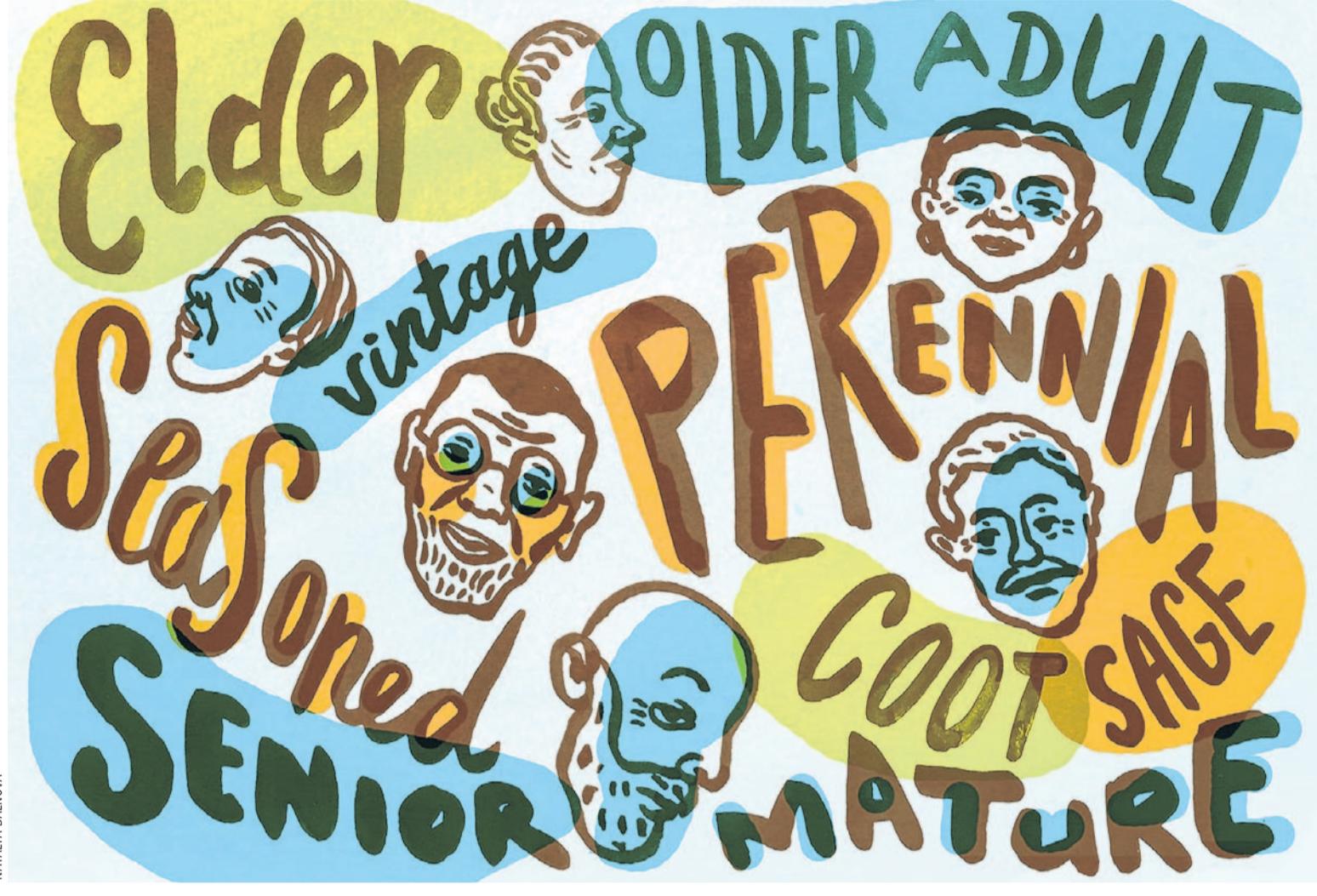
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NATALYA BALNOVA

TURNING POINTS | By Clare Ansberry

Forget 'Senior'—Boomers Search for a Better Term

THERE'S A NEW way to describe old. It's "perennial." Not everyone likes it.

Pam O'Brien, 69, thinks it's contrived. Ms. O'Brien, who teaches full time in the Public and Professional Writing Program at the University of Pittsburgh, says there are better, more appropriate terms. She personally doesn't mind "elder," as she is an elder at her church, along with other people ranging in age from the 30s to the 80s. But she's not a fan of "elderly" and neither are her friends, who were upset when they were described by a younger couple as "the elderly couple."

"Vintage," another euphemism, makes her think of an old clothes shop. As for "golden ager"? That's her parents' generation, and baby boomers are aging differently. Ms. O'Brien, who has lost friends to cancer and heart attacks, says she thinks the best term to describe

people 60 and older is "lucky."

Everyone is growing older, but most people don't want to be called old or perceived as old, which makes finding an acceptable term difficult. "I haven't found a word that someone is not turned off by," says Laura Carstensen, director of the Stanford Center on Longevity.

For a long time, Dr. Carstensen, 64, tried to get people to call themselves old and be proud of reaching advanced age. Getting others to embrace the term was a tough sell, she says. Other, more positive terms, such as sage, don't always apply either. "There are a whole bunch of older people who are nothing close to wise," she says.

She prefers perennial, a term used by Gina Pell in a 2016 piece in an email newsletter, the What, to describe people of all ages. Since then, retirement bloggers have adopted the term. Former Secretary of State Madeleine Al-

bright declared herself a perennial in a video posted by newsletter theSkimm. It implies reinvention, says Dr. Carstensen, but doesn't assign positive attributes, such as mature, or negative ones, such as frail, to a diverse group.

Labels constantly evolve, says Jeremy Wallach, an anthropologist who specializes in linguistics and teaches in the Department of Popular Culture at Ohio's Bowling Green State University. A once-acceptable word or phrase accumulates negative connotations and is replaced by another. "Aged" evolved into "senior citizen," which evolved into "older adult." Some, like "geezers," were never acceptable.

Baby boomers, the counterculture generation, are particularly self-conscious. "They want to adopt a new generational identity for themselves in post-retiree years," says Dr. Wallach, 48. He refers to the group as "baby boomers enter-

ing a new phase of life."

"That's my lingo as a social scientist. I don't have a popular culture name for them," he says.

Generational labels, which cover people from different social, economic and cultural backgrounds, are especially imprecise. There are healthy 80-year-olds and frail ones. The 60-plus population includes the so-called Greatest and Silent Generations, referring to those born in the early 1900s to 1945, who think and feel very differently about age and propriety.

Stanley Szott is one of them. Mr. Szott, 93, prefers being called Mr. Szott. Growing up in a Pittsburgh coal community, he called anyone five years older than he was Mr. or Mrs. "We had respect for them when we were kids," says Mr. Szott.

He thinks terms like "senior citizen" or "older adults" are unnecessary. "We don't need to be reminded that we are senior

citizens," he says. Not only that, those umbrella terms don't recognize a person as an individual, he says. "You lose your identity. Everyone's the same."

Daniel Reingold doesn't like the label "fall risk," the term on his wrist band when the 64-year-old ended up in the emergency room after a bike accident.

As CEO of RiverSpring Health, a Riverdale, N.Y.-based nursing, rehabilitation and managed-care company, Mr. Reingold thinks a lot about proper terms for people who are aging. When he started with the company 28 years ago, its nursing home was called Hebrew Home for the Aged. It's now Hebrew Home at Riverdale.

"We have struggled over the years with words like aged, senior, and elderly in promotional materials," he says.

He prefers "older adults," which he thinks is neutral and accurate. "The difference between a 90-year-old and a 40-year-old is that one adult is older," he says. He's just not sure when the term starts to kick in: "I'm 64 and I'm not sure I want to be called an older adult."

As for perennial? "It sounds like a plant," he says.

That's OK with Brent Taylor, 37, who has debated what to call a line of plant-based nutritional products targeting the 50-plus market. "The adult-nutrition section of the grocery store is really a sad place," says the Los Angeles entrepreneur, who co-founded plant-based burger maker Beyond Meat and has since left the company.

He and Sara Bonham, his partner in the new business, Willow Cup Inc., came up with a list of 120 possible names for their products, the first of which, a beverage, they plan to launch online in the fall.

Among them: 100 Years, which they thought conveyed an aspirational message about longevity. They eventually dropped that name because people in their focus group were less interested in reaching a certain age than in feeling good. They landed on Perennial, which they say plays off their plant-based focus but also symbolizes rejuvenation.

Ms. O'Brien, the University of Pittsburgh professor, thinks many people dislike labels as they get older because maintaining independence is very important at this stage of life, as are new beginnings. She and her husband Jack, 70, who develops continuing education content for architects, want to open a nonprofit free library for children when they retire, sell their house and move to Florida.

Mr. O'Brien says labels such as "senior citizen" seem odd, as people usually don't call themselves "citizens" unless they are in a civics class. Still, he says, he doesn't care what someone calls him: "I don't feel like I fit any particular category, so I guess I'm not sensitive to it."

THE BURNING QUESTION

IS 'HANGRY' ACTUALLY A THING?

BY HEIDI MITCHELL

IT'S 4 P.M., and for no discernible reason, any little thing can make your blood boil. Are you hangry?

The portmanteau of hungry and angry has become so common in colloquial speech, it made news when U.S. Olympic snowboarder Chloe Kim tweeted about the condition when she skipped part of her breakfast. The Oxford English Dictionary gave it an official definition this year.

But is this bit of wordplay a true state of being? One expert, Michael Lowe, a psychology professor at Drexel University and a specialist in eating disorders, weighs in on hormones, early warning signs of hunger and why being hangry might be an adaptive behavior.

The Sugar Crash

The popularity of the term hangry has outstripped the scientific research on it, Dr. Lowe says. He agrees that food deprivation can contribute to "a hypersensitivity to react to things you wouldn't react to much or at all when you're not hungry." However, food deprivation exacerbates other feelings, too. "If we had a list of 10 negative emotions, my guess is that as people get hungrier, the scores of most of the negative emotions would go up, not just anger," he says.

Just after we begin eating, blood-sugar levels rise sharply, then gradually decline for hours until we eat again. "At some point, one starts to experience falling glu-

cose levels and stomach growling and other signs of energy deprivation that trigger an alarm in the brain," Dr. Lowe says.

But as the demand for food increases, and we ignore those alarms, our cognitive capacities become constrained and some of our mental focus shifts to food. That plus low blood sugar can lead to irritability, and could make everyday tasks tougher to perform, which can make us angrier still.

The combination of feeling hungry and angry may be a result of evolution, an expert says.

He cites the famous 1945 Minnesota Starvation Experiment as an extreme example: Of the male volunteers who lost 25% of their body weight in six months, most reported irritability and a decrease in mental ability.

Dr. Lowe also points to a study of eight Israeli judges who granted 65% of convicts' parole requests in the morning and after a snack break, but almost none at day's end. "Someone who is very hungry and irritable is likely to react more harshly" than his or her well-fed co-worker, he says.

Caveman Theories

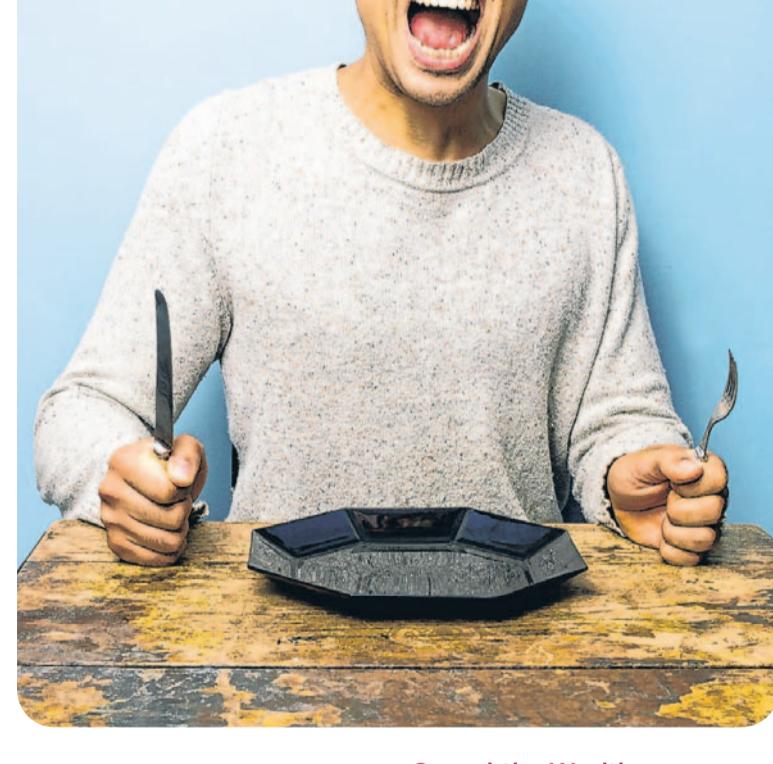
Hangry feelings may be a result of evolution. Our distant human

ancestors were hunter-gatherers who often didn't know where their next meal was coming from. To cope, humans developed an early-warning system for when blood-sugar levels dropped. They released stress hormones like cortisol and epinephrine to help propel the mind and body into action to seek sustenance.

"It would be useful for a hungry person to feel driven to find food well before blood-sugar levels drop so low that he or she starts to feel weak and have trouble finding a new food source," Dr. Lowe says. Those same hormones we release to motivate us to act are also linked to irritability. "The hunger/hormone relationship is complicated, but strong hunger is stressful, which likely also contributes to the hangry emotion," he says.

Everyone is born with an acute sensitivity to energy level and hunger, though individual responses vary greatly. Adults go through a gradual reduction in sensitivity to hunger. They may not eat when hungry because they're dieting. Or they keep eating when they're no longer hungry because of all the delicious food around. "These experiences weaken the developmentally normal process of eating only when we are truly hungry," he says.

Because children haven't been around as long, they still react dramatically to internal warnings of oncoming hunger. "Kids exhibit less self-control than adults, though I don't think there is enough scientific evidence to explain why ado-



lescents seem to be so quick to anger when they've skipped a meal or a snack," he says.

He has also done research into hunger, and concluded that there are two types. There's everyday hunger people feel five hours or so after a meal, called homeostatic hunger. There's also hedonic hunger, which happens to some people because they become accustomed to eating simply for pleasure, so they often think about food and eat independently of their actual state of food deprivation.

"Since we live in such a food-abundant environment, and we usually eat several times a day, few of us enter into a state of true physiological deprivation," he says. "So for many of us, 'hangry' may stem from wanting to eat for pleasure more than needing to eat for calories."

Spread the Wealth

To avoid feeling hangry, Dr. Lowe recommends distributing food intake evenly across the day. If you're a formal three-meals-a-day eater with no snacks and you're feeling grumpy before lunch or in the late afternoon, consider having a lighter breakfast, a piece of fruit at 11 a.m. and so on. Just make sure you take in about the same number of calories through the day or you may gain weight. And don't turn to quick fixes like cookies or other sugary snacks, which require paying too high a price in calories to reduce hangrieness.

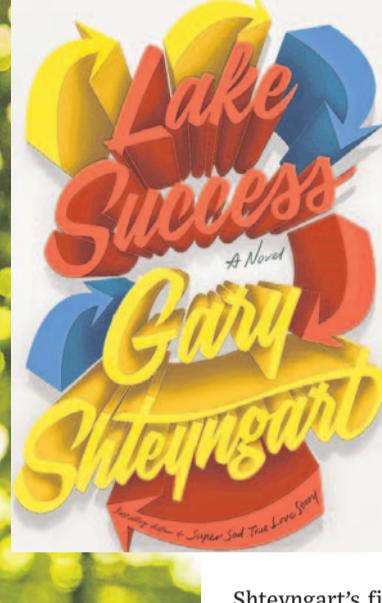
Dr. Lowe adds that some people simply don't get hangry. "They are the kind of person who gets involved in an activity and doesn't even realize until midafternoon that they skipped lunch," he says.

LIFE & ARTS

BOOKS

Hanging With the Hedge-Fund Bros

Author Gary Shteyngart spent years among players in high finance to research his novel 'Lake Success'



ANNIE TRITT FOR THE WALL STREET JOURNAL

Gary Shteyngart, in New York last week, based some characters on combinations of many people but had no sole inspiration for his protagonist, Barry Cohen.

BY ELLEN GAMERMAN

AS CHARACTERS in fiction, hedge-fund managers deliver high returns.

"There's a gigantic flair to everything they do, almost like they're living in a Russian novel," said Gary Shteyngart, whose book out Tuesday, "Lake Success," follows the manager of a \$2.4 billion fund.

The novel joins a long list of books, movies and TV shows featuring financial executives whose ambition and wealth have allowed writers to examine tricky questions. How do the rich choose to use their power? What do they do with troubles that cash can't fix? And how much money is enough?

Mr. Shteyngart sought the answers by removing his lead character, Barry Cohen, from the New York hedge-fund world and sending him across the country on a Greyhound bus—a journey the middle-aged antihero makes as his hedge fund collapses, an SEC investigation closes in on him and his marriage implodes. On the trip, he ditches his cellphone and credit cards, bringing with him little more than his luxury-watch collection, a complimentary vest from Citibank and dreams of an old girlfriend in El Paso, Texas.

To create the character of Barry, the author spent four years interviewing hedge-fund managers and others in finance. He flew on their private jets and went to their parties. He got so drunk with a group of young bankers that his wife had to help him unbutton his shirt when he got home at 4 a.m.

The 46-year-old New Yorker, a Russian immigrant who wrote about his family's move from Leningrad to Queens in his 2014 memoir "Little Failure," heavily researches his novels. He dove into the tech world for his 2010 dystopian bestseller "Super Sad True Love Story" and investigated the oil industry for "Absurdistan," his 2006 work set in a fictional oil-rich former Soviet republic.

Some characters in "Lake Success" are based on combinations of many people, he said, but there is no one inspiration for Barry.

The executives Mr. Shteyngart met made and lost a lot of money during his research from 2012 to 2016. At low points, some sources—unnamed in the book's acknowledgments—shared their emotional roller coaster with him. "They felt a lot of hatred toward investors. Why can't they see the long-term picture? They're so fickle," he said. "There was a huge change in their perception of themselves."

When he asked executives to explain a successful competitor's underlying motivation, he said, the

Financial Inspiration

Storytellers have long loved Wall Street players. Here are some reasons why:

David Lender, a former investment banker who writes thrillers inspired by his business experiences, compares Wall Street to Hollywood, "where you can be from no place, and with brilliance and good luck and amazing timing you can hit it really big really fast—but you can lose it just as fast."

"A hedge-fund manager will look at himself differently if he's worth \$2 billion vs. \$4 billion," said Brian Koppelman, co-creator of Showtime's "Billions," a financial drama with its fourth season now in production. "In some ways he'll feel successful, and in other ways he'll feel like a total failure." Of high-flying money men who answer only to themselves, "Billions" co-creator David Levien said, "I think people are

responses could be biting. "They would say, 'His wife doesn't really love him.' His mother never loved him enough.' His children really hate him.'" Mr. Shteyngart went on: "So many of them were missing fundamental pieces of themselves, and the money was supposed to fill in for those pieces."

In the novel, almost every as-

drawn to that because most of us in our lives don't get to be such an unfettered expression of ourselves."

Wall Street wealth manager and writer Norb Vonnegut bestows colossal quirks on his financiers, among others. His new novel, "The Pell Heist," features a billionaire manager of ESBM Capital—short for "Everybody Sucks But Me"—who keeps a handwritten manuscript of Machiavelli's "The Prince" in a glass case. Mr. Vonnegut's friends often ask if they're in his books. "I don't know a rich philanthropist who was eaten by three sharks in front of 500 people at the New England Aquarium," he said, referring to an investment manager's fate in one of his novels. "If anything, it's awkward to see disappointment when I tell someone a character is not based on him or her."

—Ellen Gamerman

pect of Barry's life circles back to finance. "Barry was a Republican, but he had been long gay marriage since third quarter 2014," Mr. Shteyngart writes, using investment lingo to convey his character's support for the cause. A drug dealer with potential is "an undervalued stock." A well-preserved college sweetheart and her family

are declared "investment-grade." And proof of Barry's personal reawakening: "He didn't email. He didn't Bloomberg. He didn't stay up for the Asian markets."

This world is populated by the 110-pound hedge-fund wife "with the knuckly shoulders and the retroussé nose" and the mother worried about a school's HYPMS entrance rates (Harvard, Yale, Princeton, MIT, Stanford) for her pre-K child. For these hedge-fund titans, the occasional public meltdown is a rite of passage, just "like your first ankle monitor bracelet or your fourth divorce."

The book's minor characters continue Mr. Shteyngart's filleting of the one percent. When employee Jeff Park makes a costly spreadsheet error, he passes out at his desk in horror. Later, he collects data about the women he dates. "Well, there's some variance," he says of their 5-foot-6-inch average height. "Maybe half a sigma."

For the bus scenes, Mr. Shteyngart rode the Greyhound all day and scribbled notes at night in whatever hotel or motel was closest to the bus station. After those stints on what he dubs "The Hound," he flew home first class on air miles.

In the novel, Barry leaves his family after his young son is diagnosed with autism. Mr. Shteyngart, who is married with a 4-year-old son, said he learned about the disorder from friends whose families were grappling with the diagnosis. Barry himself may be on the spectrum. Struggling with social interactions as a child, he stands in front of a mirror for hours practicing opening lines and follow-up retorts so he can talk to the other boys at school.

"I think that's where I put some of myself in there," Mr. Shteyngart said, recalling his difficulties not speaking English as a poorer student at a generally wealthy school. "I had no social cues. I was always trying to figure out, 'What's the code?' It took me until college to figure it out."

His latest novel has some people asking him for financial advice—a development the author calls "a scary, scary thing." In reply, he quotes from his research. "Some of the coolest guys I've ever met in this industry say, 'Let me tell you a secret, Gary: low-cost index funds,'" he said. "They're like, 'Don't invest in our stuff. Just low-cost index funds.'"

ian spokesman says.

American Airlines, later to puny potties than competitors, introduced its first last fall on new Boeing 737 MAX airplanes. Pilots and flight attendants complained in meetings with senior executives.

American Chief Executive Doug Parker says the backlash surprised him since the same restroom has been flying on other airlines. Space in the cabin is all a trade-off, he noted. "I'd rather have that 2 inches in the cabin as opposed to in the restroom," he says.

Mr. Parker says there were two specific problems the airline has since corrected. Water pressure was too high in the small sink and people got splashed, so American dialed back the pressure. And two lavs across from each other both had solid doors that collided and could trap flight attendants in the aft galley. One door was switched to a bi-fold design that doesn't open out.

Regulations require bathrooms big enough to accommodate wheelchair-bound passengers on wide-body planes, but not narrow-body. Paralyzed Veterans of America filed a lawsuit in July trying to force adoption of narrow-body requirements.

Blaine Stuart is a 6-foot-2, 240-pound entrepreneur from Hawaii, bothered by the small lavs flying on United from Los Angeles to Hilo, Hawaii.

"The whole deal is getting super-cramped and uncomfortable," Mr. Stuart says. "I understand they are trying to maximize profits, but there's a balance. I don't think they've found it."

Airplane Lavs Shrink

Continued from page A1

lighting big overhead bins. The airline said its aircraft with smaller bathrooms—737-900s and A321s—have "features that customers tell us are more important to them," like large overhead bins, in-flight entertainment and power ports at every seat.

Rockwell Collins, a maker of lavs for Boeing 737s and other aircraft, said dimensions are proprietary. Of course, anyone with a ticket and tape measure could get the secret numbers.

So I did. On recent flights, older bathrooms measured about 33 to 34 inches wide at chest level, from the mirror on one side to the wall on the other. A new Rockwell Collins lav on a Southwest Airlines 737 measured just 26 inches, or about 20% smaller.

A spokesman for Southwest says it hasn't had measurable complaints about the new loos.

Depending what the airline chooses, some slimmer bathrooms are showing up on new planes. In other cases, smaller restrooms are replacing larger ones on older planes.

Shrink the bathrooms in the front and the rear each by 7 inches and you're halfway to an extra row of six seats on a typical narrow-body plane on ultra-low-cost carriers. Additional space savings come from shrinking galleys, removing closets



TAYLOR CALLER

Roser Roca Toha, Airbus's aircraft interiors marketing director for the Americas.

The widest Airbus washroom, about 36 to 37 inches when measured at floor level, sits in the front of new JetBlue planes, Ms. Roca Toha says. (The lavs are actually a few inches slimmer at chest or belt level.) Space-saving lavs, about 5 inches slimmer at floor level, are used in the rear of JetBlue planes and others.

Slim bathrooms are designed from ergonomic studies to accommodate 95% of American males, Ms. Roca Toha says. That means some portion of the population really doesn't fit when you combine the Airbus number with Boeing's

slim lavs and tiny bathrooms in small regional jets. And body size isn't the only obstacle—people with limited mobility can struggle in tight confines.

The first Airbus plane with a slim lav delivered in North America was an A321 to Delta about three years ago. "No one has complained to us," Ms. Roca Toha says.

Hawaiian Airlines is among those bucking the trend. It says it isn't using Liliputian lavs in its new A321s, which typically fly five-hour trips between the islands and the West Coast.

"We tried out the smaller lav options in mock-ups, but they did not feel like the kind of product we wanted to fly ourselves," a Hawaiian

LIFE & ARTS

BY LEE LAWRENCE

Salem, Mass.
LITTLE IS KNOWN of the women who sat on the throne during China's last imperial dynasty (1644-1912). Qing empresses left no personal writings, nor did any courtier record their confidences. Faced with this dearth of material, two curators of Chinese art—Jan Stuart of the Smithsonian's Freer-Sackler and Daisy Yiyu Wang at the Peabody Essex Museum—mined objects, from the sumptuous clothes these women wore to the porcelains they used, the art they saw, the icons they prayed

A quest to better understand Qing empresses, who left no personal writings

to and the portraits they posed for. In "Empresses of China's Forbidden City," currently on view at the Peabody Essex, they correlate these to facts about court life, teasing out the values and dictates by which the empresses lived. While they draw us in close, the curators maintain a calibrated balance, priming us to look through the eyes of empresses, yet never lulling us into imagining we know what it feels like to walk in their shoes.

These Qing royals descended from warriors who swept down from the north and unseated China's Ming rulers in 1644. They were of Manchurian stock, yet we see that much at court re-



Court hat with phoenixes (18th or 19th century), probably by the Imperial Workshop; Drinking Tea from Yinchen's Twelve Ladies' (1709-23), by court painters, possibly including Zhang Zhen or Zhang Weibang, bottom

THE PALACE MUSEUM (3)

flected ancient practices of their Han Chinese subjects. Weddings were scheduled according to the ancient "I Ching," or "Book of Changes." There are numerous examples of filial piety, and household items sported popular Chinese symbols such as inverted bats (for good fortune) and

peaches (for longevity). The Qing even adopted the traditional five-clawed dragon as symbol of imperial status. In a marvelous 1761 portrait of Empress Dowager Chongqing (1693-1777), for example, the paw of one such dragon seems to emerge, almost like a hand, from under her sleeve.

At the same time, the empresses upheld Manchu culture. Tibetan Buddhist ritual objects, including a five-foot-tall gilded stupa that enshrines Chongqing's hair, speak to the role empresses played in carrying forward their ancestors' religion. Embroidered shoes and boots declare by their size that Manchu women did not bind their feet. They even rode horses and hunted with men, as a painting in the show's Freer-Sackler iteration next year will attest.

The objects, many of which are on loan from the Palace Museum in Beijing, also reveal how empresses were chosen. Dishes with varying amounts of imperial yellow illustrate the hierarchy of consorts at court, and images of motherhood—carved into a lacquer tray, painted on porcelains, filling a wall-sized scroll—drive home the fact that the only way to climb that ladder was by giving birth, preferably to boys. Qing emperors could appoint any son as heir, an action that automatically elevated the child's mother to empress. This meant that a young woman could come to court as a low-ranking consort and one day sit on the throne—which was exactly the case for the most famous and most controversial Qing empress, Cixi (1835-1908), who ruled as regent for a total of about 37 years.

Seeing the degree to which Cixi was an outlier puts in relief the norms other empresses adhered to. A porcelain flowerpot, for example, points to a double breach of protocol. Only emperors could commission such works, and Cixi's seal on the pot's rim announced her ownership, although the convention was that individual royals were but temporary caretakers of the state's property. And portraits of Cixi—including an oil painting exhibited at the 1904 St. Louis World's Fair and a traditional ink painting of Cixi as a revered bodhisattva—highlight the unusual extent to which she controlled her image and its usage.

We cannot help but wonder how much, if any, indirect influence other empresses had on their own portraits or other works the emperor commissioned. In the absence of an answer, we see what the portraits themselves reveal. Unlike the idealized depictions in many court paint-

ings, posthumous portraits for use in ancestor worship strive for individuality. The show has three of these, each depicting an empress as she appeared at the age of her death. Chongqing's portrait shows signs of seven decades of life, while Empress Xiaoxian (1712-1748) appears middle aged. In venerating them, courtiers paid homage to lives lived, complete with honors and tragedies.

Displayed near Xiaoxian's portrait is one of the 100 poems her husband, Emperor Qianlong, wrote after

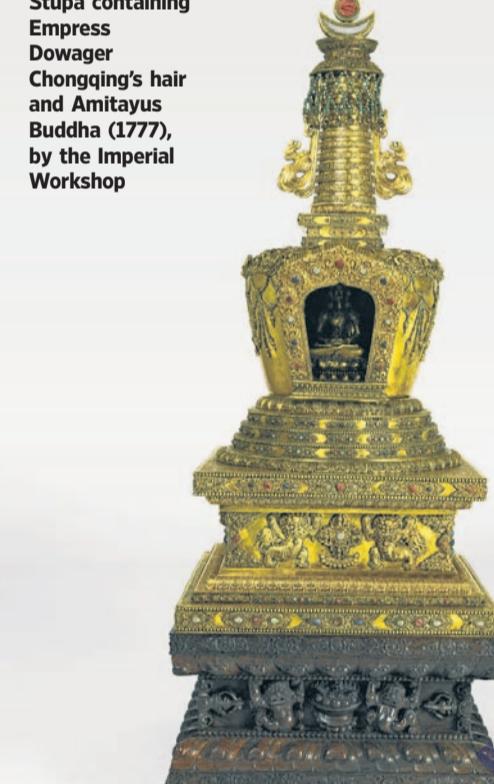
her death. "I'm shocked to see your clothes all meaninglessly spread," he writes. He describes her sitting on the bed, holding back tears after the death of their "darling child....I grieve there is none on whom our daughter may depend, I am pained that both our boys have long since met their end." Even in this heartfelt cry, we witness a silence, for the couple had also lost a daughter in addition to an heir. Yet she is not mentioned, just as many lower-ranking consorts who proved infertile did not war-

rant a name on a grave-stone. Their stories may never be retrieved, just as we may never know the intimate thoughts of the empresses. But we have now glimpsed their reflection in the objects that surrounded them and better understand their world.

Empresses of China's Forbidden City
Peabody Essex Museum.
Through Feb. 10, 2019

Ms. Lawrence writes about Asian and Islamic art for the Journal.

Stupa containing Empress Dowager Chongqing's hair and Amitayus Buddha (1777), by the Imperial Workshop



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MLB | By Jason Gay

A Radical Pitch to Save Baseball

A pair of academics offer a dramatic rule to increase competitiveness—and speed up the game



This has been the summer of throwing rocks at baseball.

Baseball is too long. It's too slow. There are too many noncompetitive teams. The Baltimore Orioles are going to lose 2,000 games.

Baseball's trying. It's tinkering with breaks between innings and rules on intentional walks and pitcher's mound visits, but it doesn't feel like enough. It's like waiting for your great-great-grandpa to put on his socks, shoes and suspenders.

In the meantime, fears are growing that the game is losing relevance.

Is it time for a radical proposal? Two academics—one a game theorist affiliated with New York University, the other a computer scientist—think so. They created a rule change they believe will make baseball a more exciting sport—and cut almost a half-hour out of a nine-inning game.

It's called the Catch-Up Rule, and it's the work of NYU game theorist and professor Steven J. Brams and computer scientist Aaron Isaksen. It's pretty wild stuff, and I need you to keep an open mind. Let's really think about it. No croaking at me like you're a frog on a lily pad.

Here's the deal. The Catch-Up Rule is actually fairly simple. When the game is 0-0 or tied, baseball is played exactly as it is today—three outs per side. But when the at-bat club has or takes a lead, it gets two outs instead of three.

For example: Your team is in a scoreless contest. Then your slugger hits a home run to go up 1-0. Now your inning ends at two outs. Not three. As long as you keep a lead, your at-bat innings are two outs.

That's it. Tie game, three outs a side. Get the lead, play with two outs. If you take the lead with two outs, the lead stays, but the inning ends.

I know: it's simple, but jarring. I don't expect the old school types to like it. Baseball isn't a sport accustomed to big changes. People still fight about the designated hitter, and that rule was introduced in the Middle Ages.

But the Catch-Up Rule offers everything baseball is asking for in 2018. Pace of play and competitive balance are the two biggest crises for the sport. Here's a single, oddly basic innovation that addresses both.

This isn't simply speculation. Isaksen, who now works in the private sector, took the Catch-Up Rule and applied it to more than 100,000 games over the last 50 years of baseball, both regular season and postseason games.



Billy McKinney, left, and Aledmys Diaz fail to catch a pop-up during the Blue Jays' 12-5 loss to the Orioles on Tuesday.

The results were eye-popping. Average margin of victory dropped from 3.21 runs to 2.15 runs—i.e., games got considerably more competitive. The Baseball Haves were not so advantaged over the Have-Nots.

Meanwhile, there was a dramatic reduction in the length of game. Because fewer outs are necessary, outs-per-nine-innings dropped from 52.5 to 45.9—a drop that Brams and Isaksen believe shaves 24 minutes off a nine-inning baseball game.

Twenty-four minutes! That's, like, an entire episode of "Seinfeld."

"We think this would be good for the league," Brams said in a telephone interview the other day.

This is what Brams does. The NYU Department of Politics professor is known for his work applying game theory to subjects like voting reform and fair division.

With Alan Taylor, he came up with the "Brams-Taylor Procedure" of "envy-free" cake cutting—i.e., the fairest way to divide a cake without humans mauling each other. The New Hampshire native has also turned his eye to numerous sports, from soccer to tennis to basketball.

With baseball and the Catch-Up

Rule, Brams and Isaksen were hoping to improve in-game competitiveness. "We're really talking about inhibiting blowout games," Brams said.

The time cut, Brams said, was a happy side effect. They believe the Catch-Up Rule would accelerate the game more aggressively than anything baseball's proposed—pitch clocks and so on. Ideas like seven-inning games can cut time, he said, but without the benefit of improving competitiveness.

I wondered: isn't part of baseball's pacing problem all the micromanaging, with relief pitcher changes and so on? Brams allowed that would likely continue, but "we think the micromanaging has gone about as far as it can these days...I don't think it would have a major effect" on a game played under the Catch-Up Rule.

There could be other alterations to game strategy—a team with an advantage will want to quickly increase its advantage, since it's playing with two outs. You will likely see fewer sacrifice bunts. (Journal baseball writer Jared Diamond predicts a team in a tied game may opt to walk in a runner with the bases loaded and two outs, rather than risk a bases-

clearing hit.) But Brams and Isaksen maintain "the basic features of baseball are likely to stay the same." Brams knows he's got an uphill battle to convince baseball's gatekeepers. The aging pastime tends to be a stubborn enterprise.

"We've got a difficult task in convincing minds," he said. "I'm not sure that we will be successful, but I think it should be discussed."

Could the Catch-Up Rule be interpreted as un-American? Are people going to be OK with penalizing a team for taking a lead? Powerhouse clubs are probably not going to like this. We're not a country accustomed to tapping the brakes on those with an advantage.

"Winning will still matter," Brams said. "Competition matters, too."

So what about it, baseball? No one's expecting you to implement the Catch-Up Rule for the 2018 World Series. But what about in winter league play? Experiment a bit? Just to see if it works?

On Tuesday, the Orioles defeated the Toronto Blue Jays 12-5 before 11,762 people at Camden Yards.

Come on, baseball. Everything should be on the table.



Defending champ Sloane Stephens

U.S. OPEN

A BREAK FROM THE HEAT

BY TOM PERROTTA

THERE IS ONE universal truth about gruesome heat at the U.S. Open: It helps a ton to be a star.

As the high heat continues, popular players have had slight to major advantages. Serena Williams played at night on Monday and was set to do so again on Wednesday. The same goes for Rafael Nadal and Maria Sharapova, who will play her second night match Thursday.

It isn't just nighttime that helps. Most stars do not want to play all their matches at night, because they might not get to bed until 3 a.m.

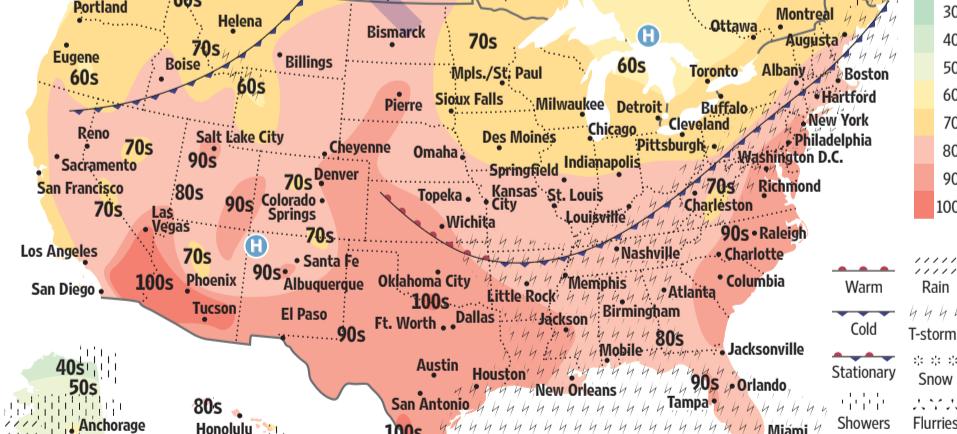
But it is a plus to play in either Arthur Ashe Stadium or Louis Armstrong Stadium, which both become shaded by the afternoon. If Novak Djokovic had played in the sun on Tuesday, he might not have been able to survive the heat that nearly made him throw up. Ashe also has the finest locker room, where Djokovic and his opponent, Márton Fucsovics, went to cool off for 10 minutes after the third set. "To be able to go back in the locker room and change clothes, take [a] shower, grab something to eat, whatever, and just refresh, be in the shade, be in a cooler room, and then go out, it's quite different," Djokovic said.

Sloane Stephens, who won in three sets in Ashe on Wednesday, also appreciated her break, during which she ate sushi.

"That was what was upstairs," Stephens said.

Taylor Townsend, the 22-year-old American ranked No. 73, had no such luck. Her match on Tuesday was a brutal three-set affair on Court 11. She took a break after the second set and went inside a nearby building—but soon left. "The room was so hot," Townsend said. "It wasn't air conditioning, it was just like a table and a chair in there."

Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 61 49 r 58 47 c

Atlanta 88 72 pc 88 72 pc

Austin 98 74 pc 99 75 s

Baltimore 92 73 t 83 70 t

Boise 86 56 pc 78 52 s

Boston 87 67 pc 72 66 pc

Burlington 72 54 pc 78 63 pc

Charlotte 93 73 pc 91 72 pc

Chicago 75 60 pc 82 71 pc

Cleveland 74 59 pc 82 67 s

Dallas 97 79 pc 98 78 s

Denver 92 61 pc 89 55 pc

Detroit 76 59 pc 80 67 s

Honolulu 88 72 pc 86 75 sh

Houston 91 76 t 92 75 t

Indianapolis 80 64 pc 83 69 pc

Kansas City 81 72 t 89 74 t

Las Vegas 102 79 s 101 78 s

Little Rock 86 70 t 90 71 t

Los Angeles 86 67 s 88 67 s

Miami 89 76 t 87 78 t

Milwaukee 70 60 s 77 68 pc

Minneapolis 76 65 s 79 63 t

Nashville 86 71 t 88 70 t

New Orleans 88 77 t 86 78 t

New York City 90 70 pc 75 67 sh

Oklahoma City 94 73 pc 95 73 pc

International

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Havana 89 72 pc 89 73 pc

Hong Kong 86 80 t 86 80 t

Istanbul 87 74 s 88 75 s

Jakarta 92 77 s 92 76 sh

Jerusalem 88 72 s 90 72 s

Johannesburg 70 48 s 73 49 s

London 68 54 pc 68 54 pc

Madrid 93 67 pc 93 67 s

Manila 89 78 pc 90 78 t

Melbourne 53 49 r 63 48 t

Mexico City 73 57 t 73 56 t

Milan 86 65 pc 78 62 t

Moscow 79 57 pc 73 54 sh

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San Juan 85 79 sh 85 78 sh

Seoul 83 72 t 81 70 pc

Singapore 89 76 pc 87 78 t

Sydney 63 52 s 69 52 c

Taipei City 88 76 c 89 76 sh

Tokyo 91 78 pc 93 79 pc

Toronto 70 60 pc 74 65 s

Vancouver 65 52 pc 64 51 pc

Warsaw 78 57 pc 72 53 s

Zurich 72 54 pc 68 51 sh

The WSJ Daily Crossword | Edited by Mike Shenk

FILL 'ER UP | By Daniel Schmit &

Mary Lou Guizzo

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OPINION

The Other House Race

By Karl Rove

There are two battles under way for control of the U.S. House of Representatives.

The first and better known is over which party will have the majority when the 116th Congress meets in January. This will be determined by the roughly 60 competitive districts at play in the 435 elections for the House this November. Democrats now enjoy the upper hand.

The second fight—also crucial but less discussed—is over which party has the better chance of holding the House for the decade after states redraw congressional-district lines in 2021. This fight involves 6,066 contests for state legislative seats this fall and another 6,318 races next year and in 2020. Because most state senators serve four-year terms, many of those elected this November will cast votes on redistricting plans after the next census. Both parties want to hold the pen when the time comes to draw new congressional district lines.

Republicans held that power in many states in 2011, having picked up 721 state legislative seats and 23 chambers in the two years following President Obama's 2008 victory. They were rewarded handsomely for it in the subsequent redistricting.

Today Republicans hold 67 of 99 chambers (Nebraska has a unicameral legislature) and hold unified legislative

control in 32 states. In four states—Alaska, Colorado, Maine and New York—control is split, with each party holding one chamber. Democrats have legislative majorities in both houses in only 14 states.

Much of the GOP's sweeping success at the state level over the past decade has been due to the efforts of the Republican State Leadership Committee. The group

Both parties want to wield the pen when states draw new districts in 2021.

aims to raise \$50 million this cycle to support state legislative campaign committees and fund key local contests.

The RSLC no longer has the field to itself, however. The National Democratic Redistricting Committee, founded by former Attorney General Eric Holder, aims to reverse the balance of power in state legislatures. It has recruited Mr. Obama's political committee, Organizing for America, as a partner.

The NDRC aims to raise \$40 million this cycle. In addition to spending on legislative elections, it promotes ballot initiatives to take redistricting power away from state legislatures and launches court challenges to overturn existing district lines. The NDRC has already

launched a successful challenge to Pennsylvania's lines and is pursuing a similar case in North Carolina.

The GOP and Democrat-aligned groups are focused on three sets of targets: states expected to gain congressional seats following the 2020 census, states expected to lose seats, and presidential battlegrounds.

Seven states are expected to gain U.S. House seats. Republicans now hold large legislative majorities in four of them—Florida, Montana, North Carolina and Texas—that don't appear to be at risk, though Democrats will take runs at the Florida Senate and the North Carolina House. But expect fierce battles in the other three this year and in 2020. Republicans have only a four-seat margin in the Arizona Senate and a two-seat margin in the Colorado Senate (where they are a minority in the Assembly). While Democrats hold the Oregon House by 10 seats, they only hold the state Senate by four.

Nine states are expected to lose congressional seats. Of those, Republicans have strong legislative majorities in five—Alabama, Michigan, Ohio, Pennsylvania, and West Virginia—while Democrats hold Illinois and Rhode Island (which would only have one U.S. House seat) by wide margins. But the other two are up for grabs. The Minnesota Senate is now tied 33-33 with one vacancy, and Republicans control the New York Senate 32-31 only

because an independent Democrat caucuses with them.

Messrs. Obama and Holder are also targeting four presidential battleground states: Nevada, where Democrats control the Senate 10-8; Virginia, where Republicans control both houses by one- or two-seat margins, Wisconsin, where the GOP Senate majority is 18-15, and Georgia, where Democrats hope to whittle down the nearly 2-to-1 Republican majorities in both chambers.

Three small Northeastern states with closely divided legislatures will also feature fierce battles this fall: Connecticut, Delaware and Maine.

Control of governors' mansions also matters in the redistricting process because governors can veto plans. But this most politically sensitive of processes begins in state legislatures. That means this November voters will take a major step toward deciding which party commands not only their state legislatures in 2019, but perhaps the U.S. House of Representatives through the 2020s.

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

Daniel Henninger is away.

The Transgender Language War

By Abigail Shrier

If you want to control people's thoughts, begin by commandeering their words. Taking this Orwellian lesson to heart, Virginia's Fairfax County public school system recently stripped the phrase "biological gender" from its family life curriculum, replacing it with "sex assigned at birth."

Without permitting parents to opt out, public schools across the country are teaching children that "gender" is neither binary nor biological. It's closer to a mental state: a question of how girllike or boylike you feel. Students will fall anywhere along a gender spectrum, according to these educators.

So how girllike does any girl feel? The answer might reasonably be expected to vary throughout adolescence, depending on whether a girl was just dumped by a boy or tripped in the hall. Mishaps that once only compromised one's pride now threaten a child's gender identity, the ever-evolving claim to a "girl card." As if adolescence weren't hard enough.

This is the left's allegedly defensive battle, waged on behalf of an aggrieved micro-minority even as it sets its sights on broader ideological territory. Consider recent state and local actions punishing those who decline to use an individual's pronouns of choice. California Gov. Jerry Brown signed legislation last year threatening jail time for

health-care professionals who "willfully and repeatedly" refuse to use a patient's preferred pronouns. Under guidelines issued in 2015 by New York City's Commission on Human Rights, employers, landlords and business owners who intentionally use the wrong pronoun with transgender workers and tenants face potential fines of as much as \$250,000.

Typically, in America, when groups disagree, we leave them to employ the vocabularies that reflect their values. My "affirmative action" is your "racial preferences." One person's "fetus" is another's "baby boy." This is as it should be; an entire worldview is packed into the word "fetus."

Another is contained in the reference to one person as "them" or "they." For those with a religious conviction that sex is both biological and binary, God's purposeful creation, denial of this involves sacrilege no less than bowing to idols in the town square. When the state compels such denial among religious people, it clobbers the Constitution's guarantee of free exercise of religion, lending government power to a contemporary variant on forced conversion.

But individuals need not be religious to believe that one person can never be a "they"; compelled speech is no less unconstitutional for those who refuse an utterance based on a different viewpoint, as the Supreme Court held in *West Virginia State Board of Education*

v. *Barnette* (1943). Upholding students' right to refuse to salute an American flag even on nonreligious grounds, Justice Robert H. Jackson declared: "If there is any fixed star in our constitutional constellation, it is that no official, high or petty, can prescribe what shall be orthodox in politics, religion or other matters of opinion or force citizens to confess by word or act their faith

California threatens to jail health workers who refuse to use 'preferred' pronouns.

therein." This is precisely what forced reference to someone else as "ze," "sie," "hir," "co," "ev," "xe," "thon" or "they" entails. When the state employs coercive power to compel an utterance, what might otherwise be a courtesy quickly becomes a plank walk.

In most contexts, I would have no problem addressing others in any manner they chose. If a therapist wants to be called "doctor," far be it from me to point out that she has a marriage and family therapy license, not a medical degree. But the Constitution's protection of free speech neither begins nor ends with good manners. It extends all the way from rudeness to meekness, protecting those who hurl insults and those who would rather say nothing at all.

To the extent that the transgender movement seeks to promote compassion for those who struggle with their biological sex, we should be grateful for it. To the extent that it seeks to regulate others' perspectives—commanding them to ignore biology and obey the dictates of new, state-mandated perception—we should resist it as an incursion into our most sacred liberties.

"Words in their primary or immediate signification, stand for nothing, but the ideas in the mind of him that uses them," wrote John Locke. Ideas are merely the concatenations of words; if you can compel the use of certain words, you control thought and force those who differ into silence. Often, that seems to be the actual goal of gender-identity enthusiasts, since the minuscule numbers of those afflicted with true dysphoria couldn't otherwise justify the rewriting of all manner of school applications and government forms.

If there is any issue that can rouse conservatives and drive them to the polls, it is this one, with good reason. They perceive that their way of life is at stake. They know that if gender activists prevail, they will be left with a world they neither recognize nor like very much. They will be unable to communicate their displeasure; the words will have been stolen from them.

Ms. Shrier is a writer living in Los Angeles.

Don't Close the Book on Books

By Danny Heitman

As students return to school, I'm reminded of the cheerful Ivy League senior who casually confessed to me earlier this year that she didn't like to read. A student guide, she was leading my family on a campus tour.

I admired her candor and wasn't shocked to hear she thought books were a bore. A 2015 survey by Scholastic and YouGov showed a sharp decline in the share of young people who read for pleasure—a trend I'd noticed as an adjunct writing professor when I polled my students. Though curious and ambitious, many freshmen in my classes hadn't read a book for fun since middle school. When I wrote about it in a 2013 Journal op-ed, I heard many similar stories from readers.

Even so, as I followed our guide around the immaculate campus, I was saddened that

one of its degree candidates would soon be entering the world with no love for literature. The tuition, we learned, is nearly \$70,000 a year. It's tragic that such an expensive, elite education could yield a graduate unmoved by the magic of the written word.

At a college library, I saw more computers than volumes.

To encourage personal reading, universities should start by making books more visible on campus. On my family's tours of five schools, I was struck by how few books I saw, even in the libraries. Instead of pointing to grand shelves thick with volumes, library guides invariably ushered us into media hubs with computer terminals. These newly reimagined spaces look

much gotten out of the book business. One typical two-story bookstore featured only two small shelves of trade titles tucked into a rear corner. The rest of the store was filled with T-shirts, toys and souvenirs.

The few volumes for sale included the essays of Michel de Montaigne, the 16th-century Frenchman who declared: "From books all I seek is to give myself pleasure by an honorable pastime."

As another school year begins, that pastime seems far from the top of most college students' minds. If he were seeking pleasure in a campus bookstore these days, Montaigne would probably have to settle for a coffee mug.

Mr. Heitman, editorial page editor and a columnist for the Advocate newspaper in Louisiana, is the author of "A Summer of Birds: John James Audubon at Oakley House."

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BOOKSHELF | By Gerard Gayou

The Commune Revisited

Red China's Green Revolution

By Joshua Eisenman
(Columbia, 436 pages, \$35)

In December 1978, 18 starving farmers from the Chinese village of Xiaogang, desperate to escape the constraints of collective farming, compacted to divide their communal land into individual plots. Each farmer would tend to a single plot, and from his harvest contribute his share to the collective, keeping for himself whatever surplus he might reap. Within a year, village output soared.

It's a powerful tale of peasants outsmarting autocrats and an irresistible allegory of market reforms in China. To scholars and government officials, the Xiaogang pact introduced the profit motive to comrades starving for one. It was the spark that Deng Xiaoping would use to propel his country to almost 10% average GDP growth over the next three decades.

In his revisionist "Red China's Green Revolution," Joshua Eisenman plays spoiler to that narrative, challenging what the Xiaogang story presupposes. He argues that, far from being doomed to low productivity and poor accountability, the Mao-era communes, in particular during the decade from 1970 to 1979, paralleled a period of great productivity in China—grain production grew by more than 50%, the number of pigs on farms increased more than 80% and life expectancy increased by almost five years. This would hardly have been possible with a dysfunctional collective farming system.

The story starts in 1958 with the catastrophic Great Leap Forward. Mao Zedong had envisioned a commune system built on mass mobilization, in which millions of farmers would build infrastructure, launch industry and boost crops by sheer numbers and political zeal. It was meant to spearhead a frantic push toward agricultural modernization within a decade. Instead, it led to widespread famine: From 1958 to 1962, some 30 million Chinese died of hunger.

Mr. Eisenman's analysis here agrees with the common consensus: Communist orthodoxy proved a poor substitute for genuine expertise, and communes languished under entitlement programs detached from individual productivity. Massive collective-action problems ensued—the slackers earned as much as the hard workers, which encouraged more slacking. This only exacerbated misdirection from the top: "Redness," including political zeal, enthusiasm for the collective, and class background," Mr. Eisenman writes, "was prized over technical knowledge and experience."

But in a bold second look at one of history's most infamous institutions, Mr. Eisenman argues that in the decade following the famine, Mao's government learned from the tragedy and effectively reformed the commune system. "Economic performance was unquestionably placed at the fore," the author tells us, "and ideology was employed to encourage productivity." From then on, "a worker's industriousness and expertise became prime determinants of his or her redness."

In this revisionist history, Mao's collective farms spurred an agricultural revolution that laid the foundation for China's current success.

Among the reforms that dramatically improved productivity were the "three freedoms," which allowed households to grow food on side plots, make products for cottage industries and create small local markets at which to sell these products. Handicrafts, silk and firewood were common sideline staples. By 1962, three years after Beijing introduced these markets to stem the famine, roughly "one-quarter of all rural commodity transactions" were conducted at such marketplaces. In the provinces of Yunnan, Guizhou and Sichuan, the value of household farming "exceeded collective farming."

By the 1970s, according to Mr. Eisenman, China's communes were humbling and its workers productive. It's an image that contrasts sharply with the conventional wisdom of monolithic work camps subject to the whims of Mao and teetering on the brink of collapse.

Mr. Eisenman instead argues that the commune's eventual demise—known as decollectivization, beginning in 1979—was a top-down directive from Deng Xiaoping, who had just emerged victorious after a yearslong battle to succeed Mao. A wily political operator, Deng harnessed the goal of economic growth and began attacking the commune system as its main impediment. By condemning Mao's ideology and increasing household autonomy, Deng unleashed a tide of private consumption, winning for himself widespread popular support and sweeping away both his political rivals and the country's erstwhile collective ethos.

As for the higher agricultural output during Deng's early years, Mr. Eisenman contends that communes were still reaping the benefits of Mao's agricultural investments even after decollectivization. Investment in agriculture was eventually squeezed, however, to 10% of total collective investment in 1988 from nearly 40% in 1982. With less capital and labor to work the farms, coupled with Deng's support for mass urbanization, the prospects for Mao's long sought-after agricultural modernization were quickly diminished.

In his book, Mr. Eisenman, an assistant professor of public affairs at the University of Texas at Austin, relies in part on original data he gathered in China. He concedes that the Mao era is a sort of "black box" for accurate statistics, but insists that Chinese officials were more likely to underreport productivity, as overreporting would have required a heavier contribution to the collective. The author also argues that, despite China's addition of 158 million people during the 1970s, no famine was reported among its population. Something must have been going right.

Moral objections inevitably surface with a thesis as provocative as Mr. Eisenman's. It's reasonable to suspect that any economic system could yield *some* production if you stretched people far enough, long enough and mercilessly enough. How much longer could China's communes have lasted, given that a willful smothering of the human spirit was doubtless as important to the commune's "success" as the right combination of capital inputs and institutional reforms?

Mr. Eisenman calls for readers to look anew at one of the darker periods of human history. It's a worthy intellectual exercise and a useful check on lazy approaches to China's modern history. But the result hardly casts doubt on Deng's decision to usher in more economic, political and moral freedoms.

Mr. Gayou is a Robert L. Bartlett Fellow at the Journal.

OPINION

REVIEW & OUTLOOK

Don McGahn's Quiet Achievement

Who knows how long President Trump will stay in office, but if he left today his achievements would include tax reform, deregulation and stellar judicial nominations. Much of the credit for the latter two belongs to White House counsel Donald McGahn, who plans to leave the Administration after Brett Kavanaugh is confirmed by the Senate.

"I have worked with Don for a long time and truly appreciate his service!" Mr. Trump tweeted Thursday in announcing the news, but Mr. McGahn deserves a better send-off than that from his boss. The veteran lawyer has steered the most successful parts of the President's agenda despite the threats and distractions of the Robert Mueller investigation and the President's frequent unwillingness to accept legal advice.

Judicial selection has in particular been a model of political execution. Working with Leonard Leo from the Federalist Society, Mr. McGahn created a conveyor belt to fill openings on the federal bench.

If Judge Kavanaugh is confirmed, Mr. Trump will have gone two for two with high-quality Supreme Court selections. This is better than Eisenhower, Nixon, Reagan, George H.W. Bush and even George W. Bush, depending on how you feel about Chief Justice John Roberts. (We're still deciding.)

Almost as important, Mr. Trump has nominated 32 judges for the federal appellate circuits, and the Senate has confirmed 26 with the other six likely to be confirmed this year. The Senate has also confirmed 33 federal district court judges and 73 more nominees are pending. Senate Majority Leader Mitch McConnell

The departing White House counsel helped remake the judiciary.

and Judiciary Chairman Chuck Grassley have kept the confirmations moving despite unprecedented Democratic obstruction.

But their job would have been much harder if not for the quality of the nominees. Mr. McGahn has helped to vet and recommend. These judges—many in their 30s or 40s—will be the bench from

which a future GOP President will fill Supreme Court openings. If you doubt the importance of this achievement, read and enjoy the reports of looming liberal legal doom in the *New Yorker* and *New York Times*.

In judicial nominees Mr. McGahn has also sought lawyers who are skeptical of the willy-nilly expansion of the administrative state. And he has played a behind-the-scenes role pushing general counsels in cabinet departments who believe in deregulation and can overcome bureaucratic inertia.

One reason Mr. McGahn has succeeded is that he understood that he represents the office of the Presidency, not Mr. Trump in his personal capacity. This hasn't been easy given Mr. Trump's tendency to elide the two, and sometimes the interests of both will match. But by focusing on protecting the powers of the Presidency, Mr. McGahn has done a service to future chief executives and the Constitution's separation of powers.

One possible replacement for Mr. McGahn is Emmet Flood, whom Mr. McGahn recruited and is now in the White House counsel's office. He is a conservative who clerked for Antonin Scalia on the Supreme Court, though he advised Bill Clinton during his impeachment. The latter experience will be invaluable if Democrats retake the House in November.

Wisconsin ObamaCare Howlers

Part of the fun of running for office appears to be taking creative liberties with your opponent's record, so get ready for a fiction-filled autumn. An early ObamaCare misdirection out of Wisconsin is one that Republicans nationwide will have to anticipate.

Democratic gubernatorial hopeful Tony Evers is running an ad blaming Governor Scott Walker for high health-care premiums in the Badger State. Mr. Walker's supposed sin: Not taking the Affordable Care Act's bribe to expand Medicaid to able-bodied adults up to 138% of the poverty line. "Minnesota's governor took the funds," the ad says, and "Wisconsin families now pay nearly 50% more than Minnesotans for the same health care."

The Evers free association compares the 2018 price of a mid-level ObamaCare exchange plan in Wisconsin and Minnesota—a wildly misleading comparison. Premiums are increasing across the country thanks to ObamaCare's design. A Health and Human Services study last year found premiums doubled between 2013 and 2017 in an analysis of 39 states. No Governor could stop this trend alone, and a GOP Congress failed to repeal the law.

In 2017 a Minnesota benchmark plan ran \$412 a month, according to the same Kaiser Family Foundation data Mr. Evers cites. That's more than the \$368 for 2017 in Wisconsin. Premiums in Minnesota ticked down to \$385 a month in 2018. That's in part because the state instituted a "reinsurance" program that defrays the costs of the sickest patients, which can lower premiums for everyone.

Irony alert: This is what Mr. Walker is doing now. Wisconsin won federal approval for a rein-

Democrats now claim that the new entitlement reduced health costs.

surance program for 2019. The Governor's office predicts an average 3.5% decrease in premiums next year, and 11% compared to what would

have happened without the cash infusion. The relief simply hasn't hit insurance markets yet.

Then there's the half-baked claim that Medicaid expansion lowers costs for folks trapped

on the ObamaCare exchanges. Minnesota expanded Medicaid in 2013, and premiums for benchmark exchange plans still increased from \$182 a month in 2014 to \$412 in 2017. Wisconsin covers able-bodied adults up to the poverty line in a partial expansion, and premiums are hardly better in states that expanded fully like Illinois and Iowa.

Democrats think they can bludgeon Republicans who haven't availed themselves of the "free" Medicaid money from the feds, though that funding can't last forever. Minnesota predicted at most 141,000 folks would sign up for Medicaid expansion, but more than 200,000 showed up. That will soon crunch Minnesota's budget as the state's share of the expansion ticks up to 10% by 2020, and if other states are a guide Minnesota will have to spend less on schools or public safety or limit health services for the poorest.

Mr. Evers isn't trying to debate the merits of Medicaid expansion so much as claim that somehow he can keep health costs down. He can't. The deliberate obfuscation is part of the left's tactic to persuade voters that health care is so complicated that resources must be commanded by government (single payer). The Wisconsin howler is a reminder to think twice before handing one-sixth of the economy over to this crowd.

Cherry-Picking Trade Losers

China is waging a food fight in response to President Trump's trade protectionism, raising tariffs on American cherries and other fruit. Growers in the Pacific Northwest have taken a particular hit, losing up to \$86 million on sweet cherries this summer, the Northwest Horticultural Council estimated last week.

A growing Chinese upper-middle class has developed a taste for sweet cherries, and the Pacific Northwest grows more than any other U.S. region. In 2017 China bought about three million boxes, or 12% of the region's total crop, surpassing Canada as the top export destination.

Commence the trade war. In April China retaliated against Mr. Trump's steel and aluminum tariffs by raising the tariff on cherries to 25% from 10%. American cherries are a luxury item, and affluent Chinese kept buying despite the price hike. But after the U.S. imposed a 25% tariff on an additional \$50 billion of Chinese imports, Beijing raised the cherry tariff again—to 50% on July 6. That was too much even for China's *nouveau riche*.

By then cherry growers in the Pacific Northwest had already spent the money to grow, harvest and pack their crop. Shelf life is short, and cherries can't be stored like wheat. So growers are under pressure to sell at whatever price consumers will pay.

"Chinese importers were very forceful in accounting for the tariffs in their purchase price from us," says Chris McCarthy, CEO of Auval Fruit Company of Orondo, Washington. "Chinese consumers will spend only so much, so the Chinese importers say: 'Option A is I buy nothing. Option B is you lower your prices to account for

what I pay as a result of the tariff.' We lose all negotiating power or leverage in that equation because you can't just sit on the supply and hope they give in. Our products will rot. So we sell and try to recover as much of our upfront cost as we can, just to minimize the damages."

On July 6 Chinese importers demanded Auval Fruit Company sell Rainier cherries for \$1.44 a pound less than they had paid the day before, Mr. McCarthy says. This summer Auval lost more than \$2.2 million in profit.

China has also used inspections to retaliate against U.S. goods. For a few weeks this spring Chinese officials cited dubious concerns about pests and pesticides to ratchet up scrutiny on American fruit shipments, trapping them in port. By the time the produce was released, much had rotted, and growers took a loss on what they couldn't sell.

Many cherry farmers grow apples and pears, which are also subject to China's 50% tariff. Mexico and India are among the biggest export markets for American apples, and both are taking retaliatory measures over the steel and aluminum tariffs. Mexico's 20% penalty took effect in June, and India has a 25% tariff hike planned for Sept. 18, raising the total import tax to 75%.

"With farming in general, there's a lot of stress because of things you can't control, like weather," Mr. McCarthy says. "This is something that's very controllable by our government. Growers like Auval aren't going to be the beneficiaries of a trade war. But we're paying a tremendous price."

That message extends beyond the roughly 2,500 cherry growers in the Pacific Northwest. When the government picks industries to protect, it creates losers too.

LETTERS TO THE EDITOR

GOP Will Fight Poison Impeachment Chalice

Tom Steyer's "Republicans, Save Your Party by Impeaching the President" (op-ed, Aug. 27) is filled with half-truths and innuendo. The economy is booming thanks to President Trump's tax cuts and regulatory relief; wages are rising for the first time since Barack Obama took office; unemployment is at historically low levels, especially for African-Americans, Hispanics and women; other countries are lining up to renegotiate trade deals, as President Trump attempts to take us to zero tariffs across the international spectrum; our military is stronger, and getting even stronger. What's not to like?

Mr. Steyer says that Michael Cohen implicated President Trump in a federal crime, yet no less an authority on constitutional law than Alan Dershowitz has publicly stated that no crime was committed.

MIKE MEWHINNEY

Dallas

What Mr. Steyer doesn't imagine is what would follow an impeachment. For President Trump's supporters his impeachment would likely be proof that the "deep state" exists and is against them.

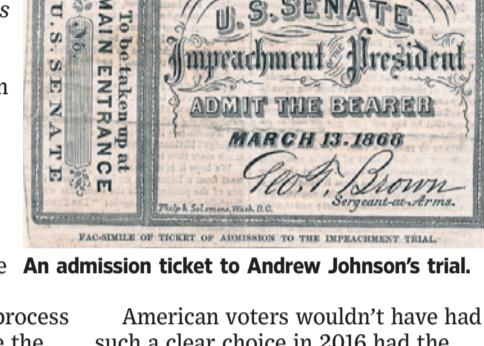
Most of the media is antagonistic to the president. After the November elections Congress may vote to impeach him. The process itself (the Democrats don't have the votes to actually remove the president) is likely to create a tear in American society's fabric that will have dire consequences. Mr. Steyer demonstrates that Democrats still don't understand "what went wrong" in 2016 and how 45% of the country sees the world. Whether one likes the president or not, he came to power through legal means and should be removed only by losing an election.

PROF. YOSSI SHEFFI

MIT

Cambridge, Mass.

Democrats have no case against President Trump on a policy level.



An admission ticket to Andrew Johnson's trial.

American voters wouldn't have had such a clear choice in 2016 had the Obama administration's economic and regulatory policies and lawless Justice Department not been so bad for our nation.

BOB KAY

Austin, Texas

A politically motivated impeachment is truly an affront to our democracy and values. Absent the very high threshold of malfeasance that should accompany presidential impeachment (read proof, not opinion), I'd prefer that Congress stay focused on governing for the next two years.

MATT MORGAN

Frisco, Texas

More Flexible Social Security or Just a Raid?

Your editorial "The GOP's Social Security Raid" (Aug. 21) calls Sen. Marco Rubio's proposal to reform Social Security a "major expansion of the entitlement state." Yet there is a big difference between expanding an entitlement and reforming it to better serve its purpose. Social Security already offers workers some flexibility.

People can elect to retire early in exchange for a lower monthly payment, ensuring that their expected lifetime benefits remain the same. Sen. Rubio proposes giving workers another option. New parents can take a portion of their Social Security benefits after the birth or adoption of a child in exchange for delaying their eligibility for retirement so their total lifetime benefits remain the same.

Social Security's long-term, unfunded liabilities would be unchanged, and workers who opt in would be given financial support when they need it most. While some Social Secu-

'Legitimate' and 'Settled Law' Have Often Changed

Regarding your editorial "Kavanaugh and 'Settled Law'" (Aug. 22): The *Dred Scott v. Sandford* (1857) Supreme Court decision was "settled law" until the Emancipation Proclamation and the 13th Amendment (1865) ended slavery. *Plessy v. Ferguson* (1896) was "settled law" until *Brown v. Board of Education* (1954) ended segregation. The 18th Amendment (1919) which mandated nationwide prohibition on alcohol was "settled law" until the 21st Amendment (1933) prohibited Prohibition. The constant attacks we see on the Second Amendment demonstrate that there is no such thing as "settled law."

JACK RUSSELL

Poway, Calif.

Instead of devising new ways to make Social Security insolvency arrive sooner, Sen. Rubio should spend his time and energy finding solutions to maintain the system with small tweaks: raising the retirement age slowly over a 20-year period by, say, two years, raising the contribution limits a small percentage each year for the next 20 years as well and raising employer contributions a very small fraction of a percent. It wouldn't be entirely painless, but at least we'd move the faltering system toward solvency.

CHRISTOPHER LANE

Dallas

Sometimes It's a Citizen's Duty to Pick a Bad Choice

Like Joseph Epstein ("Don't Invite Me to a Party if It's a Political One," op-ed, Aug. 16), I, too, have cast votes for particular reasons. Mr. Epstein chose to abstain in the 2016 election, although it was clear one or more Supreme Court justices would be named by the winner of that election. This justice would likely have a profound effect on the direction of our country for the next generation.

I could not bring myself to abstain. I did what seemed to me the lesser evil. I did my duty as a citizen and cast my vote.

JULIA LUTCH

Davis, Calif.

College Trustees Need a Lot More Job-Relevant Training

Allen C. Guelzo's "Back-to-School Advice for College Trustees" (op-ed, Aug. 25) is well stated. According to my research, less than 10% of American college and university trustees have any professional experience in higher education. Can anyone imagine a Google or Goldman Sachs having only 10% of its board with such little experience in the industry?

We need more job training for our college and university trustees.

ROBERT A. SCOTT

New York

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Pepper ... And Salt



... NEWS SPARKS
... with squiggles, wavy lines and triangles throughout the Midwest.

OPINION

A Visit to Islamic England

By Andy Ngo

London other tourists may remember London for its spectacular sights and history, but I remember it for Islam. When I was visiting the U.K. as a teenager in 2006, I got lost in an East London market. There I saw a group of women wearing head-to-toe black cloaks. I froze, confused and intimidated by the faceless figures. It was my first encounter with the niqab, which covers everything but a woman's eyes.

Muslims headed to Friday prayer while non-Muslims went the other way. No one made eye contact.

This summer, I found myself heading back to the U.K. as it was plunging into a debate over Islamic dress. Boris Johnson, the country's former foreign secretary and London's ex-mayor, wrote a column opposing attempts to ban face-covering veils. Nonetheless, he added, "it is absolutely ridiculous that people should choose to go around looking like letter boxes." The responses could hardly have been more heated.

I wanted to cut past the polemics and experience London's Muslim communities for myself. My first visit was to Tower Hamlets, an East London borough that is about 38% Muslim, among the highest in the U.K. As I walked down Whitechapel

Road, the *adhan*, or call to prayer, echoed through the neighborhood. Muslims walked in one direction for *jumu'ah*, Friday prayer, while non-Muslims went the opposite way. Each group kept its distance and avoided eye contact with the other. A sign was posted on a pole: "Alcohol restricted zone."

Women and girls were dressed in hijabs, niqabs and abayas (robes). Some of the males wore skullcaps and *thawbs*, Arabic tunics, with their trousers tailored just above the ankles as per Muhammad's example. The scene could have been lifted out of Riyadh, a testament to the Arabization of Britain's South Asian Muslims. At the barbershop, women waited outside under the hot sun while their sons and husbands were groomed.

Inside the East London Mosque, visitors were expected to dress "modestly." Headscarves were provided at reception for any woman who showed up without one. A kind man on staff showed me around the men's quarters. He gave me a bag filled with booklets about Islam. In one, Muslims are encouraged to "re-establish the Shari'ah," or Islamic law. Those who ignore this mandate are of little worth to any society."

That night, I visited the Houses of Parliament. Rifle-carrying police officers greeted me when I stepped out of the Tube. The extra security was mobilized in response to last year's car and stabbing attack in Westminster by Khalid Masood, who killed five people. Outside the station, there are roadblocks along Westminster Bridge and a new security fence in front of the palace yard. I asked an officer about Masood's attack. "I'd



ANDY NGO

Residents of Luton, England, 30 miles north of London.

rather not talk about it," he replied. "I was there that day."

Forty-eight hours later, I woke up to the news that a car had rammed a Westminster security barrier. Police arrested Salih Khater, a 29-year-old Sudanese refugee who had been given asylum and British citizenship. Three people were injured in the attack. London's mayor, Sadiq Khan, expressed support for banning vehicles from parts of Parliament Square.

Next I visited Leyton, another district in East London where some Muslim social norms prevail. An Arab cafe near the Tube station was filled with men; no women were inside. An Islamic bookstore sold hijab-wearing dolls for children. The dolls had blank, featureless faces, since human depictions are prohibited in conservative Islam.

I stopped outside the Masjid al-Tawhid, a South Asian Salafi mosque

and madrassa (school), just before afternoon prayer time. A group of girls in robes and veils walked around back, toward the dumpsters, where the women's entrance is located. I later saw the Islamic Shari'a Council of Leyton. This community has religious, educational, business and legal institutions to maintain a separate identity.

All this gave me pause. But I was unprepared for what I would see next in Luton, a small town 30 miles north of London and the birthplace of the English Defense League, which has held unruly anti-Muslim demonstrations. At the Central Mosque, I met a friendly group of Punjabi-speaking young men. "You've come to see Luton?" one struggled to ask me in English. The young men asked me to follow them through the town center.

Within minutes, we walked by three other mosques, which were vi-

brant and filled with young men coming and going. We passed a church, which was closed and decrepit, with a window that had been vandalized with eggs. We squeezed by hundreds of residents busy preparing for the Eid al-Adha holiday. Girls in hijabs gathered around tables to paint henna designs on their hands. All the businesses had a religious flair. The eateries were halal, the fitness center was sex-segregated, and the boutiques displayed "modest" outfits on mannequins. Pakistani flags flew high and proud. I never saw a Union Jack.

The men finally led me to a discreet building that housed a small Islamic center. They spoke privately to its imam. I was led upstairs to see him. The imam asked me if I was prepared to convert. Apparently there had been some miscommunication with the young men. I told the imam I wasn't ready for that, but I would appreciate any literature I could take home. He led me to a bookshelf and said I could have whatever I wanted. I grabbed the first booklet that was in English. It was by Zakir Naik, a fundamentalist preacher from India. "The Qur'an says that Hijab has been prescribed for the women," the booklet explained in one section, "so that they are recognised as modest women and this will also prevent them from being molested."

Other tourists might remember London for Buckingham Palace, Piccadilly Circus and Big Ben. I'll remember it for its failed multiculturalism. Or perhaps this is what successful multiculturalism looks like.

Mr. Ngo is an editor at Quillette.

John McCain and the Dying Art of Political Compromise

By James A. Baker III

The death of Sen. John McCain is not just a moment to commemorate the life of an extraordinary man; it is an occasion to reflect on his principles. McCain was a hero and patriot, but he also was a politician who understood the importance of compromise. A staunch Republican, he nonetheless was able to reach across the aisle when he thought the interests of the American people demanded it.

Few lawmakers today follow McCain's example of compromise. Whatever one party proposes, the other opposes reflexively. When a legislator attempts to bridge the gap, his constituents often consider it a betrayal. No wonder so much of the public's business is left undone. Government has become incapable of tackling critical issues. Instead, the parties ping-pong blame back and forth depending on which side is in power.

In my 88 years, I have never witnessed a problem as vexing as the continuing deterioration of America's political dialogue. Although other threats during my lifetime have jeopardized our security—five

hot wars and a cold one, the Great Depression and the Great Recession—Americans conquered them by working together rather than against one another.

Sadly, however, civility, compromise and respect for the political center are being replaced with vicious language, pernicious partisanship and crippling polarization. The problems recur at every level of our political system, as our once firm center has given way to a destructive hyperpartisanship.

Strict party-line voting mirrors the attitudes of constituents whose opinions are diverging rapidly. A Pew Research Center poll last year indicated that Republicans are moving further to the right and Democrats are moving further left.

The further the parties diverge, the more tribal society becomes. Gallup polling indicates that twice as many Americans as in the 1950s oppose marriage outside their political party: Almost two-thirds wouldn't want their daughter or son to marry someone from the other party.

In addition to this dislike for each other, distrust of politicians and institutions also has grown. Rather

than address the real problems of the day, Americans and our representatives spend time blaming one another for our ills—both real and perceived.

There are many causes behind this partisan divide which, if left unaddressed, threatens to undermine our democracy.

He had strong views, but his willingness to reach across the aisle has become all too rare.

America's constitutionally mandated redistricting process gradually turns congressional districts into safe seats, squeezing the center out of our politics along with the practice of compromise. Social media turns national debate into an angry brawl and divides Americans into howling rabbles that tote smartphones instead of pitchforks. Objective journalism is increasingly hard to come by as the line between commentator and reporter is too often blurred.

As a result, we have become an evenly divided red-state, blue-state nation more intent on waging political battles than finding ways to advance the common good. In this new age of red-meat national politics, everyone uses the misbehavior of others to justify their own.

There have always been partisan political fights in this country—that's part of the democratic debate that has helped the American experiment work so well. But in the past leaders demonstrated common civility toward each other to reach the elusive center in governance. Doing so required each side to take positions that both could accept.

A good example is the federal income-tax reform of 1986. As President Reagan's Treasury secretary, I worked closely with Republicans and Democrats in Congress to devise a win-win rather than a winner-take-all result. Fights and finger-pointing erupted from the extremes of each party. But we reached a middle ground by making the reform revenue-neutral, removing the process from the broader clash over national debt and deficits. Democrats could take credit among their constituents for eliminating tax loopholes and

deductions, and Republicans could tout lower marginal tax rates. This approach produced the first revenue-neutral major tax reform in U.S. history, an accomplishment that helped stimulate an already growing economy.

In a statement publicized after his death, McCain stressed that Americans should take time to listen to one another, because brokering solutions requires measured collaboration, not torrents of outrage.

"We argue and compete and sometimes even vilify each other in our raucous public debates," McCain wrote. "But we have always had so much more in common with each other than in disagreement. If only we remember that and give each other the benefit of the presumption that we all love our country we will get through these challenging times."

John McCain recognized that resistance to compromise stands in the way of America's advancement. We all would do well to heed his advice.

Mr. Baker served as secretary of state under President George H.W. Bush.

The 'Latino Factor' Will Save America's Economy

By Sol Trujillo

Labor Day is a chance to take a break from our routines and honor the contributions of those who have built America. But as we relax and reflect, we also ought to recognize that our celebrations may be short-lived: The U.S. is running out of workers.

Baby boomers, who built the modern economic engine, are aging out of the American workforce. Ten thousand boomers reach retirement age each day. And while historically the country has relied on new births to replenish the labor force, the numbers today paint a bleak picture. For roughly the past three decades, the fertility rate has been below so-called replacement levels needed to maintain a steady population. Last year, it dropped to less than half of what it was during

the baby boom.

While this is a decades-old problem, it requires an immediate solution. Those millions of retiring boomers aren't disappearing. They spent their working years helping build the economy, and they'll rely on Medicare and Social Security as they age out of it.

You don't need a doctorate in economics to understand what these numbers are telling us: If Americans want the economy to keep growing—let alone remain the strongest in the world—we need to change the way we think about labor. We need to reset our expectations about who's doing work, what kind of work they're doing, and what skills they'll need to succeed in a complex, dynamic economy.

The good news is that the solution is right in front of us. Unlike

other countries facing a demographic crisis, America has an invaluable—and renewable—resource: a young, educated and entrepreneurial Latino population, 57 million strong as of 2016 and growing every day.

And to determine whether American leaders will capitalize on the opportunity represented by the Latino factor, we ought to proctor a basic IQ test. You pass if you recognize that shooting yourself in the foot is a bad strategy for growth.

Hard-line immigration proposals—like deporting the roughly 11 million undocumented immigrants who live here—would deliver a brutal economic blow, reducing the size of the workforce by 5% and leading to nearly \$8 trillion in lost economic production over 14 years.

If Americans are smart enough not to halt our economic progress,

the question becomes: How do we maximize our momentum? Here, the answer is clear, too. In the past five years, Latinos have generated 29% of America's income growth, more than any other population cohort. By 2020, U.S. Latino purchasing power is projected to top \$1.7 trillion

Baby boomers are aging out of the workforce—but this demographic is younger and growing.

lion, according to the Selig Center for Economic Growth.

What's more, according to new research by the Latino Donor Collaborative, a nonpartisan organization I co-founded, Latinos are the new face of the U.S. workforce, making up 70% of the recent growth in the labor market, and accounting for a whopping \$2.13 trillion in gross domestic product as of the end of 2015. Today, this single demographic cohort would be the eighth-largest economy in the world—larger than Brazil, Italy or Canada. It's growing faster than the U.S. economy as a whole, and faster than many other national economies.

While the dollars speak for themselves, the demographics speak even louder. U.S. Latinos are significantly younger than non-Latino Americans, with a median age of 28 as of 2014. So as young Latinos replace baby boomers in the workforce, the U.S. Latino GDP is only expected to grow—accounting for nearly a quarter of total U.S. GDP volume growth by 2020.

So, how should we capitalize on the Latino factor to catalyze eco-

nomic growth? By taking three urgent steps:

First, educate the next generation of American workers, and train them for the digital economy. As Michael Crow, president of Arizona State University, told the National Association of Latino Elected and Appointed Officials' 35th annual conference earlier this summer, the U.S. will require 11.9 million additional Latino degree holders by 2050 to bring the number in line with the national average—and yet our educational infrastructure isn't set up to accommodate this kind of growth. Today, the increase in the college enrollment rate for young Latinos exceeds that of any other ethnic group.

Second, develop a diverse workforce. Despite the tech community's demand for advanced engineers—and the focus on H1-B visas—America doesn't only need coders. We need farmers to feed them, teachers to educate them, factory workers to clothe them, doctors to care for them.

Third, change the way we think—and talk—about Latinos in this country. They are not only our neighbors, colleagues and friends; they are the foundation of what I call America's New Mainstream Economy.

This Labor Day, honor the American workforce. Acknowledge that economic growth will be driven by people across sectors and across geographies. Show gratitude to the workers who built the economy and made America the greatest country in the world.

Then invest in the workers who will do the same for the generations to come.

Mr. Trujillo is chairman of the Trujillo Group LLC and chairman of the Latino Donor Collaborative.

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WORLD NEWS

U.S. Lawmakers Hit China Camps

Legislators want White House to challenge Beijing on Muslim detention centers

BY JOSH CHIN
AND EVA DOU

BEIJING—Members of Congress are pressuring the Trump administration to confront Beijing over the mass roundup of Muslims in internment camps, urging travel and financial sanctions be clamped on senior Chinese officials involved in the detentions.

In a letter sent Wednesday to Secretary of State Mike Pompeo and Treasury Secretary Steven Mnuchin, Florida Republican Sen. Marco Rubio and 16 other members of Congress from both parties called for the sanctions on seven Chinese officials and two businesses that make surveillance equipment.

An official at the Treasury Department, which is largely responsible for executing the administration's sanctions policies, said the office "responds as appropriate to Congressional correspondence" and doesn't "telegraph sanctions or comment on prospective actions." A State Department spokeswoman said she hadn't seen the letter.

The letter, which was reviewed by The Wall Street Journal, cites the Communist Party boss of Xinjiang, the western region where China has over the past year vastly expanded an internment program that initially targeted religious extremists but now includes many Uighurs, a largely Muslim ethnic group.

The build-out of detention centers to neutralize Uighur opposition to Communist Party rule has been under way for two years in Xinjiang. Only in recent months, as the build-out has



Armed civilians patrolling the city of Hotan in November in the Xinjiang region, where China has interned as many as a million Muslims.

gathered momentum, has the program begun to attract concerted criticism from Western governments.

China's detention of as many as a million Uighurs and other Muslims in the camps "requires a tough, targeted and global response," the letter from the Congress members said. "No Chinese official or business complicit in what is happening [in Xinjiang] should profit from access to the United States or the U.S. financial system."

The Ministry of Foreign Affairs didn't respond to a request to comment. Senior Chinese officials have denied the mass incarcerations and said the centers are for vocational training.

In calling for sanctions, the

letter urges the Trump administration to apply the Global Magnitsky Act. The act allows the U.S. to freeze the assets and ban the entry of foreign individuals involved in gross violations of human rights or sizable acts of corruption.

While congressional letters are sometimes dismissed by the State Department with a form response, this one lands as officials in the department are pushing for action on Xinjiang, said Todd Stein, an ex-State Department staffer who worked on human-rights issues in China.

The State Department last month said it was "deeply concerned" about the camps.

Xinjiang has come to resemble an armed encampment in

recent years as the government battles what it sees as violent separatism fueled by terrorists. A high-tech surveillance network enables police to track and collect evidence on people seen as potentially threatening.

The detention centers, many of them surrounded by high walls topped with razor wire, have expanded in recent months, according to satellite imagery and interviews with former inmates and relatives of those detained.

Much of the spread of this security network has occurred under Xinjiang's party chief, Chen Quanguo, who arrived in 2016 after a stint in Tibet, where he is credited by security experts with stifling dissent.

The letter sent by the Congress members names Mr. Chen. An attachment to the letter also cites Hu Lianhe, a senior official with the Communist Party's United Front Work Department, who defended the program before a U.N. panel last month. He denied arbitrary detentions were taking place and said the centers are being used as vocational training centers for petty criminal offenders.

Neither Mr. Chen nor Mr. Hu could be reached to comment late Wednesday in China. They haven't responded to previous attempts to reach them to discuss the situation.

—*Ian Tally and Courtney McBride contributed to this article.*

Trump Shrugs Off War Games With Seoul

BY NANCY A. YOUSSEF

President Trump cast new doubt Wednesday on the future of U.S.-South Korea military exercises, which were suspended earlier this year to smooth the way for now-stalled denuclearization talks with North Korea.

Mr. Trump said in a Twitter message that "there is no reason at this time to be spending large amounts of money on joint U.S.-South Korea war games."

"Besides, the president can instantly start the joint exercises again with South Korea, and Japan, if he so chooses," he said. "If he does, they will be far bigger than ever before." The post, written in the third person, was titled "Statement From the White House."

A day earlier, Defense Secretary Jim Mattis said the U.S. doesn't plan to suspend further military exercises with South Korea. But he also said no decision had been made on another set of maneuvers next year.

Mr. Trump in the series of tweets blamed China's trade disputes with the U.S. and its financial aid to North Korea for the administration's now stalled denuclearization talks with the North.

"This is not helpful!" Mr. Trump wrote. Still, he said he has a "very good and warm" relationship with North Korea's Kim Jong Un and wrote that his "bond" with Chinese President Xi Jinping would resolve trade issues "in time."

Beijing Sees Opening to Bring Myanmar Into Its Orbit

BY JOSH CHIN

BEIJING—A recommendation by investigators that Myanmar's military leaders be prosecuted for genocide over their campaign against Rohingya Muslims is dragging China into another fight at the United Nations. For Beijing, that could be a good thing.

The investigators' report, released this week by the U.N.'s human-rights agency, gives China a fresh chance to shelter Myanmar's military and political leaders from international pressure, drawing them further into Beijing's orbit, analysts say.

"The Rohingya crisis really creates an opportunity" for China with Myanmar, said Yun Sun, an expert on Myanmar-China relations at the Washington-based Stimson Center. "Now's the time to show them who their real friends are."

For the friendship, Beijing expects to secure access for its companies to a resource-rich neighbor on the Indian Ocean and a strategic partner in its efforts to tamp down criticism of the country's more muscular exercise of power in the region.

The U.S. and other Western nations accuse China and Russia of using their veto power in

the U.N. Security Council to scuttle punitive action against Myanmar for a campaign of violence that since last year drove Rohingya to flee en masse.

When Sweden and the Netherlands called on Tuesday for the Security Council to refer Myanmar's military commanders to the International Criminal Court, China and Russia urged patient diplomacy.

"Unilateral accusation or

pressure will not help to solve the problem," Chinese Foreign Ministry spokeswoman Hua Chunying told a regular news briefing on Tuesday. She denied that Beijing is blocking action but rather sees the Rohingya issue as complicated.

China has tried to facilitate talks between Myanmar and Bangladesh, where more than 700,000 Rohingya have fled, to secure their safe return, but there are no signs of progress.

The potential payoff for China's leaders is worth the risk of being accused of shielding potential war criminals, according to analysts.

China fears that allowing the U.N. to take a role in resolving the Rohingya clearances would set a precedent for U.N. involvement in other border issues, including long-running



A refugee camp in Cox's Bazar, Bangladesh, where more than 700,000 Rohingya have sought refuge.

conflicts between Myanmar's military and rebel groups along the Chinese border.

The rebel groups share ethnic and commercial ties to China, and Beijing would like to play peacemaker and resolve the conflicts on its own terms. China's view "is that there shouldn't be any international interference in ethnic

conflicts in Myanmar," said Nicholas Bequelin, Amnesty International's East Asia director.

Myanmar also occupies an important role in Chinese President Xi Jinping's Belt and Road plan to build infrastructure and deepen trade ties throughout Eurasia. A critical piece of Mr. Xi's plan is a multibillion-dollar China-Myanmar

Economic Corridor anchored by an Indian Ocean port at Kyaukpyu, in the Rohingyas' home state of Rakhine.

Authorities in Myanmar are pressing to scale back the port project, worried it could leave the country too indebted to China, and no agreement has been reached about the rest of the corridor, expected to con-

sist of new roads, high-speed rail lines and industrial zones.

"Beijing has a long wish list in Myanmar," said Elliot Brennan, a nonresident research fellow at the Institute for Security and Development Policy in Stockholm. While Myanmar's leaders are wary of China, "an acceptable, if unpalatable, quid pro quo for its support will certainly be found," he said.

Beijing played diplomatic protector for Myanmar in the previous decade when the military leadership was shunned by the West for resisting democracy and confining Aung San Suu Kyi, then an opposition leader. With political reforms and Ms. Suu Kyi's release, Myanmar began to court Western nations and multinationals.

Still, China remains Myanmar's largest trading partner, and, according to Myanmar government statistics, Chinese companies are responsible for roughly a quarter of Myanmar's foreign direct investment.

China has worked to rekindle the political relationship, including hosting a visit last year by Ms. Suu Kyi, now Myanmar's de facto leader.

—*Fanfan Wang and Jeremy Page contributed to this article.*

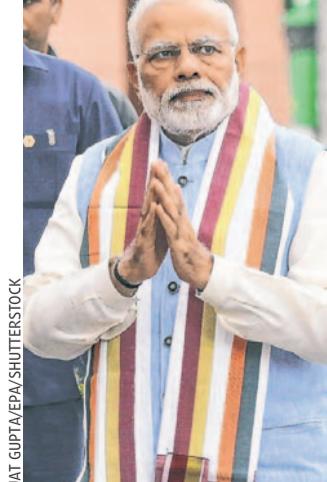
Slower Economic Growth Tests India's Modi

BY ERIC BELLMAN

NEW DELHI—Indian Prime Minister Narendra Modi, with little more than six months left in his first term, is in danger of losing bragging rights that the economy has performed better under his administration than under the previous government led by rival Congress party.

India will announce its gross domestic product growth for the last quarter on Friday. Growth would need to exceed 8% for this and the next three quarters for Mr. Modi to have any hope of claiming that the economy accelerated under his watch. Economists project growth for the quarter and the rest of this fiscal year will more likely be around 7.5%.

If India ends the fiscal year through March as predicted, the average growth for Mr. Modi's five-year term will be around 7.4%. While that makes India's economy one of the fastest-growing in the world, it is slower than the average over the five years that



roughly coincided with the last term of the previous government, controlled by the Congress party.

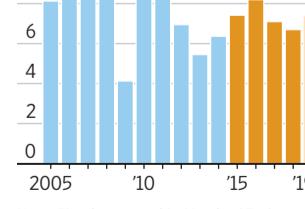
This follows recent recalculations of past growth that are influencing debate ahead of campaigning for national elec-

Relative Rates

Revised rates show that Indian growth has slowed during Narendra Modi's time in office.

Gross domestic product, change from a year earlier

■ Congress party ■ Modi's party



Note: Fiscal years end in March. *Estimate Sources: National Statistical Commission (through 2018); Reserve Bank of India (2019)

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tions that must be held by May, when the Prime Minister's Bharatiya Janata Party hopes to get re-elected.

"He has not fulfilled his lofty rhetoric," which pointed to growth of 8% to 10% by now, said Milan Vaishnav, di-

rector and senior fellow of the South Asia program of the Carnegie Endowment for International Peace.

BJP officials counter that growth under their rule has been more sustainable, and was achieved during a period of weaker global growth.

India has become the fastest-growing, large economy in the world since Mr. Modi was elected in 2014, but growth has been disappointing for many. India needs rapid economic growth to provide jobs for its expanding population.

Debate about GDP flared this month after government statisticians unveiled revamped GDP numbers going back to 1994. The new numbers showed stronger growth under the previous government than in any period under Mr. Modi.

The average growth under the new numbers was just above 8% during the 10 years Congress was in charge and less than 7.5% for the BJP's first four years, according to the paper.

—*Anant Vijay Kala contributed to this article.*

WORLD WATCH

MEXICO

Central Bank Cuts Outlook for 2018-19

The Bank of Mexico lowered its expectations for the country's economic growth this year and next, citing a recent contraction and risks that global trade tensions pose for growth.

In its quarterly inflation report, the central bank said it expects gross domestic product will expand between 2% and 2.6% this year, and between 1.8% and 2.8% in 2019. Previously the bank had forecast 2%-3% growth this year and 2.2%-3.2% growth in 2019.

While the announcement of an accord with the U.S. to redraw the North American Free Trade Agreement could help reactivate investment, an escalation of protectionist measures could harm global growth and trade, the bank said.

Mexico's GDP, a measure of output in goods and services, contracted 0.2% in the second quarter from the first quarter, which brought growth for the first half of this year to 2% compared with the first half of 2017.

—*Anthony Harrup contributed to this article.*

NICARAGUA

U.N. Report Calls For End to Crackdown

A United Nations report on four months of unrest in Nicaragua describes a comprehensive effort of repression by the government that extends from the streets to the courts.

The report by the Office of the U.N. High Commissioner for Human Rights calls on the government of President Daniel Ortega to immediately halt the persecution of protesters and disarm the civilians who have been responsible for many of the killings and detentions.

More than 300 people have died in violence since mid-April.

The report describes illegal arrests, torture and closed trials. Doctors, professors and judges who have spoken out have been dismissed from their jobs.

Mr. Ortega's government dismissed the report as baseless and relying on antigovernment media accounts. It denied accusations of excessive use of force against protesters.

—*Associated Press contributed to this article.*

BUSINESS & FINANCE

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Thursday, August 30, 2018 | B1

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Small Stocks Gain Big, for Now

Tax cuts, frictions over trade boost the demand for shares in the Russell 2000

By MICHAEL WURSTHORN

Soaring profits at smaller publicly traded companies are driving the Russell 2000 to records as investors bet U.S. economic strength will boost smaller companies while trade

frictions hit their multinational counterparts.

The sweeping tax cut passed last year has driven corporate profits up across the country, especially at small businesses that get most of their sales from within the U.S. A resurgence in economic growth and consumer spending has brightened prospects for the stock market's smaller cohorts, analysts say, while the shadow of a trade war has damped the returns of big, multinational stocks such as in-

dustrial manufacturers.

With more than 90% of the Russell 2000 having reported second-quarter results, earnings throughout the index of small-capitalization stocks grew by 35% from a year earlier, while sales jumped 10.5%, according to Michael O' Keeffe, chief investment officer at Stifel Nicolaus & Co. That is better than the S&P 500, which increased profits and sales by 25% and 10%, respectively, according to FactSet.

But any apparent easing of

trade tensions could lead to a rebound of multinationals' stocks. The S&P 500 has risen 14% this week amid signs of progress on trade negotiations between the U.S., Mexico and Canada. The Russell and the S&P Small Cap 600, another small-company benchmark, have risen 0.5% and 0.3%, respectively, over that time.

"The market is off high alert regarding trade risks," said Mark Stoekle, chief executive at Adams Funds. "This has recently

given a boost to stocks relative to small-caps, but let's not forget that small-caps are still outperforming year to date."

Small-cap stocks continue to hold a commanding lead over their bigger counterparts, as trade tensions have flared and ebbed. The Russell 2000 has climbed 13% this year, notching 29 record closes, while the S&P 500 has gained 9% and last week reached its first new closing high since January.

Please turn to page B11

Winning Run

Index performance, year to date

Russell 2000 ■ **S&P 500**

15%



Source: SIX

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GM Has Battery Problems In China

By TREFOR MOSS

SHANGHAI—General Motors Co.'s plans to ramp up electric-vehicle production in China were set back after the auto maker determined the Chinese-made batteries it intended to use failed to meet its performance and safety standards during testing.

GM aimed to begin production next month of the Buick Velite 6, a local variant of its Volt plug-in hybrid, with a pure-electric version due to follow early next year.

That launch schedule has now been postponed, with internal tests showing the battery, supplied by A123 Systems, didn't meet GM's quality standards, according to a person familiar with the situation. Electric-vehicle batteries are complex components that can't easily be switched—which spells lengthy delays in getting the Velite 6 into production.

A GM spokeswoman declined to comment on the battery situation, but said the company still intends to launch 10 electric vehicles in China by 2020, a target that was announced over a year ago.

"GM's plan is to deliver 20 EVs globally by 2023," the spokeswoman said. "In China, we are on track to introduce 10 new energy vehicles between 2016 and 2020. Given those two goals, all-electric vehicles like the Velite 6 battery-electric vehicle are obviously our priority."

A123 Systems didn't respond to a request seeking comment. The Livonia, Mich.-based company, which was bought out of bankruptcy by

Please turn to page B2



A natural-gas flare in North Dakota. The state set new gas-flaring rules earlier this decade. In Texas and New Mexico, shale drillers flare with the consent of regulators.

Permian Drillers Burn \$1 Million in Gas Daily

By REBECCA ELLIOTT

In America's busiest oil field, roughly \$1 million worth of natural gas is burned away every day, going to waste.

Shale drillers in the Permian Basin of Texas and New Mexico say they have no way to move the gas—a byproduct of oil drilling—to market because there aren't enough natural-gas pipelines. Instead, they are getting rid of the excess gas by setting it on fire, a practice known as flaring.

Companies flare about 3% of the gas they extract in the Permian. But production in the basin is so high that the volume of gas burned every day would be large enough to supply the daily needs of states such as Montana or New

Hampshire, by some estimates. The flaring also produces greenhouse-gas emissions equivalent to 2 million cars.

Shale drillers are flaring with the consent of state regulators. Until more natural-gas pipelines and storage facilities are added, the only alternative to burning gas would be to reduce some of the area's lucrative oil production, which has supercharged the region's economy and boosted overall U.S. crude output to a record of around 11 million barrels a day.

Texas officials say they expect the issue to resolve itself eventually once the necessary infrastructure is built.

"There's nothing for us to do," said Ryan Sitton, a member of the Texas Railroad

Commission, which regulates oil and gas operations. "If gas becomes a waste product, people will flare it."

The Wall Street Journal reviewed data on the more than 20,000 permit requests that companies submitted to the Texas Railroad Commission to flare gas over the past five years. None was denied as of early August, the data show. Officials confirmed the figures were accurate.

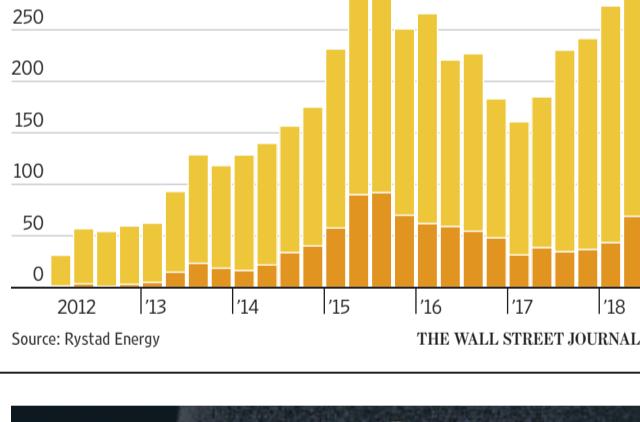
A similar problem surfaced in another shale-drilling hot spot, North Dakota, earlier this decade, prompting the state to tighten regulations. Flaring was widespread in the early days of the oil industry, as natural gas was seen as less valuable than oil. It continues

Please turn to page B2

Up in Flames

Permian shale drillers produce more gas byproduct than they can move to market, so they end up setting some of it on fire.

Natural gas burned in the Permian Basin



Source: Rystad Energy

THE WALL STREET JOURNAL.

Guns, Sportswear Hold Down Sales at Dick's

By ALLISON PRANG

Dick's Sporting Goods Inc. said weaker sales of Under Armour Inc. apparel and a decision to pull back from the hunting business dragged on the retailer's latest quarterly results.

Comparable-store sales fell 4%, Dick's said. Not adjusting for the 53rd week last year, the company's same-store sales declined 1.9%.

The weaker-than-expected results bucked a trend in the retail sector, which largely has benefited from a surge in consumer spending fueled by a booming economy.

Consumer confidence for August, measured by the Conference Board's consumer-confidence index, was the highest it has been in about 18 years.

That sentiment, along with other factors, has powered companies such as Walmart Inc. and Target Corp. to their best quarterly results in more than a decade.

Dick's said part of the company's sales problems were a result of Under Armour's decision to sell in more stores including Kohl's. Under Ar-

mour declined to comment.

Also hurting sales was Dick's decision to tighten its policy on gun sales after 17 people were killed in a February shooting at a Parkland, Fla., high school. The retailer halted sales of any firearms to people under age 21 at all of its 845 Dick's and Field & Stream stores and stopped selling assault-style weapons at Field & Stream.

Under Armour's results accounted for three percentage points of declining sales at Dick's, while weakness in the hunting and electronics categories contributed two percentage points of decline. When excluding Under Armour and the hunting and electronics business, comparable-store sales fell 1%.

"Notwithstanding these challenges, the health of our core business is relatively strong, and we're confident sales trends will improve next year as these headwinds are expected to subside," Dick's Chief Executive Edward Stack said on a call with analysts to discuss the results.

Shares of Dick's, up more than 20% in the year to date, fell 2.2% Wednesday.

INSIDE



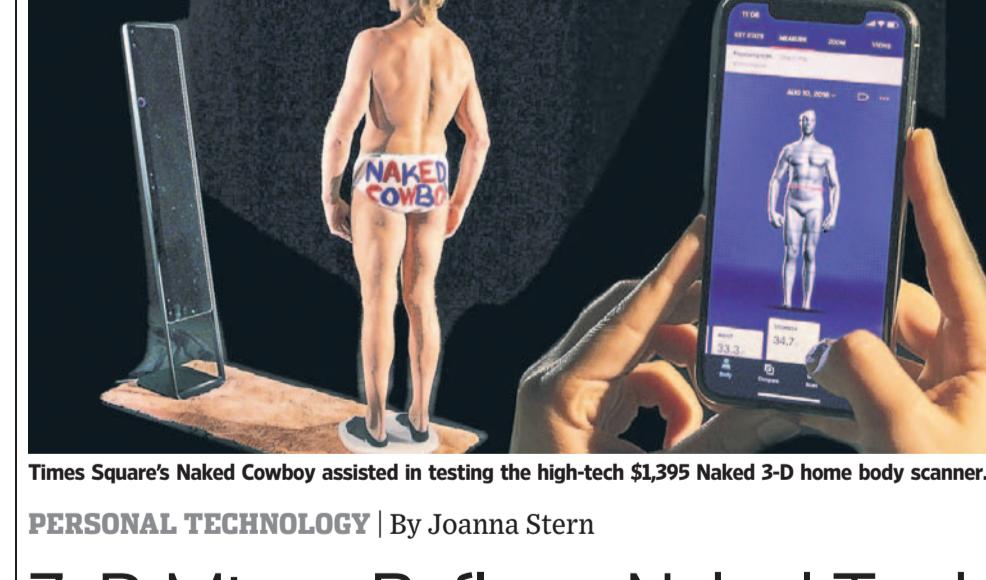
TASTES LIKE BEER, LOOKS LIKE WATER

BEVERAGES, B3



DEPP RULING SHAKES UP HOLLYWOOD

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Times Square's Naked Cowboy assisted in testing the high-tech \$1,395 Naked 3-D home body scanner.

PERSONAL TECHNOLOGY | By Joanna Stern

3-D Mirror Reflects Naked Truth

Despite being alone in my bathroom, I undress at YMCA-locker-room speeds. Down to just my bra and underwear, I tap the "scan" button in the iPhone app and quickly step onto a white turntable. Like a plate of lo mein on a Lazy Susan, I'm slowly spun around as 3-D cameras on the full-length

mirror capture a detailed map of my body. I throw on my clothes and wait for a report telling me if there is, indeed, less fat on my thighs today.

This is my actual morning routine with the \$1,395 Naked 3-D home body scanner.

I have been getting (basically) naked in front of an internet-connected mirror.

(And for male users, such as the Naked Cowboy I enlisted

to help me test, the company advises stripping down to just underwear.) Lined with depth sensors, the Naked—possibly the worst-named product in all of technology history—plots a 360-degree model of my body and calculates various body measurements.

There are two ways of looking at this product: 1) What a time to be alive!

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Plenty of Gas Goes To Waste

Continued from the prior page to be prevalent around the world, with Russia, Iraq and Iran accounting for two-fifths of all gas flared last year, according to the World Bank.

In the Permian, flaring is poised to worsen in coming years as companies rush in to pump more oil from the basin. While oil fetches about \$69 a barrel, natural gas currently sells for less than \$3 a million British thermal units and has become a largely unwanted side effect of the region's oil boom.

Permian daily production has soared to 3.3 million barrels of oil and nearly 11 billion cubic feet of natural gas in June, according to the U.S. Energy Information Administration.

With it, so has flaring, which topped 320 million cubic feet a day in the second quarter, according to an analysis of public data compiled by Rystad Energy, an energy consulting and research firm. The data combine the gas that was burned or released directly into the atmosphere—a practice known as venting, which is worse for the environment than flaring.

But flaring still produces carbon dioxide, a greenhouse gas, and causes air pollution. The resulting greenhouse-gas emissions from burning that much gas in the Permian are equivalent to the exhaust from about 2 million cars, according to estimates from the World Bank and Environmental Protection Agency. An analysis of demand data from the EIA also shows that the gas burned in the Permian every day exceeds the daily consumption of many small states.

As Permian oil output continues to grow, Rystad Energy projects flaring will more than double in the next year, and won't substantially drop until at least late 2019, when new gas pipelines are set to start operating.

In Texas, officials so far have responded by permitting companies to flare as much as they want. New Mexico regulators, who in 2015 began requiring companies to spell out how much they are flaring, also have allowed companies to continue burning the gas.

New Mexico officials didn't respond to questions about the recent uptick in flaring.

Without stricter regulations, "the economic driver to do something with it is not strong," said Martyn Howells, a consultant for the World Bank's Global Gas Flaring Reduction Partnership, an effort to curb flaring world-wide.

Royal Dutch Shell PLC, which is a member of the World Bank's initiative and has pledged to eliminate "routine" flaring by 2030, flared at among the highest rates of large Permian gas producers in the first half of the year. The company burned about 7% of the gas it produced in the basin during the second quarter, down from 9% during the first quarter, according to Rystad Energy.

Amir Gerges, Shell's general manager for the Permian, said production had outpaced the construction of smaller pipelines that transport gas away from wells. Recent infrastructure investments, among other operational changes, helped lower the company's flaring

rate to 2.5% in July, he said.

Reducing flaring is "not just good for the environment. It's also extremely good business," Mr. Gerges said.

WPX Energy Inc., an Oklahoma-based driller, flared 10% of the Permian gas it produced in the first quarter, a rate spokesman Kelly Swan called "unacceptable."

"That's not the way we want to operate," he said, attributing the flaring to insufficient infrastructure near wells to capture the gas. The company, whose rate of flaring dropped to 6% in the second quarter, has been building a facility to capture gas from nearby operations.

Flares light up the sky in southwest Texas' Reeves County, flames visible for miles. Venetta Seals, mayor of the town of Pecos, which depends heavily on oil and gas economically, said she views the combustion as inevitable.

"What other options are there?" she asked. "Without the infrastructure being here, the only other solution is what, they stop drilling?"

—Christopher M. Matthews contributed to this article.

320M

Gas volume in cubic feet burned daily in the Permian last quarter

BUSINESS & FINANCE

Salesforce Revenue, Backlog Rise

BY MICAH MAIDENBERG AND JAY GREENE

Salesforce.com Inc. reported broad-based sales growth and increased its backlog of business during its latest quarter, as the business-software company digests its largest-ever acquisition and begins work under a new leadership structure.

Separately, Salesforce created an office of ethical and humane use, after facing questions from employees and activists this summer over its contract with U.S. Customs and Border Protection and the role it plays in the Trump administration's immigration policy.

The office will work with employees, customers and partners to develop standards for "the ethical and humane use of technology," co-CEO Marc Benioff said during a

conference call with analysts late Wednesday.

Mr. Benioff didn't say who would lead the group or detail its purview, and a company spokeswoman declined to elaborate beyond the brief statement during the call.

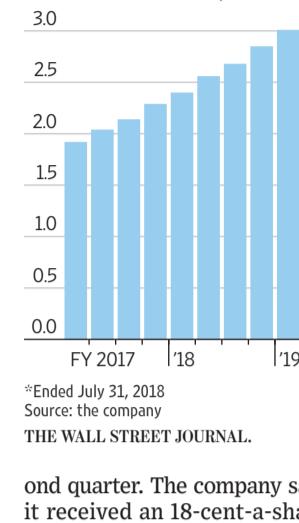
Salesforce is moving into a new phase, with Mr. Benioff and Keith Block sharing duties as co-chief executives.

For the fiscal quarter ended July 31, Salesforce said revenue rose 27% from a year earlier to \$3.28 billion, beating the average analyst estimate on FactSet of \$3.23 billion. Unearned revenue, which includes future billings, grew 24% to \$5.88 billion. Stifel Nicolaus & Co. analysts were expecting growth of 23%.

Salesforce reported a profit of \$299 million, or 39 cents a share, compared with a profit of \$17.7 million, or 2 cents a share, in last year's fiscal sec-

In the Clouds

Salesforce's quarterly revenue



ond quarter. The company said it received an 18-cent-a-share tax benefit in connection with its purchase of MuleSoft Inc.,

which closed May 2.

Salesforce showed an adjusted profit—a figure that excludes costs like amortization and stock-based compensation—of 71 cents a share for the period, compared with 33 cents a share last year. That performance beat the average analyst estimate of 47 cents.

Shares of Salesforce fell 3.5% in post-market trading, after gaining 1.2% in Wednesday's regular session to \$154.80. The company's stock is up 51% so far this year.

The company's adjusted earnings-per-share guidance of 49 cents to 50 cents for the current quarter was below the 53 cents that analysts surveyed by FactSet were expecting.

"That's the one that's a little light," Stifel Nicolaus analyst Tom Roderick said.

Salesforce slightly raised its financial targets for its current fiscal year.



General Motors was set to use locally produced batteries for the Buick Velite 6, a model for the Chinese market, but they failed tests.

GM Has Battery Problems

Continued from the prior page Chinese auto-parts giant Wanxiang Group Corp. in 2013, operates a battery plant in the eastern city of Hangzhou to supply the Chinese market.

Auto makers in China are scrambling to meet a Chinese government directive that they start building electric vehicles next year. Now apparently without a battery, GM risks missing Beijing's target.

China's timetable is a challenge for longtime manufacturers of gasoline cars, said Jing Yang, an associate director at Fitch Ratings. "The situation is different company by company."

Though seen as an electric-vehicle market leader in the U.S., where it sells the Chevrolet Bolt and Volt electric cars, GM has had difficulty translating that advantage into success in China, the world's biggest market for electric vehicles.

GM originally planned to use batteries from South Korea's LG Chem Ltd. But in 2016, China mandated that auto makers use batteries from a list of approved suppliers, all of which are Chinese. China-

owned Volvo Car Group, however, is an exception: It is allowed to use batteries based on LG Chem-licensed technology in its locally built cars.

Auto makers cite the exclusion of foreign batteries as an example of Chinese protectionism that handicaps both foreign battery firms and the auto makers they supply, while handing advantages to local rivals.

China's Ministry of Industry and Information Technology didn't respond to a request for comment.

The Chinese are on course to buy more than one million electric vehicles this year—nearly all of them built by local auto makers. Riding the boom are fast-growing Chinese battery suppliers such as BYD Co. and Contemporary Amperex Technology Co., now among the world's biggest lithium-ion battery companies.

In its rush to develop battery technology, China risks shortcomings in quality and safety performance, said Thomas Barrera, president of LIB-X Consulting, a California-based battery consultancy.

"There are concerns with the quality of Chinese-manufactured cells and batteries," he said. "Chinese cells are very attractive because they're inexpensive, but people may not realize that these cells may not have gone through the necessary qualification testing before going to market."

China's electric-vehicle poli-

cies put foreign auto makers in tough situation. They are obliged to build electric vehicles and use Chinese batteries, but they can't compromise their global standards and use components in which they lack confidence—especially batteries, which have a history of catching fire.

While most foreign auto makers have publicly expressed confidence in their ability to meet the electric-vehicle quota, few have explained in detail how they plan to satisfy a government requirement that electric vehicles to make up roughly 3%-4% of their 2019 output in the country.

Some are making tangible progress. On Monday, Nissan Motor Co. started production of its first made-for-China electric car, while Volkswagen AG unveiled its first pure-electric car for China in April.

GM launched its first Chinese pure-electric car, the Baojun E100, last year. It has sold more than 22,000 of the budget vehicle despite limited distribution. GM, which builds roughly four million cars in China a year, would need to build about 100,000 E100s next year to meet the government-set quota, assuming other models fail to come on stream.

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Chinese-owned A123's plants include one in the Czech Republic.

BUSINESS NEWS

Maker of Jack Daniel's Grapples With Tariffs

By JENNIFER MALONEY

The maker of Jack Daniel's is feeling the sting of U.S. trade disputes and retaliatory tariffs on American whiskeys.

Brown-Forman Corp., whose brands include Old Forester and Woodford Reserve bourbon, warned that profits for its current fiscal year would miss its prior forecasts because of the uncertainty and added costs created by recently enacted European tariffs.

The European Union in June started imposing 25% tariffs on U.S. whiskey, Harley-Davidson Inc. motorcycles and other goods in response to President Trump's duties on steel and aluminum imports from the bloc. In July, Harley lowered its profit guidance and said it would shift production overseas to escape EU tariffs, drawing the ire of Mr. Trump.

Brown-Forman executives said Wednesday they were delaying price increases to minimize the impact on its products. "In some ways we are buying time to see if these things can be worked out," Chief Executive Paul Varga said, noting that Scotch whisky posed a competitive threat in Europe.

The executives said the delayed price increases coupled with higher costs and foreign-exchange fluctuations would erase 10 cents a share in annual profits or roughly \$50 million. The company now projects per-share earnings of \$1.65 to \$1.75 for fiscal 2019.

The threat of tariffs actually boosted results for the Louisville, Ky., company in fiscal first quarter ended July 31, driving a sales spike in Europe as wholesalers and retailers stocked up ahead of the added levies.

Sales rose 6% overall in the quarter to \$766 million, as strong gains in international markets offset flat sales in the U.S. Executives said half of a 12% sales gain in developed markets overseas was the result of buying to build inventories ahead of tariffs. Quarterly profit rose 12% to \$200 million, or 41 cents a share.

Class B shares of Brown-Forman were little changed in Wednesday trading, gaining 9 cents to \$52.41. The stock has climbed about 25% in the past year.

On Wednesday, French spirits rival **Pernod Ricard** SA said pricing conditions improved in its just-completed fiscal year but cautioned that it faced higher commodities prices for agave used in tequila and grapes used in cognac. The maker of Jameson Irish whiskey and Absolut vodka said profit for the fiscal year ended June 30 rose 13% to €1.58 billion (\$1.85 billion) on flat sales of €8.99 billion.



Brown-Forman warned that fiscal 2019 results would miss forecasts.

LUKE SHARRETT/BLOOMBERG NEWS

Dev 9:45 AM
Do we get National Donut Day off this year?

Anna 9:46 AM
Not quite, but you can see all our holidays here:
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Vacation_Policy
Document from Google Drive

4

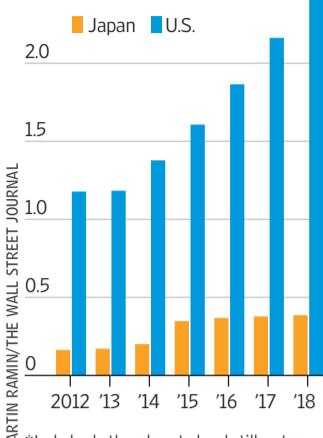


Companies are betting that consumers want the taste of Coke or beer in a healthier-looking clear liquid.

Transparent

Flavored bottled-water sales*

2.5 billion liters



*Includes both carbonated and still water

Source: Euromonitor International

THE WALL STREET JOURNAL.

Japan Sends a Clear Signal

Beverage makers are creating products that look like water but taste like other drinks

By SURYATAPA BHATTACHARYA AND MEGUMI FUJIKAWA

TOKYO—The drink in the bottle might look clear, but one tastes like coffee, another is flavored like **Coca-Cola** and a third lays claim to "beer taste."

Japanese beverage makers are increasingly producing products that look like water but taste like other drinks, betting that consumers want the taste of Coke or beer in a healthier-looking clear liquid. The latest wave of water-like drinks hints at the contortions companies must go through to satisfy consumer demands for flavorful drinks that are also good for you and inoffensive-looking.

"The need for drinks that people can enjoy without any hesitation is one of the reasons behind growing demand for clear-color beverages in Japan," said Ryo Otsu, a creator of a clear nonalcoholic beer that **Suntory Holdings** Ltd. began selling in June.

Flavored bottled water

sales have more than doubled in both the U.S. and Japan in the past five years. Americans now drink some 2.4 billion liters of flavored water annually, according to Euromonitor. Akari Utsunomiya, an analyst for the market-research firm, said these products are perceived as "modern, healthy, cool sort of beverages."

Convenience stores in Japan are stocking more drinks like "All-Free All-Time" from Suntory's beer-making unit. To make it, Suntory drained the color from its nonalcoholic beer, added lime flavoring and increased the carbonation. The label of its stubby clear-plastic bottle is decorated with a sheaf of barley and the slogan "beer taste."

Suntory hoped the amber-colored nonalcoholic beer it introduced in 2010 would catch on with office workers, who could drink it at their desks and in meetings. But the color and the can deterred people who said their colleagues might think they were drinking on the job.

Kim Yan, 45 years old, liked the clear Suntory brew she tried at a recent sampling event at a shared office space in Tokyo. "It feels healthier to drink clear-

color drinks," she said.

Tsubasa Takai, 23, who works for an online-content company, wasn't enthusiastic about drinking it at his desk. "It's beer water," Mr. Takai said. "It reminds you that you're not having fun; you're at work."

Drink makers face heavy pressure in Japan to generate sales in a mature and highly segmented market. Drink makers regularly introduce nearly 100 new drinks a year here.

Last year, Suntory started selling a clear beverage that is meant to taste like tea with milk. The drink, made with real tea leaves, sold well, so Suntory followed it up with a peach-tea-flavored water this year.

Their success has caught the attention of competitors like **Asahi Group Holdings** Ltd.'s soft-drinks unit, which in May started selling a 60-calorie latte espresso-water called Clear Latte. The company also launched clear "matcha" green tea on Aug. 7.

It took 170 prototypes of the zero-caffeine, zero-fat coffee to get the taste right, said Yuichi Abiru, assistant manager of the water division at Asahi Soft Drinks. Asahi didn't want the drink to taste too sweet—people might think it

wasn't healthy—and it wanted to keep the calorie count down, he said. The result, he said, tastes like a cup of watered-down cold coffee.

Asahi sold 400,000 cases, with 24 bottles per case, in the three weeks after Clear Latte was introduced in May. That is already 30% of Asahi's annual 1.5-million-cases target.

In the U.S., clear drinks became a fad in the early 1990s with brands such as Clearly Canadian soft drinks; Miller Clear, a transparent beer; and Crystal Pepsi, the colorless cola that was launched with fanfare before sales fizzled. "Saturday Night Live" poked fun at the trend with a parody commercial for fictitious Crystal Gravy.

By 1994, the trend was largely over in the U.S., and many of the products disappeared from store shelves amid shrinking sales. **PepsiCo** Inc., though, recently reintroduced Crystal Pepsi for a limited time.

Coca-Cola Co.'s Japan unit launched "Coca-Cola Clear" in June, a zero-calorie version flavored with lemon. Removing the signature caramel color took more than a year of tweaking, said Khalil Younes, an executive vice president at Coca-Cola Japan.

Anna can field questions about the new vacation policy, without calling an all-company meeting.

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TECHNOLOGY

WSJ.com/Tech

'Made in Japan' Scores in China

Rising middle class in trading partner is boon to Japanese manufacturing

BY MEGUMI FUJIKAWA

OSAKA, Japan—Makers of consumer goods, basking in a warm spell between Asia's two biggest economies, have discovered that the factories in this country have an advantage China can't match. They can put "Made in Japan" on the label.

That is why Wang Lin, executive director of **Shanghai ShenXing Brush-making Co.**, decided to open a factory in Osaka to make toothbrushes to sell in his home country. "Because living standards are rising in China, consumers are looking for good stuff," Mr. Wang said. "Chinese people have a good impression about Japanese products."

Manufacturers in industries that had long been fleeing Japan say the country looks attractive again thanks to demand from consumers in China and other Asian markets, a sign of how the rise of the middle class is reshaping the region.

Tokyo-based cosmetics maker **Shiseido Co.** is building new factories in its home country for the first time since 1983. After cutting back because of falling sales at home—the company went down to three Japanese factories in 2015 from six in 2004—it is ramping up output again to feed strong demand in China and elsewhere and a recovery in sales in Japan.

Shiseido's sales last year rose 20% in China and 18% globally, to ¥1.005 trillion (\$9.05 billion), according to the company.

Shiseido Chief Executive Masahiko Uotani said Chinese tourists in Japan were snapping up cosmetics and his company needed to reach Chinese who wanted the same Japanese-made creams and lotions at home. "We have to boost production even more to really



Even Chinese manufacturers are capitalizing on Japan's reputation for quality. Shanghai ShenXing Brush-making's plant in Osaka.

grab this opportunity," he said.

Japanese companies have long exported high-tech equipment and parts to China that China couldn't make on its own. Chinese companies then used that equipment, plus low-cost labor, to turn out consumer goods such as clothing and inexpensive electronics for export.

China's growing affluence is upending that decades-old pattern by creating a market for pricier consumer products from Japan.

"Many Japanese designs cater to Asians," said Zhu Aiqin, a 32-year-old teacher in Beijing, whose home is filled with Japanese goods, including a refrigerator from **Panasonic Corp.** and an air conditioner from **Daikin Industries Ltd.**

Political winds have been blowing in favor of closer China-Japan economic ties as the U.S. and China pursue a trade fight with punitive tariffs by both sides. Japanese Prime Minister Shinzo Abe is expected to visit China in October, according to a member of his delegation.

History shows that political tensions can erupt quickly, in-

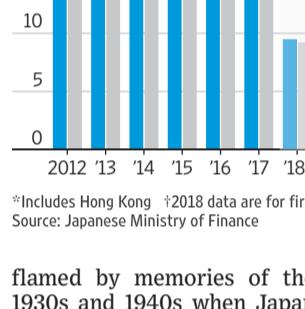
Making Up

Despite tensions, Japan's trade with China is substantial and balanced, while its cosmetics exports to China have grown rapidly.

Japan's trade with China*

■ Exports ■ Imports

¥25 trillion

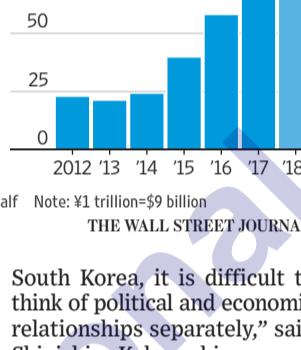


*Includes Hong Kong. †2018 data are for first half
Source: Japanese Ministry of Finance

Cosmetics

Japan's exports to China

¥125 billion



Note: ¥1 trillion=\$9 billion
THE WALL STREET JOURNAL.

lion foreign tourists came from China, Hong Kong and Taiwan, and those areas accounted for nearly 60% of the \$40 billion in total spending by tourists, according to government data.

Casio Computer Co., known for its G-Shock watch series, recently boosted production of a \$20 watch at a factory in northern Japan. Previously, it mostly made that model in China and Thailand. Tetsuya Kawai, who is in charge of Casio's watch business, said all the factories have the same quality, but buyers abroad "have a perception that made-in-Japan goods are more substantial."

More Chinese executives, like Mr. Wang of Shanghai ShenXing Brush-making, are realizing that a company doesn't need to be Japanese to put the coveted words on their packages. The number of China-based manufacturers with units in Japan, including Hong Kong companies, rose to 49 as of March 2017, according to Japanese government data, double the number five years earlier.

—Grace Zhu in Beijing contributed to this article.

Survey Company Discloses Financials

BY MAUREEN FARRELL

The parent company of SurveyMonkey, **SVMK Inc.**, publicly disclosed details of its initial public offering Wednesday, giving potential investors a first look into the company's financials.

The filing reveals a company whose losses contracted sharply from 2016 to 2017, though revenue for the do-it-yourself online survey company ticked up only slightly. SVMK made the IPO filing with the Securities and Exchange Commission public Wednesday, after filing confidentially earlier this year.

For calendar year 2017, the SurveyMonkey parent posted a net loss of \$24 million on \$218.8 million in revenue, compared with a loss of \$76.4 million on \$207.3 million in revenue in 2016.

The company, founded in 1999, provides survey software to people and companies seeking to gather data. It generates the majority of its revenue from sales of subscription products, and its user base is made up of more than 600,000 paying users across more than 300,000 organizations. In its filing, it outlined how the "virality" of its surveys helps it acquire new users cost-effectively. It also said that it is focused on converting unpaid users to paying ones.

The company has financed its business using a substantial amount of debt, and it plans to use proceeds from the IPO to partially repay it, as well as for working capital and paying down some income-tax obligations. The company said it had total aggregate debt of \$322 million as of June 30.

It is unclear where SVMK will price its offering or how much it will raise.

The company plans to list its stock on the Nasdaq under the symbol SVMK.

Chinese Ride-Hailing Company Vows to Step Up Security

BY YOKO KUBOTA

BEIJING—Cheng Wei built ride-hailing company **Didi Chuxing Technology Co.** with rich investments from tech giants, a keen understanding of China's smartphone economy and a drive to dominate the sector through rapid expansion.

But public safety had taken a back seat, he conceded this week in an apology following what police say is the second death since May of a female passenger at the hands of a Didi driver.

"We raced nonstop, riding on the force of breathless expansion and capital through these few years; but this has no meaning in such a tragic

loss of life," Mr. Cheng and President Jean Liu said in a statement. Didi will now "prioritize safety as the single most important performance indicator," the statement said.

Didi, which says that it has more than 550 million users world-wide, is globally the biggest competitor to **Uber Technologies Inc.**

Questions over passenger safety emerged in May after a 21-year-old flight attendant was killed after she booked a ride through Didi in central China. The driver—the suspect in the killing—had used his father's Didi account for the company's carpool service, called Hitch.

The death led Didi to implement several safety measures,

including adopting a compulsory facial-recognition check to verify driver identity before each Hitch trip. The Beijing-based company also said it tightened privacy settings on passenger and driver profiles, and scrapped a function on its app that allowed its mostly male drivers to tag passengers in physical terms, with keyword phrases such as "quiet beautiful girl" and "off-the-chart attractiveness"—descriptions that would be visible to other drivers.

Last week, however, a passenger identified by state media as a 20-year-old woman using the Hitch service in the eastern Zhejiang province was raped and murdered by a driver, police said, leading to

flamed by memories of the 1930s and 1940s when Japan occupied much of China. In 2012, anti-Japan demonstrations broke out in China over a territorial dispute in the East China Sea. Shops selling Japanese brands in China were forced to close temporarily and tourism to Japan dropped sharply.

"In countries like China and South Korea, it is difficult to think of political and economic relationships separately," said Shinichiro Kobayashi, an economist at Mitsubishi UFJ Research and Consulting.

For now, Chinese consumers would rather show off their sophistication with a Japanese label. Many are doing so by visiting Japan. In 2017, about half of Japan's nearly 29 mil-

lion foreign tourists came from China, Hong Kong and Taiwan, and those areas accounted for nearly 60% of the \$40 billion in total spending by tourists, according to government data.

More Chinese executives, like Mr. Wang of Shanghai ShenXing Brush-making, are realizing that a company doesn't need to be Japanese to put the coveted words on their packages. The number of China-based manufacturers with units in Japan, including Hong Kong companies, rose to 49 as of March 2017, according to Japanese government data, double the number five years earlier.

—Grace Zhu in Beijing contributed to this article.

JASON LEE/REUTERS

Didi has apologized following the second death of a passenger.

widespread condemnation of the company by the public and authorities, and Didi's own admission that it hadn't done enough. The suspect's lawyer couldn't be identified.

Didi hasn't fully complied with regulations that require it to send real-time data on vehicle routes and other information to a supervising platform run by authorities, a

Guangdong province transportation official said Tuesday.

"[One of] the main reasons why there are so many security issues with Didi is that they've always been refusing to be supervised by the government," said Wang Fumin, deputy director of Guangdong Provincial Department of Transportation.

In its response to the latest killing, Didi suspended the Hitch service indefinitely and fired two executives. The company said it would start testing a self-service system that allows police to request information on vehicles and that it will collaborate better with law-enforcement agencies.

—Yang Jie contributed to this article.

Mirror Can Scan Your Body

Continued from page B1

Within minutes we can get surprisingly accurate measurements that go way beyond the traditional scale, potentially aiding our health and fitness progress.

2) It's here, the dystopian future we've been warned about. We're standing in our skivvies in front of cameras, handing over the privacy of our bodies to a startup. After stripping for the product for six weeks, my verdict is a combination of the two.

Capturing your body

The mirror has three Intel RealSense depth cameras and a laser pointer to show you where to place the rotating scale. During your 15-second spin, four gigabytes of depth data are captured. Then the mirror's built-in laptop-grade computer crunches the raw data and sends a smaller file to the cloud so you can access your scan and measurements via

the app.

"We do not take pictures of your body," Ed Sclater, co-founder and chief operating officer of the scanner's maker, **Naked Labs Inc.**, assured me. The cameras capture only 3-D depth maps—no color. Sclater explained this was done to preserve user privacy, and because it's easier to assess your body critically when looking at more impersonal models.

Tracking your body

Turns out, I'm the Naked's target customer. Over the past three months, I've lost about 10 pounds (eating healthier—not Keto—and regularly working out). I've hit a point now where the scale always shows the same weight, but my body is still toning up. The body scans have shown that.

In the app, you can compare two scans and their associated measurements. I can see my thighs and backside getting more muscular from mid-July to late August. That is also reflected in my body-fat percentage and my lean mass, a number that excludes fat but includes the weight of muscles, bones, organs, skin, etc.

But are the Naked's mea-

sures to be trusted? It depends. According to the Naked app, on Monday morning, my body-fat percentage was 25%. A \$25 bioimpedance scale said the same. For professional verification, I went on the same day to Halevy Life, a private New York City gym that does hydrostatic weighing. This jacuzzi-like tub, hooked up to a computer that calculates lean and fat mass, is considered by medical professionals one of the most accurate tests. The result of repeated dunks: 37.8% body fat percentage—a pretty big difference.

Naked Labs makes a series of privacy assurances about the scan data.

There isn't a ground truth, short of dissection," says Sam Winter, head of research at Naked Labs. "Every method has shortcomings. What is important is consistency. Once you have a measurement from a machine—our product, hydrostatic—the progress is the most meaningful."

Some people cover their laptop and phone cameras with tape... some people buy body scanners. There's no naked truth here, just you, taking a hard look in the mirror you already own, asking whether the benefits of the technology outweigh the privacy costs.

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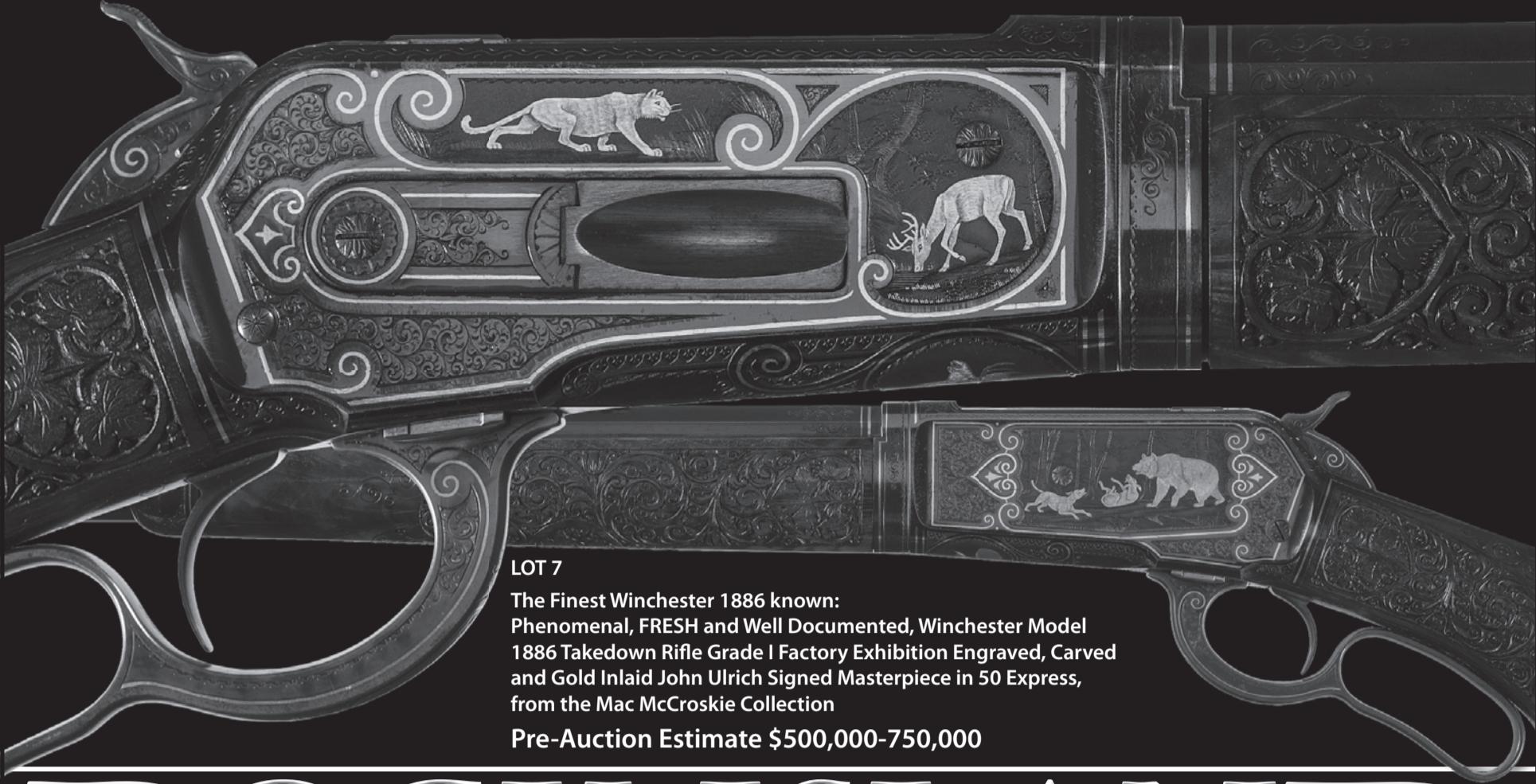
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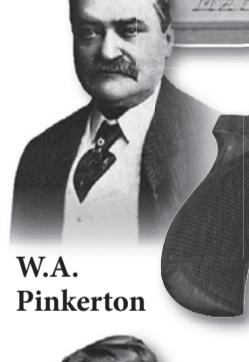
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MANAGEMENT

Oral Accords Under Threat

Ruling marks win for Johnny Depp and a blow to Hollywood's handshake agreements

BY SARA RANDAZZO

LOS ANGELES—A California judge's ruling this week in a case pitting Johnny Depp against his longtime lawyer is prompting a reassessment of the handshake-deal culture that is still pervasive in some corners of Hollywood.

The judge found that an oral agreement entitling Mr. Depp's lawyer to a percentage of his client's earnings isn't valid because it wasn't put in writing, as required by California law. Mr. Depp sued Jacob Bloom last year, seeking to recover what the lawsuit estimates to be \$30 million in fees paid to him since 1999.

The victory for the "Pirates of Caribbean" star is expected to change how lawyers and actors formalize their contracts, entertainment attorneys said. It also could prompt other actors dissatisfied with their representatives to pursue similar legal claims.

"Everyone's exposed," said one veteran entertainment attorney.

Lawyers, agents and other kinds of representatives in Hollywood often maintain long relationships with actors and directors that begin informally and become deeply personal. Oral agreements remain common, lawyers said, even as other kinds of Hollywood deal making—for instance, when a studio hires an actor or director for a movie or TV show—require terms in writing.

"Napkin deals are actually when we're getting formal," said Schuyler Moore, a Hollywood deal lawyer. Mr. Moore said his firm, Greenberg Glusker, has a policy of putting contracts in writing and he expects other firms to start doing the same. Such agreements, he said, typically call for lawyers to be paid 5% of a



The legal victory Johnny Depp scored is expected to change how contracts are formalized.

performer's earnings.

Adam Waldman, one of Mr. Depp's lawyers in the pending case, said he believes the ruling will "create major change in Hollywood."

Mr. Bloom, whose law firm was also named as a defendant, and his counsel in the case didn't respond to requests for comment. In court filings, Mr. Bloom, a prominent Hollywood lawyer, denied the allegations against him and said Mr. Depp validated the oral agreement by continuing to request his legal services.

California law requires attorneys who represent clients on a contingency-fee basis to put their contracts in writing. In his Tuesday opinion, Los Angeles Superior Court Judge Terry Green said Mr. Depp's oral agreement with Mr. Bloom qualified as a contingency-fee arrangement because the lawyer was paid based on the actor's business success. Without a written record of the contract, the judge

said, Mr. Depp has the right to invalidate it.

The judge's ruling doesn't necessarily require Mr. Bloom to forfeit the tens of millions that he has been paid. Under California law, he is entitled to seek reasonable compensation for his time now that the verbal contract has been voided. In court filings, Mr. Bloom said he spent thousands of hours working on dozens of matters for Mr. Depp.

Each side also continues to press claims against the other that weren't resolved by Tuesday's ruling.

Mr. Depp's complaint, filed in October, claims the actor wasn't well-versed in legal matters or finance and relied on his advisers to manage his affairs. By the time he hired Mr. Bloom, he had already achieved fame.

A 2014 study by Jonathan Barnett, a professor at the University of Southern California's Gould School of Law, noted that most business law-

yers insist on written agreements as a form of protection for both sides in the deal. The study, which analyzed the legal risks of soft contracts in the entertainment realm, added dryly: "Hollywood departs from this prudent approach."

Diane Karpman, an expert on legal ethics, said "we're special" is a refrain she has often heard from Hollywood lawyers over the years when giving presentations on ethical duties. "They'll say, that's the rule, but that doesn't apply to us," she said.

Tuesday's ruling was the latest twist in a public feud that Mr. Depp has waged against his former handlers. In July, he settled a legal dispute with his ex-business managers at the Management Group, whom he accused of causing him to go into debt and effectively squander more than \$650 million. The firm denied the allegations and blamed the actor's "selfish, reckless and irresponsible lifestyle."

Workers Register Highest Satisfaction On Jobs Since 2005

BY LAUREN WEBER

Slightly more than half of U.S. workers—51%—said they were satisfied with their jobs in 2017, the highest level since 2005, according to a report from the Conference Board, a business-research group.

Over the past seven years, Americans report feeling better about their pay along with a greater sense of job security, both features of an economy with a low unemployment rate and a long decline in layoffs. In July, jobless claims continued an extended postrecession slide and hit their lowest level in nearly 50 years.

Workers on the higher end of the income scale are happier than their less-affluent counterparts. Nearly 58% of those with total household income above \$75,000 report feeling satisfied at work, compared with around 45% of those from households earning less than \$75,000.

"These are higher-skilled workers, managers, and they tend to have more control over their day-to-day work activities," said Rebecca Ray, leader of the Conference Board's human-capital practice. "Having more control can drive a lot of how you feel about the job."

The group surveyed roughly 1,500 workers about 23 separate topics, from paychecks to commutes. On the wage component, the satisfaction gap is much bigger between those who earn more than \$75,000 a year and those who earn less. About 58% of households with incomes of at least \$75,000 were satisfied with their pay, similar to the rate of their overall job happiness. In contrast, 29% of people surveyed with household incomes below \$75,000 reported they were satisfied with their pay.

The numbers tell "a tale of

two economies," said Rick Wartzman, a director at the Drucker Institute, an organization focused on leadership and management, and author of "The End of Loyalty: The Rise and Fall of Good Jobs in America." In 2016, nearly half of American workers earned less than \$30,000 a year, according to Social Security data reported by employers.

Even so, satisfaction at work has improved for two years in a row among those with income under \$75,000, while it fell last year for those above that threshold. That might reflect a tight labor market for lower-paid workers, who endured stagnant wages for years but have been seeing some faster wage gains than higher-paid workers.

Americans report being most content with their colleagues, their commutes and their interest in work. Supervisors and physical work spaces also get high marks.

Attitude Adjustment

Workers report rising job contentment.

Percentage of U.S. workers satisfied with their jobs



Source: Conference Board Job Satisfaction Survey, conducted by the Nielsen Co., of 5,000 households with 1,500 answering questions about job satisfaction.

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EQUITIES

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Trailing P/E ratio 23.63 20.09
 P/E estimate * 16.63 18.38
 Dividend yield 2.09 2.35
 All-time high 26616.71, 01/26/18



Current divisor 0.14748071991788
 Bars measure the point change from session's open

May June July Aug.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2914.04 ▲ 16.52, or 0.57%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.06 23.53
 P/E estimate * 17.68 18.73
 Dividend yield 1.83 2.01
 All-time high 2914.04, 08/29/18



May June July Aug.

65-day moving average

Nasdaq Composite Index

8109.69 ▲ 79.65, or 0.99%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.89 24.94
 P/E estimate * 21.28 21.19
 Dividend yield 0.97 1.13
 All-time high: 8109.69, 08/29/18



May June July Aug.

65-day moving average

8200

8025

7850

7675

7500

7325

7150

Major U.S. Stock-Market Indexes

	High	Low	Latest	Close	Net chg	% chg	High	52-Week	Low	% chg	YTD	% chg
	May	June	July	Aug.	May	June	July	Aug.	May	June	July	Aug.
Dow Jones												
Industrial Average	26167.94	26035.30	26124.57	60.55	■ 0.23	■ 0.23	26616.71	21753.31	19.3	5.7	16.2	
Transportation Avg	11429.71	11355.32	11395.94	5.36	■ 0.05	■ 0.05	11436.36	9267.39	22.4	7.4	12.9	
Utility Average	730.27	725.93	729.97	4.26	■ 0.59	■ 0.59	774.47	647.90	-1.8	0.9	8.5	
Total Stock Market	30318.85	30133.32	30290.78	160.56	■ 0.53	■ 0.53	30290.78	25395.32	19.3	9.5	13.4	
Barron's 400	787.87	782.58	786.73	2.13	■ 0.27	■ 0.27	786.73	639.49	23.0	10.7	13.8	
Nasdaq Stock Market												
Nasdaq Composite	8113.56	8042.10	8109.69	79.65	■ 0.99	■ 0.99	8109.69	6360.19	27.3	17.5	18.9	
Nasdaq 100	7661.95	7583.52	7660.18	89.93	■ 1.19	■ 1.19	7660.18	5867.35	29.1	19.8	21.0	
S&P												
500 Index	2916.50	2898.40	2914.04	16.52	■ 0.57	■ 0.57	2914.04	2457.59	18.6	9.0	13.6	
MidCap 400	2052.96	2038.00	2050.23	6.29	■ 0.31	■ 0.31	2050.23	1713.58	19.4	7.9	12.9	
SmallCap 600	1096.30	1088.50	1094.34	1.70	■ 0.16	■ 0.16	1094.34	832.27	31.5	16.9	17.5	
Other Indexes												
Russell 2000	1737.02	1724.73	1734.75	6.33	■ 0.37	■ 0.37	1734.75	1391.32	24.7	13.0	14.3	
NYSE Composite	13148.42	13074.82	13132.16	47.36	■ 0.36	■ 0.36	13637.02	11805.07	11.2	2.5	8.6	
Value Line	594.35	590.68	593.57	1.81	■ 0.31	■ 0.31	593.57	511.94	15.9	5.6	8.4	
NYSE Arca Biotech	5348.65	5274.07	5336.79	68.23	■ 1.30	■ 1.30	5336.79	4045.25	30.1	26.4	10.9	
NYSE Arca Pharma	583.84	578.64	583.15	2.03	■ 0.35	■ 0.35	583.15	516.32	11.8	7.0	1.2	
KBW Bank	111.43	110.54	111.02	-0.27	■ -0.24	■ -0.24	111.02	89.71	19.0	4.0	15.1	
PHLX\$ Gold/Silver	68.08	67.21	67.60	0.15	■ 0.23	■ 0.23	67.60	62.47	-23.3	-20.7	11.5	
PHLX\$ Oil Service	147.50	145.50	147.13	1.49	■ 1.02	■ 1.02	147.13	170.18	119.85	22.8	-1.6	-6.6
PHLX\$ Semiconductor	1410.13	1397.36	1406.38	3.43	■ 0.24	■ 0.24	1406.38	1093.49	27.4	12.2	31.8	
Cboe Volatility	12.55	12.09	12.25	-0.25	■ -2.00	■ -2.00	12.25	9.14	9.2	1.10	-22.2	

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	9,129.0	291.48	...	unch.	291.60	289.83	
First Data CIA	FDC	3,571.5	25.00	0.03	0.12	25.08	24.97	
Invesco QQQ Trust I	QQQ	3,176.5	186.82	0.08	0.04	186.94	184.75	
iShares Short-Term Corp Bd	IGSB	1,716.2	51.94	-0.01	-0.02	51.95	51.94	
Salesforce.com	CRM	1,687.8	149.40	-5.40	-3.49	157.50	149.25	

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Metal & Petroleum Futures

	Contract						Open	High	Low	Settle	Chg	Open interest	
Copper-High (CMX)-25,000 lbs.; \$ per lb.							Sept	99.20	99.20	99.20	.98.65	-.60	192
Aug	2,7445	2,7575	2,7195	2,7365	-0.0220	136,346	Dec	103.40	104.20	102.60	102.90	-.15	490,452
Gold (CMX)-100 troy oz.; \$ per troy oz.							March'19	11.11	11.26	11.05	11.12	.01	334,266
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							Oct	10.30	10.46	10.24	10.37	.06	490,452
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							Nov	25.45	25.45	25.55	25.47	.01	1,974
Cotton (ICE-US)-50,000 lbs.; cents per lb.							Jan'19	25.55	25.55	25.55	25.54	...	1,855
Orange Juice (ICE-US)-100,000 lbs.; cents per lb.							Sept	153.30	155.00	151.60	154.50	.20	943
Palladium (NYM)-50 troy oz.; \$ per troy oz.							Nov	153.05	153.90	152.25	153.05	-.35	10,492
Platinum (NYM)-50 troy oz.; \$ per troy oz.													
Silver (CMX)-5,000 troy oz.; \$ per troy oz.													
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.													
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.													
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.													
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.													
Oats (CBT)-5,000 bu.; cents per bu.													
Soybeans (CBT)-5,000 bu.; cents per bu.													
Swiss Franc (CME)-CHF 125,000;\$ per CHF													
Japanese Yen (CME)-¥125,000,\$ per 100Y													
Canadian Dollar (CME)-\$100,000;\$ per CAD													
British Pound (CME)-£62,500;\$ per £													
Swiss Franc (CME)-CHF 125,000;\$ per CHF													
Australian Dollar (CME)-AUD 100,000;\$ per AUD													
Mexican Peso (CME)-MXN 500,000;\$ per MXN													
Euro (CME)-€125,000;\$ per €													
Wheat (CBT)-5,000 bu.; cents per bu.													
Crude oil and petroleum prod	1,223,058	...	1,225	1,303	1,221	1,247	10,158	...	10,121	10,496	10,406	9,324	
Crude oil excluding SPR	405,792	-1,000	408	458	409	424	7,485	...	7,518	7,905	7,987	7,485	
Gasoline	232,774	...	234	230	234	218	868	...	817	839	821	549	
Finished gasoline	22,329	100	24	25	23	31	18	...	56	13	70	37	
Reformulated	46	...	0	0	0	0	0	...	0	0	0	0	
Conventional	22,283	...	24	25	23	31	18	...	56	13	70	37	
Blend. components	210,445	...	210	205	210	188	850	...	761	826	751	512	
Natural gas (bcf)	2,435	...	2	3	2	3	
Kerosene-type													
jet fuel	41,287	...	42	39	41	40	197	...	188	259	163	140	
Distillates	130,001	1,800	131	149	129	144	274	...	145	84	191	118	
Heating oil	8,082	...	9	10	8	14	8	...	23	0	14	31	
Diesel	121,919	...	122	139	121	130	266	...	122	84	176	87	
Residual fuel oil	28,107	...	28	35	28	37	194	...	473	159	287	195	
Other oils	290,636	...	289	297	289	280	998	...	886	1,111	850	748	
Net crude, petroleum products, incl. SPR	1,883,070	...	1,885	1,982	1,881	1,938	3,532	...	3,593	5,085	3,638	5,509	

Agriculture Futures

Interest Rate Futures

	Interest Rate Futures					
Treasury Bonds (CBT) -\$100,000;pts 32nds of 100%						

Sept	144-160	144-240	144-080	144-190	5.0	297,077
Dec	143-250	144-010	143-160	143-270	5.0	624,005
Treasury Notes (CBT) -\$100,000;pts 32nds of 100%						
Sept	120-040	120-080	119-310	120-030	...	1,534,253
Dec	119-315	120-040	119-275	119-310	...	5,260,249
5 Yr. Treasury Notes (CBT) -\$100,000;pts 32nds of 100%						
Sept	113-150	113-172	113-117	113-132	...	2,126,123
Dec	113-075	113-097	113-040	113-057	...	2,154,029
2 Yr. Treasury Notes (CBT) -\$200,000;pts 32nds of 100%						
Sept	105-237	105-245	105-225	105-230	...	1,612,023
Dec	105-197	105-202	105-177	105-185	...	1,612,023
30 Day Federal Funds (CBT) -\$5,000,000;100- daily avg.						
Aug	98.085	98.085	98.085	98.083	...	223,165
Oct	97.840	97.845	97.840	97.840	...	368,113
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000;pts 32nds of 100%						
Sept	95.625	95.656	95.531	95.641	-.047	30,106

Currency Futures

	Currency Futures					
Japanese Yen (CME) -¥125,000;\$ per 100Y						

Sept	.9004	.9010	.8953	.8964	-.0039	177,847
Dec	.9063	.9067	.9013	.9023	-.0039	4,859
Canadian Dollar (CME) -\$100,000;\$ per CAD						
Sept	.7735	.7753	.7716	.7745	-.0009	139,785
Dec	.7749	.7763	.7730	.7758	-.0009	5,989
British Pound (CME) -£6						

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, August 29, 2018

Net

Stock Sym Close Chg

BUSINESS & FINANCE

Puerto Rico Creditor Group Starts Talks

By MATT WIRZ

Investment funds owning about \$1.9 billion of Puerto Rico's general-obligation bonds have formed a committee to negotiate a consensual restructuring with the commonwealth and the federal oversight board that manages its finances, people familiar with the matter said.

Members of the committee are seeking to differentiate themselves from a pre-existing group of general obligation bondholders that includes **Aurelius Capital Management** LP, which is fighting the board and the island's government in litigation, the people said.

The new group organized in August after the oversight board reached important deals with holders of Puerto Rico's two other largest classes of debt—bonds issued by its power utility and its sales-tax authority—raising hopes that general obligation creditors might also broker a settlement.

The committee includes hedge funds **Fir Tree Partners** and **Mason Capital Management** LLC and mutual-fund



A laborer restores power in Puerto Rico. The hurricane-slammed island's electrical grid is still shaky.

manager **First Pacific Advisors** LLC, according to a bankruptcy-court filing.

The formation of the new group increases the likelihood that Puerto Rico will settle with its last large group of bond investors, potentially paving the way for a global re-

structuring of its finances.

Prices of Puerto Rico's \$3.5 billion general obligation bond due in 2035 have risen about 33% this month to 53 cents on the dollar, according to data from the Municipal Securities Rulemaking Board.

Brokering restructurings

with investment funds that own much of its \$70 billion of bonds is critical for Puerto Rico because it needs to regain access to capital markets as a precondition for the removal of the oversight board. Litigation with creditors also has grown expensive for the island

Restructuring Rally

The prospect of a restructuring deal is lifting Puerto Rico general obligation bond prices.

Puerto Rico GO bond due 2035

55 cents on the dollar



Source: FactSet

THE WALL STREET JOURNAL.

since it entered bankruptcy court in May 2017. Legal fees are expected to exceed \$1.1 billion over six years.

Relations between Puerto Rico and general obligation creditors have been frosty for much of the past two years. Fiscal plans published by the

government and oversight board last year left little to repay its \$13 billion of general obligation bonds. Aurelius is suing the board, contending its appointment was unconstitutional.

The committee Aurelius is part of also has argued that general obligation bondholders should have first claim on tax revenues before holders of about \$18 billion of bonds issued by the island's sales-tax authority known as Cofina.

"We have participated in constructive negotiation with the [Oversight] Board, and we hope that will continue," a spokesman for the committee that includes Aurelius said. "We've submitted proposals that would have achieved a consensual outcome, and we would welcome the Board's engagement and commitment to a solution."

The oversight board reached an agreement in early August with a committee of Cofina bondholders granting them claim on a portion of sales-tax revenues and average recoveries of 74.5% of face value.

New York Life Reworks Care Coverage

By LESLIE SCISM

New York Life Insurance Co. is trying to find a new way to sell a product that some middle-class customers don't want to buy anymore.

The company said it recently started offering a simplified version of long-term-care insurance that makes the coverage easier to understand and more predictable in cost. Such policies are used to pay for nursing homes, assisted living and personal aides when older Americans become unable to take care of themselves.

The move from New York Life comes as this niche of the insurance industry is in turmoil. Many insurers that specialize in long-term care are struggling because of pricing mistakes on older policies that resulted in steep premium-rate increases on many longtime customers and large charges against earnings.

The new offering is one of very few long-term-care policy

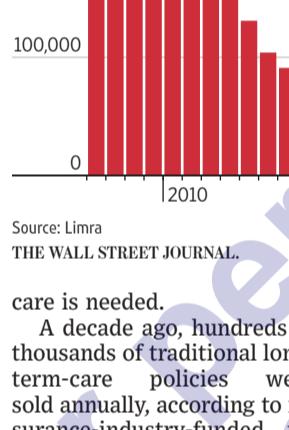
introductions of the past five years, according to insurance industry organizations, consultants and academics. It is designed to appeal to middle-class consumers. The longtime seller of such coverage will continue offering its existing stand-alone product.

"It's a way of expanding the market," said Aaron Ball, head of New York Life's long-term care solutions business. "Unfortunately, you can't take the 'Cadillac' coverage that was traditionally sold a decade ago and just make it less expensive, but you can change the design and get to a much more affordable plan, and still provide robust coverage that helps protect most consumers."

When the long-term-care insurance industry took off in the 1990s, the product was pitched as a way for ordinary American families to avoid draining their savings, leaning on children or enrolling in the federal-state Medicaid program for the poor if custodial

Out of Favor

Sales of long-term-care policies have been sliding for years.



Source: Limra
THE WALL STREET JOURNAL.

that number had dropped to 67,000 among roughly a dozen carriers still in the business, according to Limra.

The new policies from New York Life will generally cost at least \$100 to \$150 a month per person, depending on age and designated benefit level. As much as \$500,000 in future payouts for a couple is available. The cost will generally be in the midrange of top-selling products, according to industry figures.

The insurer is scrapping use of "elimination periods," which are typically 90-day waiting periods before the policies pay out. Instead, it is using a one-time deductible, a specified amount of money that a policyholder is responsible for paying.

New York Life isn't guaranteeing that the initially charged premium rates will stay level for a person's lifetime, but the company said it is pricing the policies conservatively to help minimize the need for future rate increases.

NFL Player Charged In Insider-Trading Case

By SCOTT CALVERT
AND ANDREW BEATON

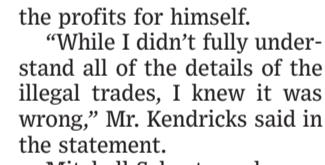
79% to 393%.

Mr. Sonoiki, of Beverly Hills, Calif., will plead guilty, said his attorney, Mark Wilson. "He was working as an analyst, he overheard information and he passed it on," said Mr. Wilson, an assistant federal defender.

Goldman Sachs said: "We are aware of the situation regarding Mr. Sonoiki, who left Goldman Sachs over three years ago, and are cooperating with legal authorities. Protecting confidential information is our highest priority and we condemn Mr. Sonoiki's alleged behavior."

In a statement, Mr. Kendricks admitted to participating in insider trading and apologized. He described Mr. Sonoiki as a "former friend" he believed he could trust because of his past as a Harvard-educated Goldman Sachs employee.

Mr. Kendricks said he has fully cooperated with investigators and didn't take any of



Prosecutors say Mychal Kendricks could face up to 25 years in prison and large fines.

Chinese Electric-Car Maker Launches IPO

By JOANNE CHIU
AND TREFOR MOSS

aiming for earlier this year, when the company hoped to raise at least \$2 billion.

NIO was incorporated in 2014 by Chinese entrepreneur Bin Li, who serves as the company's chief executive and will control 48.3% of the company's voting rights after the IPO.

The company late last year launched its first production car model—a seven-seater electric sport-utility vehicle—and by July had delivered close to 500 vehicles to customers. It said in its listing prospectus that it had 15,761 unfulfilled reservations for the vehicle.

NIO also plans to launch a second, smaller SUV this year, with deliveries expected to start during the first half of 2019.

NIO has yet to turn a profit. The company generated revenue of \$7 million in the first half of 2018 and reported a net loss of \$503 million, according to its prospectus.

The company was last valued at \$5 billion in a private capital raising in November



China's electric-vehicle sector has experienced strong growth.

2017, NIO's other shareholders include entities affiliated with Chinese internet giant **Tencent Holdings** Ltd. and China-focused investment firm **Hillhouse Capital Group**.

Hillhouse, which controls entities with a 7.5% stake in NIO, plans to buy at least \$150 million worth of the IPO shares, people familiar with the matter said.

NIO is riding on strong

growth in China's booming electric-vehicle market. It has been spending heavily on lavish events and marketing efforts to attract attention in a country that is home to roughly 500 electric-car makers. It rented a large stadium for the launch of its first car in Beijing last year, flying in thousands of employees.

—Julie Steinberg

contributed to this article.

In return for the tips, prosecutors allege, Mr. Kendricks rewarded Mr. Sonoiki with about \$10,000 in cash and perks such as Eagles tickets and an invitation to pop star Teyana Taylor's music-video set. Authorities say Messrs. Kendricks and Sonoiki tried to hide their crimes by talking over FaceTime and using code words in text messages.

Prosecutors and the SEC said the insider trading involved deals with four public companies: Compupware Corp., Move Inc., Sapient Corp. and Oplink Communications.

Mr. Kendricks allegedly made a profit of about \$78,000 from his Compupware investments, about \$279,000 from Move, about \$489,000 from Sapient and about \$352,000 from Oplink. Authorities say his profit margin ranged from

the profits for himself. "While I didn't fully understand all of the details of the illegal trades, I knew it was wrong," Mr. Kendricks said in the statement.

Mitchell Schuster, a lawyer representing Mr. Kendricks at the firm Meister Seelig & Fein LLP, said he expects his client to plead guilty.

The SEC lawsuit said Mr. Kendricks met Mr. Sonoiki at a party in late 2013 and that they stayed in touch. A spokesman for the NFL said the league is aware of Wednesday's developments and will review the matter. The Browns said the team is in communication with the league office as it gathers more information and said Mr. Kendricks won't travel to Detroit for the Browns' final pre-season game.

Mutual Funds

Data provided by LIPPER

Wednesday, August 29, 2018	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret	Net YTD NAV Chg %Ret
American Century Inv	102.11 +0.59 10.4	Baird Funds	21.62 +0.09 -5.9	JP Morgan R Class	11.28 -0.03 -0.8	Income	NA	Int'l BdXlnst	21.83 -0.01 1.2	TotInt'lBdXlnst	10.92 ... 1.2
Ultra	52.43 +0.52 20.8	Int'l Bnd	10.55 ...	SrsEmergMkt	19.56 +0.01 -8.6	IMC Funds Instl	NA	Int'lGblRtn	29.52 -0.03 -2.0	Wells	26.77 +0.03 0.7
American Funds CI A	102.11 +0.59 10.3	Int'lGrd	20.31 +0.19 22.1	SrsGroRetail	16.62 +0.07 2.9	Tweedy Browne Fds	NA	WellsAdm	73.31 +0.07 10.8	Wellntr	43.08 +0.12 3.8
AmCtct p	34.82 +0.16 13.4	Int'lIdxPrem r	69.85 +0.25 12.7	SrsIntlGrw	10.45 +0.05 -2.2	VANGUARD ADMIRAL	NA	WellsDrsl	39.83 +0.14 6.3		
AmCtct p	42.91 +0.14 6.6	Int'lRtdPm	42.83 +0.18 -0.7	SrsIntlVal	10.38 ...	Price Funds	NA	WellsAdm	43.47 +0.13 6.2	VANGUARD INDEX FDS	
BalA p	28.06 +0.08 4.3	Int'lRtdPm	15.76 +0.09 10.4	TotalBond	10.38 ...	Lazard Instl	NA	WellsAdm	70.68 +0.25 6.3	WellsDrsl	500 10.41 +1.55 10.3
BondA p	12.56 -0.01 -1.2	Int'lRtdPm	84.30 +0.45 10.8	TMKtdIdxF	NA	ErgMktEq	17.35 +0.03 -13.0	WellsDrsl	76.88 +0.07 3.9	WellsDrsl	10.41 ...
CapIBA p	61.07 +0.14 2.7	Int'lRtdPm	84.29 +0.45 10.8	TMKtdIdxPm	NA	Fir Eagle Funds	NA	WellsDrsl	77.01 +0.07 2.0	WellsDrsl	10.41 +0.07 -2.0
CapWGRa	51.80 +0.23 2.4	Int'lRtdPm	84.29 +0.45 10.8	TMKtdIdxPm	NA	Lord Abbott F	NA	WellsDrsl	77.27 +0.07 39.7	WellsDrsl	10.41 +0.07 -2.0
EupAcA p	54.22 +0.19 -0.7	Int'lRtdPm	84.29 +0.45 10.8	TMKtdIdxPm	NA	FPA Funds	NA	WellsDrsl	77.27 +0.07 39.7	WellsDrsl	10.41 +0.07 -2.0

MARKETS

Treasurys Steady as Auctions Conclude

BY SAM GOLDFARB

U.S. government bonds were little changed as investors reached the end of a three-day stretch of Treasury auctions.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.882%, compared with 2.884% Tuesday.

CREDIT MARKETS Yields, which rise when bond prices fall, have edged higher in recent days—moving back to the middle of their narrow summer trading range—as a flood of new Treasury notes have entered into the market.

Wednesday's \$31 billion auction of seven-year notes followed a \$37 billion sale of five-year notes Tuesday and a \$36 billion auction of two-year notes Monday.

New supply of Treasury debt tends to push up yields on existing bonds, particularly when auction sizes are getting larger, as they are now because of an expanding federal budget deficit.

Other conditions that typically drive up yields—strong U.S. economic data and a campaign by the Federal Reserve to raise short-term interest

New supply of Treasury debt tends to push up yields on existing bonds.

rates—have also been in place this year.

Still, yields have been contained by other factors.

While U.S. economic data have been largely encouraging, persistent concerns remain about the outlook outside of the country.

Meanwhile, robust economic growth has yet to lead to a large pickup in U.S. inflation, which is a main threat to the value of bonds.

Though many investors keep expecting yields to rise, it is the “global component and inflation that’s keeping us here,” said Priya Misra, head of global rates strategy at TD Securities in New York.

The Fed’s preferred gauge of inflation, the price index for personal-consumption expenditures, has hovered around the central bank’s 2% annual target in recent months.

The index will be updated Thursday with data from July. Economists surveyed by The Wall Street Journal expect it to show core prices, which exclude volatile food and energy categories, rose 2% from a year earlier.

That would be up from the 1.9% increase in June.

AUCTION RESULTS

Here are the results of Wednesday'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.

SEVEN-YEAR NOTES

Applications \$84,354,343,100
Accepted bids \$33,184,943,100
"noncompetitively" \$14,554,900
"foreign noncompetitively" \$0
Auction price (rate) 99,407159
(2.844%)

Interest rate 2.750%
Bids at clearing yield accepted 49,68%
Cusip number 912828420

The notes, dated Aug. 31, 2018, mature on Aug. 31, 2025.

ONE-YEAR, 11-MONTH FRNs

Applications \$51,241,660,200
Accepted bids \$18,198,222,700
"noncompetitively" \$25,290,100
Spread 0.043%
Bids at clearing yield accepted 66,65%
Cusip number 912828Y53

The floating-rate notes, dated Aug. 31, 2018, mature on July 31, 2020.

Small-Caps Gain Big, For Now

Continued from page B1

Small-cap stocks also often swing more than the rest of the market and can suffer sharp reversals. That is a tendency some analysts say could be exacerbated if the market has underestimated the risks of trade wars and tariffs, which could spill over to small companies since many are suppliers to the large companies. And the run-up has

Internet, Software Stocks Lift S&P

BY DAVID HODARI
AND AMRITH RAMKUMAR

Gains in technology shares lifted U.S. stocks Wednesday, propelling major indexes to a fourth straight session of gains as investors monitored the latest trade developments.

Optimism about trade has buoyed stocks recently, as the U.S. struck

WEDNESDAY'S MARKETS

a deal with Mexico this week and has charted a path to resolve its tariff fight with China.

Worries that protectionist policies would weaken the global economy have hurt markets throughout the year, but some analysts view the most recent developments as a sign the Trump administration wants to avoid growth-hindering policies.

Still, after markets rejoiced Monday following news of the agreement with Mexico, investors are waiting to see if other compromises will follow. Some remain skeptical the U.S. and China can reach a timely deal, after months of escalating rhetoric between the world's

largest economies.

With trade uncertainty hanging over markets, some investors continue to favor technology firms that have steadily increased revenue and are less sensitive to global growth.

“These are the big growers in terms of sales,” said John Toohey, head of equities at USAA Asset Management. “That’s all still attractive to investors at a time when there’s relatively low growth economically worldwide.”

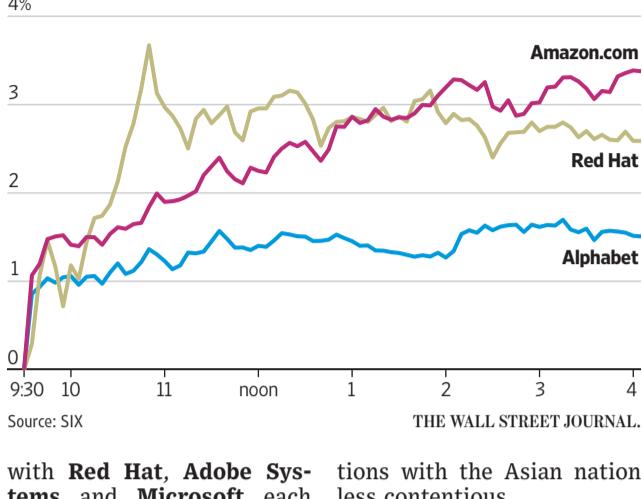
The S&P 500 added 16.52 points, or 0.6%, to 2914.04, while the tech-heavy Nasdaq Composite climbed 79.65 points, or 1%, to 8109.69. Both indexes set records. The Dow Jones Industrial Average erased early losses and closed up 60.55 points, or 0.2%, at 26124.57.

Amazon.com and Google parent **Alphabet** were among the S&P 500’s leaders after Morgan Stanley raised price targets on the internet stalwarts. Amazon rose \$65.28, or 3.4%, to \$1,998.10, while Alphabet climbed \$18.79, or 1.5%, to \$1,264.65.

Software firms also surged,

Powered Up

Technology and internet firms continued to lift major indexes on Wednesday.

Performance, in five-minute intervals

Source: SIX

with **Red Hat**, **Adobe Systems** and **Microsoft** each climbing more than 1.5%.

Even within the technology sector, investors have generally favored software and internet companies less dependent on trade, particularly with China.

Some hope agreements with Canada and the European Union will make negotia-

tions with the Asian nation less contentious. Canadian Foreign Minister Chrystia Freeland said bilateral talks with the Trump administration toward a revamped North American Free Trade Agreement kicked off in earnest Wednesday and reiterated her optimism now that issues related to automobiles are largely resolved.

“We may see quick deals with the likes of Mexico, Canada and the EU, whereas the discussion with China seems more deeply entrenched,” said Kiran Ganesh, head of investment advice solutions at UBS Global Wealth Management.

Despite worries that weakness in Turkey and other emerging markets will spread, resilient economic and earnings data have supported stocks.

U.S. economic growth was slightly stronger during the second quarter than an earlier estimate, the Commerce Department said, and corporate profits continue to grow steadily.

Investors are looking to Thursday inflation data for the latest reading on consumer prices, as some remain concerned that gradually accelerating inflation and rising interest rates could threaten corporate profits.

Elsewhere, the Stoxx Europe 600 added 0.3%. In Asia early Thursday, Japan’s Nikkei was up 0.7%, while the Shanghai Composite Index and Hong Kong’s Hang Seng were each up less than 0.1%.

Top Banks In China Unbowed

BY MIKE BIRD

Results from three of China’s four biggest banks suggest its megabankers are holding up well, despite Beijing’s efforts to slow the buildup of leverage, and signs of economic strain.

After results came out, shares in **Agricultural Bank of China** rose 1.3% on Wednesday, while **Bank of China** and **China Construction Bank** fell 0.8% and 0.9% respectively. Larger peer **Industrial & Commercial Bank of China** has yet to report.

Net interest income rose by between 7.1% and 10.7% for the three banks in the first six months of 2018, compared with the same period a year earlier, while total assets rose at each bank. Stocks of non-performing loans rose at two of the three banks, but fell as a proportion of each bank’s total loan book.

The results of China’s large banks, which dominate the financial system, are being closely watched to see if Beijing’s deleveraging campaign is hurting their balance sheets or their ability to win new business.

More recently, the government has implemented a handful of stimulus measures in the face of slowing growth and trade tensions with the U.S., but most of the measures came into force either late in the banks’ reporting period or after June 30.

China’s banks are some of the world’s largest by assets and by market capitalization. With market values of between \$185 billion and \$283 billion, according to Thomson Reuters, they are outranked only by **JPMorgan Chase, Bank of America** and **Wells Fargo**.

To date they have been largely shunned by Western investors, but are likely to become increasingly relevant. As mainland Chinese shares become a larger part of MSCI’s influential emerging-market index, more overseas capital will flow into Chinese bank stocks, strategists at BNP Paribas say.

Analysts say the trio’s resilience is partly because they are better-placed than smaller peers, and partly because the clampdown on financial risk is far from over.

“I think we’re still quite early in the process of credit tightening,” said Jason Bedford, executive director of research on Asian financials at UBS. “Many of the regional banks are seeing total assets contract, and they tend to be much more important for local economies and small companies,” he added.

Analysts at BCA Research argue that investors should bet on China’s five largest banks over their small and regional peers, since the deleveraging campaign means Beijing is more likely to rely on fiscal policy than easier credit to shore up growth.



The Turkish lira has lost 40% of its value against the dollar this year and sent ripples through the global financial system.

Turkish Central Bank Jars Investors

BY DAVID GAUTHIER-VILLARS

ISTANBUL—Turkey’s central bank took steps to undo some of the emergency support it provided to its banks in recent weeks, reviving investor concerns over the nation’s financial stability as the lira continued its slide against the dollar.

Ratings firm Moody’s Investors Service also shook investors by downgrading 18 Turkish banks on fears they will face growing difficulties in refinancing foreign-currency loans.

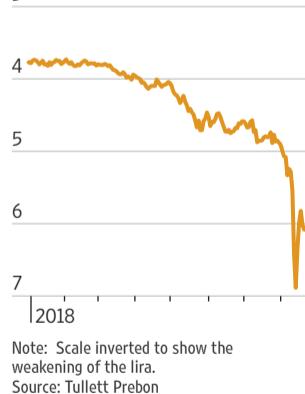
“There is a heightened risk of a downside funding scenario,” the ratings agency said in a research note.

Turkey’s finance minister, Berat Albayrak, son-in-law of President Recep Tayyip Erdogan, remained unconcerned.

“We do not see a big risk about Turkey’s economy or financial system,” he told reporters on a plane returning

Back Down

How many Turkish lira \$1 buys



Note: Scale inverted to show the weakening of the lira.

Source: Tullett Prebon

THE WALL STREET JOURNAL.

from Paris, according to Turkish media.

Mr. Albayrak has said he would announce a package of economic measures next month to address debt issues and inflation, which reached 16% last month.

The collapse of the lira—it has lost 40% of its value

against the dollar this year—has sent ripples through the global financial system, raising concerns about the exposure of some European banks and denting investor appetite for emerging markets. Analysts fear mass defaults will weigh on Turkish banks.

Late in the day Wednesday, \$1 bought 6.48 lira, compared with 6.27 lira Tuesday.

Turkey’s central bank had pledged to provide banks with all the liquidity they needed earlier this month, after the lira had tumbled to its lowest reading ever against the dollar. It reintroduced a ceiling on such borrowing, in effect limiting banks’ access to short-term funding.

Analysts said the move would do little to cure Turkey’s acute financial problems, which range from galloping inflation to growing fears that the nation’s banks and corporations won’t be able to cope with hefty foreign-currency debt. Rather, they are watching the central

bank’s next policy meeting in September to see if the institution increases interest rates.

“Everyone knows that what Turkish policy makers need to do to restore shattered confidence among investors is to officially raise interest rates on Sept. 13,” said Piotr Matys, a strategist at Rabobank in London.

Widely regarded as the most common way to combat inflation, increasing interest rates has been fraught with controversy in Turkey because President Erdogan has said it harms the economy.

In Germany, the government is considering providing emergency financial assistance to Turkey as concerns grow in Berlin that a full-blown economic crisis could destabilize the region, officials said.

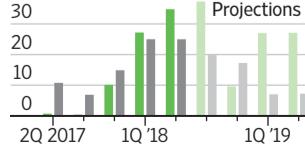
Adding to investor concerns, Ankara and Washington have failed to resolve a dispute over the detention of a U.S. pastor in Turkey.

Sustained Growth

The Russell 2000 index of small companies is projected to grow earnings faster than the S&P 500 in early 2019.

Earnings growth from a year earlier

Russell 2000 ■ S&P 500



Note: Russell 2000 earnings data are as of Aug. 9.

Sources: Stifel Financial Corp., Bloomberg (Russell 2000 earnings); FactSet (S&P 500 earnings)

THE WALL STREET JOURNAL.

stretched valuations of many small-cap companies to their highest levels of the year.

For now, investors are betting the trade spat between Washington and Beijing and other allies will continue to have a bigger impact on multinationals that get revenue from overseas. The S&P 500 gets about 30% of its revenue from outside the U.S., while Russell 2000 companies have foreign exposure of about 21%, according to Bank of America Merrill Lynch.

Beyond trade, some money managers say the earnings gains could continue because investors are underpricing the current economic boom, with some failing to see small-cap companies are poised to ride the up-

swing in sales and consumer spending to even higher earnings next year after the immediate benefits of the tax cut fade.

Solid consumer spending,

MARKETS

Home-Builder Shares Miss Out on Rally

BY AKANE OTANI

Shares of home builders are struggling to catch up with the broader market, pointing to a potential trouble spot in an otherwise resilient U.S. economy.

Consumer confidence tracking near 18-year highs, strong corporate earnings and soaring retail sales haven't translated into gains across the housing market—something that has kept home-builder shares from reclaiming the highs they hit at the start of the year.

Even as the broader stock market has clawed its way back to highs, big publicly traded home builders have lagged behind, with shares of Lennar Corp. down 17% this year, D.R. Horton Inc. losing 11%, Toll Brothers Inc. down 23% and PulteGroup Inc. shedding 15%. In comparison, the S&P 500 is up 9% this year.

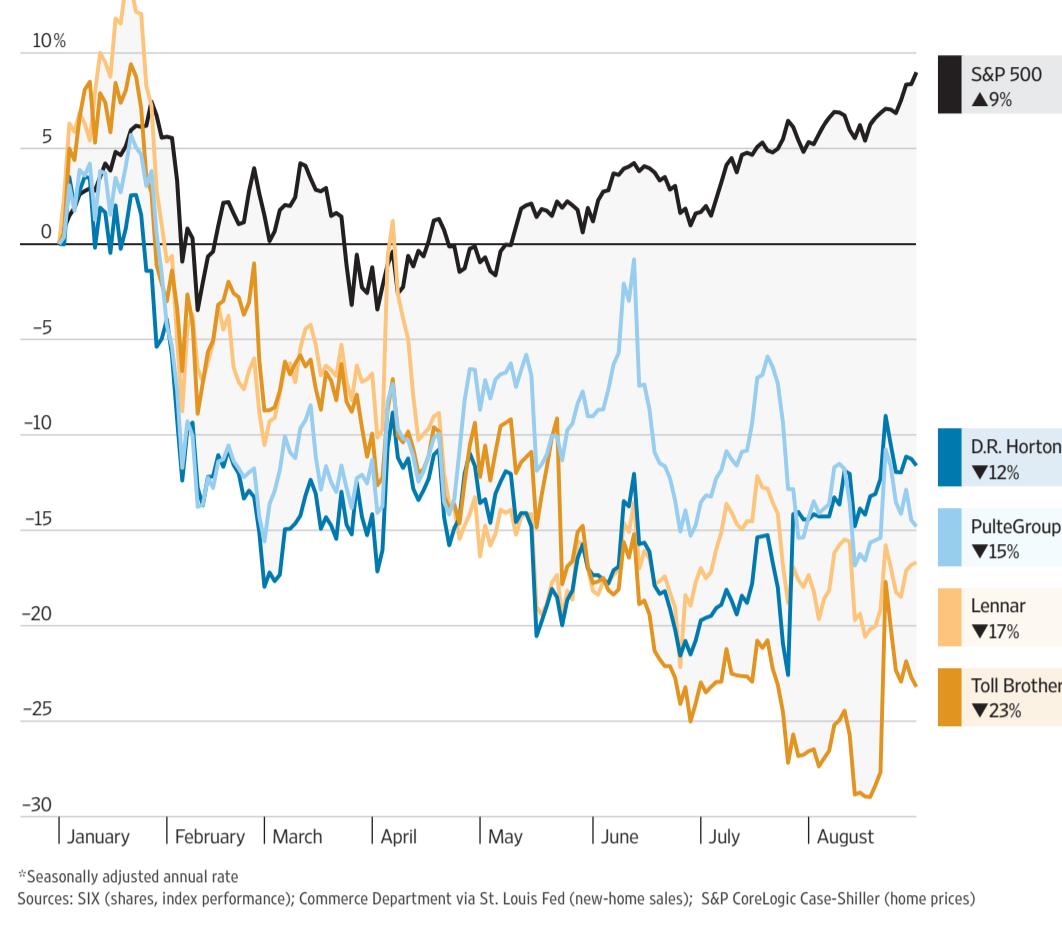
Part of the problem stems from disappointing housing data. Average home prices in major metropolitan areas of the U.S. have slowed for three consecutive months, according to data released Tuesday from S&P Dow Jones Indices.

Yet slowing home-price increases haven't done much to draw buyers into the market: Existing-home sales have fallen for four consecutive months, the longest such slide in five years, as mortgage rates have risen and buyers have been squeezed by the limited inventory of affordable housing.

Data Wednesday showed the number of homes across the U.S. that went under contract unexpectedly fell in July, declining on an annual basis for the seventh consecutive month, according to the National Association of Realtors.

The streak of data have been notable enough to catch the attention of Federal Reserve officials, who flagged

Companies that build homes have fallen behind the rest of the stock market as data have shown the U.S. housing market cooling.

Share-price and index performance, year to date

*Seasonally adjusted annual rate

Sources: SIX (shares, index performance); Commerce Department via St. Louis Fed (new-home sales); S&P CoreLogic Case-Shiller (home prices)

the possibility of a "significant weakening in the housing sector" as an economic risk in minutes from their July 31-Aug. 1 meeting.

"With the FOMC having elevated housing to a key downside risk to the U.S. economy...[disappointing data] should continue to raise caution around the housing market, though current levels are still suggesting resilient growth," said Jon Hill, rates strategist at BMO Capital Markets, in an email.

Some of the weakness may be temporary; analysts hope

that a buoyant labor market, plus strong consumer confidence, will help offset the recent rise in mortgage rates.

"Confidence is soaring to new heights which makes us bullish on growth and forecasts that this expansion may indeed shatter records for longevity next summer," said Chris Rupkey, chief financial economist at MUFG, in an email.

"The consumer says the economic times we live in is better than you think"

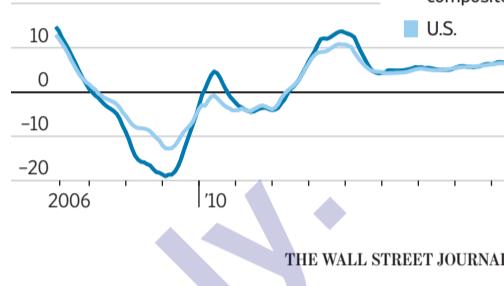
Shares of companies offering consumers ways to spruce

up their homes have also held up relatively well, suggesting that investors aren't betting on a complete pullback in spending.

Big-box retailer **Home Depot** Inc. has risen 6.4% this year, adding to gains after soaring 41% in 2017.

The company raised its earnings and sales target for the year in mid-August, buoyed by spending among consumers for home-improvement materials and growing online sales.

"We feel very positive about the strength of the

Home-improvement companies' performance**Sales of new single-family homes in the U.S.*****Case-Shiller National Home Price Index, change from a year earlier**

consumer.

"We believe the slower residential starts and resales in June are more indicative of supply constraint than they are weakening demand."

Lowe's Cos., which reported stronger sales and profit for its latest quarter, is up 17%, while paint maker Sherwin-Williams Co. has jumped 11%.

Sherwin-Williams, among other companies, is holding out hope that the recent streak of lukewarm housing data has more to do with a shortage of homes on the market than a weakening

consumer.

"We believe the slower residential starts and resales in June are more indicative of supply constraint than they are weakening demand."

Yet the prolonged softness among home-builder stocks suggests investors still have their doubts.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

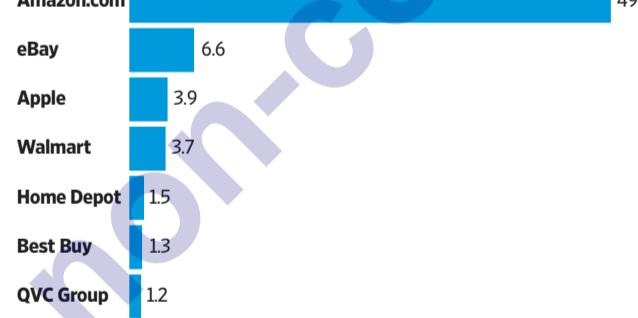
WSJ.com/Heard

Email: heard@wsj.com

Walmart Has Room to Rise Again

Jet Fueled

Estimated 2018 share of total e-commerce retail sales



Source: eMarketer

number of a year ago.

As a result, Walmart is deepening relationships with existing customers while reaching whole new audiences such as affluent, urban millennials who were the initial target customers for Jet.com, says Andrew Lipsman, retail analyst at research firm eMarketer.

In 2017, Walmart was the fourth-largest e-commerce company in the U.S. with around \$15 billion of sales,

according to eMarketer.

Importantly, Walmart is bringing its traditional focus on low prices to the online world. In a survey of online grocery prices, JPMorgan analysts found that Walmart's online prices were on average 5% below those of Kroger as of July, while prices on **Amazon.com's** Fresh service were 12% higher.

E-commerce has gotten big enough that it is pushing

up overall growth. Walmart says e-commerce channels contributed around 1 percentage point to second-quarter comparable-store sales growth. At 4.5%, comparable-store sales growth is running at the fastest pace in a decade.

At the same time, Walmart's core bricks-and-mortar business is doing what it does best. Wolfe Research analyst Scott Mushkin says that while competitors are raising prices to offset higher input and labor costs, Walmart is mostly holding back by squeezing suppliers and pitting them against one another. As a result, the price gap between Walmart and other grocers is widening and the company is gaining share, Mr. Mushkin says.

Its shares are trading at 19.7 times forward earnings, significantly higher than an average of 16 times over the past five years. But Walmart isn't the same company it was five years ago. As e-commerce momentum keeps building, its shares have room to run. —Aaron Back

OVERHEARD

Many investors share a similar regret: "Man, if I had invested in **Apple** way back when..."

But it turns out that there was an investment one could have made back in the day that was nearly as good: Apple's original computer, the Apple 1. A restored and fully functioning version will be auctioned on Sept. 25 with an estimated price of \$300,000. The original purchase price back in 1976 was a devilish \$666.

An original Apple share wasn't publicly available until four years later for \$22 apiece. After four stock splits, that comes to a cost basis of just under 40 cents. Not including dividends, the return has been 560 times the original investment compared with a return on the computer of a still impressive 450 times.

On an annualized basis, the stock has gained 18.1% compared with the computer's 15.7%. But then, the stock didn't come with an instruction manual.

Micron Has Good Reason To Spend

It might seem that money is burning a hole in **Micron Technology's** pocket, but the memory-chip maker has good reasons to be opening its wallet.

Over the past three quarters, Micron's capital expenditures have totaled about \$6.1 billion, excluding contributions from manufacturing partners, more than it has spent in any of its past full fiscal years. Capital spending for the fiscal year ending Friday is expected to surge 69% from the year before.

Making chips is expensive and getting even more so as shrinking chip sizes are now running up against constraints imposed by physics. **Samsung Electronics**, Micron's largest competitor in memory chips, nearly doubled its capital spending last year. **Intel Corp.** expects its capex to jump 27% this year, and the semiconductor giant still won't have chips rolling out in volume on its latest process until late 2019. Adding to the mix is an unprecedented state-sponsored effort in China to build up a domestic chip industry.

Micron's sales have been setting records over the past five quarters thanks to booming memory demand.

Free cash flow is expected to triple to a record \$10 billion this year. Micron therefore has no need to be parsimonious and it has some catching up to do anyway. Over the past five years, Micron's capital expenditures have averaged about 26% of annual revenue. CEO Sanjay Mehrotra says he is working to get the company to an industry norm in the low-30% range, so investors should expect more spending ahead.

In the chip business, fortune doesn't always favor the frugal. —Dan Gallagher

Aston Martin Must Prove It Is Worth \$6.4 Billion Valuation

Between Lanes

Multiples of enterprise value to Ebitda*



*Earnings before interest, taxes,

depreciation and amortization

Source: FactSet

first-half result of £106 million—also announced Wednesday—and a more intense production schedule for the second half. A multiple of 20 times is then re-

quired to justify a valuation of £5 billion.

Most car makers change hands for less than half that, but Ferrari is an exception. One of the late, great Sergio Marchionne's signature achievements was to convince investors that the Italian sports-car maker deserved to be valued like a luxury group.

Aston Martin wants to be the new Ferrari. This isn't completely far-fetched. The British brand makes even fewer cars—Ferrari shipped a total of 8,398 last year, compared with 5,117 for Aston Martin—and has a similar heritage. Demand exceeds supply: There are waiting

lists for Aston Martins, just as there are for Ferraris and the Birkin and Kelly bags Hermès is famous for.

But there are big differences too, most notably profitability, which is a decent proxy for brand power. Aston Martin expects an adjusted Ebitda margin of 23% this year. Ferrari's will be almost 33%, estimates HBSC. And Aston Martin's profitability is flattened by its habit of treating nearly all its research-and-development spending as a capital expense, which excludes it from the Ebitda calculation.

If research and development was treated as a regular operating expense, Aston Mar-

tin would have appeared money-losing last year, calculates brokerage Evercore ISI.

Another big difference is Aston Martin's accelerated growth strategy. It wants to push rapidly into both SUVs and luxury sedans. In 2020, the company expects to sell between 9,600 and 9,800 cars, roughly 50% more than this year. This is very bold for a company that also wants to keep demand running ahead of supply.

Aston Martin has yet to qualify for the luxury big leagues. The risk is that its plan to get there backfires. It needs to make investors a better offer.

—Stephen Wilmot

This is punchy for a company that expects to make between only 6,200 and 6,400 cars this year. Earnings before interest, taxes, depreciation and amortization could be somewhere around £250 million, based on the