

The Way We Read Now

REVIEW

WSJ

THE WALL STREET JOURNAL WEEKEND



Wallets Vs. Smartphones

OFF DUTY

DOW JONES | News Corp *****

SATURDAY/SUNDAY, AUGUST 4 - 5, 2018 ~ VOL. CCLXXII NO. 29

WSJ.com ★★★★ \$5.00

What's News

World-Wide

China is planning to impose tariffs on a majority of its U.S. imports, a move designed to match Trump administration threats that will further intensify tensions. **A1**

- ◆ **Pompeo promised** a new era of U.S. economic engagement with Southeast Asian countries. **A6**
- ◆ **The U.S. trade deficit** expanded in June at the fastest rate since November 2016. **A6**

- ◆ **The Treasury imposed** sanctions on a Russian bank, saying it violated U.N. bans on North Korea. **A7**

- ◆ **Probes into** alleged terror plots and killings sponsored by Iran have opened a new front in U.S. efforts to isolate Tehran. **A7**

- ◆ **An accountant for** Manafort told jurors she believed his tax returns falsely reduced his tax liability. **A4**

- ◆ **A federal judge** said the administration is responsible for finding immigrants deported or released into the U.S. without their children. **A3**

- ◆ **Lawmakers want** Twitter's CEO to testify about algorithms and decisions about content and data. **A4**

- ◆ **A Las Vegas police report** on the gunman who killed 58 people last year offered no conclusion about motive. **A3**

Business & Finance

- ◆ **Workers enjoyed** a strong start to summer, with low unemployment and steady wage gains offering fresh incentive to jump into the job market. **A1**

- ◆ **The SEC dropped** a probe into whether Exxon misled investors about its accounting practices and the risks that climate change posed to its business. **B1**

- ◆ **The Kushner family** has closed on a deal to unload its office tower at 666 Fifth Avenue in Manhattan. **B1**

- ◆ **U.S. stocks rose** Friday, lifting the S&P 500 to its fifth consecutive weekly gain. The Dow added 136.42 points to 25462.58. **B13**

- ◆ **Federal agencies** are scrutinizing how Wells Fargo purchased tax credits meant to fund housing for low-income people. **B12**

- ◆ **The NYSE's owner** said it is launching a new bitcoin company and futures contracts based on the digital currency. **B12**

- ◆ **Toyota delivered** a record profit for the latest quarter, saying it saw little impact from U.S. metals tariffs. **B3**

- ◆ **Amcor is in advanced** negotiations to acquire packaging rival Bemis. **B3**

Inside

OPINION A11
When Banks
Bailed Out
The Government

CONTENTS Style & Fashion D2-3
Books..... C7-12 Technology..... B5
Food..... D6-7 Travel..... D9-10
Head on Street..... B14 U.S. News..... A2-5
Obituaries..... A9 Weather..... A14
Opinion..... A11-12 Wknd Investor..... B4
Sports..... A14 World News..... A6-8

31648>
0 78908 63144 2

© 2018 Dow Jones & Company, Inc.
All Rights Reserved

NASA Counts Down to First Astronaut Launch From U.S. Since 2011

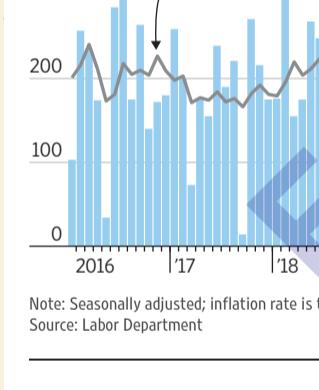


RIGHT STUFF: Nine astronauts assigned to ride new commercial capsules into orbit and bring crew launches back to the U.S. are introduced at NASA's Johnson Space Center. SpaceX and Boeing are aiming for a test flight of their capsules by the end of this year or early next. **A5**

Jobs Engine Hums Along

Growth Trend

Monthly change in nonfarm payrolls



Note: Seasonally adjusted; inflation rate is the all-items consumer-price index
Source: Labor Department

Change in average earnings and prices from a year earlier



THE WALL STREET JOURNAL

BY SARAH CHANEY

Workers enjoyed a strong start to summer, with low unemployment and steady wage gains offering fresh incentive to jump into the job market.

Employers slowed hiring in July, adding 157,000 to payrolls, but had bulked up more than previously reported in May and June, reflecting an economy expanding at near the fastest rate since the recession ended nearly a decade ago.

The unemployment rate ticked down to a seasonally adjusted 3.9% from 4% the prior month, to just above the best rate in two decades, the Labor Department said Friday.

The report comes a week af-

ter the government reported the U.S. economy grew this spring at a seasonally and inflation-adjusted annual rate of 4.1%, partly driven by strong consumer spending. Forecasting firm Macroeconomic Advisers raised its third-quarter GDP forecast to 3.1% following Friday's jobs report, saying the data showed incomes are growing.

Still, building inflation, which could be exacerbated by tariff disputes, threatens household spending power just as wage gains solidify.

In Friday's report, revised figures showed employers

Please turn to page A2

◆ Heard on the Street: Job math won't keep adding up..... B14

AT&T Overpaid Pensioners; Now It Wants the Cash Back

The telecom giant enlists a collection agency to go after ex-employees

By THEO FRANCIS

When James Mizelle retired in 2001, he started drawing a pension from his 27-year career with AT&T and other phone companies.

Fifteen years later, he got a letter saying his benefits were miscalculated and demanding he repay \$32,116.05. Mr. Mizelle, living in Round Hill, Va., replied that he couldn't repay. Within weeks, he heard from a collection agency.

"That money had been spent," says Mr. Mizelle, 70, who had incurred medical bills in a battle with prostate cancer. "I could not

pay it back."

The former programmer and human-resources worker is among potentially hundreds of ex-employees whom AT&T Inc. has dunned in recent years for what it calls pension "overpayments." AT&T sometimes has enlisted a collection agency to recover the money, a move retiree advocates, pension lawyers and some former Treasury Department officials call unusual.

Among them are 17 retirees from whom AT&T and Fidelity Investments, the pension plan's record-keeper, have demanded a combined \$1 million and who have contacted law

Please turn to page A10

America's Fanciest Busking Gig: A Gas Station in the Hamptons

* * *

Owner caters to swanky summer crowd with music, magic; 'Running on Empty'

By EMILY GLAZER

SOUTHAMPTON, N.Y.—When advertising executive Mark Preiser stopped for gas recently near his vacation home in this swanky summer resort town, he heard a guitarist playing soft rock near the pumps.

"I was a bit shocked to see a performer at a gas station," he says.

Stuart Markus is a full-time musician with one of the wackiest gigs around. Most summer weekends, he plays

for the Maserati and Ferrari crowd at Gas Hampton. The gas station, with its celebrity customers, fancied-up bathroom, live entertainment and colorful mural, is an unofficial gateway to the Hamptons. And it may be the best spot to play for tips in all of Long Island.

Mr. Markus's audience, mostly people coming or going to the Hamptons on Route 27, has an attention span not much longer than it takes to fill a tank. "It's definitely as

Please turn to page A10

EXCHANGE



HIDING MONEY
WAS EASY—
QUITTING WAS
HARDER

Russian Dissident Joined 'Killer' to Pull Fake Hit

By JAMES MARSON

KIEV, Ukraine—"Hello, I'm your killer," Oleksiy Tsymbalyuk said when he met Arkady Babchenko, a Russian dissident journalist, for the first time this spring.

The next time the two men saw each other, in late May, Mr. Babchenko was lying in a pool of pig's blood inside his Kiev apartment, which had been prepared to look like the setting for an assassin's hit.

"Good health!" Mr. Tsymbalyuk said, a typical Ukrainian greeting.

"Don't make me laugh," said Mr. Babchenko.

The next day, after photos of the scene were leaked on

line and news of his murder generated international condemnation, Mr. Babchenko appeared at a news conference to reveal the elaborate hoax. Ukraine's security service said the ruse had allowed the agency to foil a Russian plot, a rare victory after the killing of several Kremlin critics on the streets of the country's capital.

Ukrainian authorities also arrested Borys Herman, a businessman who they say has channeled money from Russia to activities aimed at undermining Ukraine's government. The security service said Mr. Herman paid Mr. Tsymbalyuk to conduct the hit; Mr. Herman later confirmed in a pretrial

Please turn to page A8

Fighting Flames From Above



A 747 firefighting aircraft makes a drop in front of advancing flames from a wildfire Thursday in Lakeport, Calif. Fires continued to rage in the northern part of the state. **A3**

line and news of his murder generated international condemnation, Mr. Babchenko appeared at a news conference to reveal the elaborate hoax. Ukraine's security service said the ruse had allowed the agency to foil a Russian plot, a rare victory after the killing of several Kremlin critics on the streets of the country's capital.

Ukrainian authorities also arrested Borys Herman, a businessman who they say has channeled money from Russia to activities aimed at undermining Ukraine's government. The security service said Mr. Herman paid Mr. Tsymbalyuk to conduct the hit; Mr. Herman later confirmed in a pretrial

Please turn to page A8

U.S. NEWS

THE NUMBERS | By Jo Craven McGinty

To Shop Smart, Mind the Percentages



A simple mathematical error leads shoppers to make mistakes when evaluating offers that promise to save them money.

Sometimes they inadvertently pick the priciest option. Sometimes they overestimate the benefit of a bargain. And sometimes they don't recognize that competing promotions offer identical savings.

The problem involves percentages.

Instead of comparing unit prices, shoppers tend to judge offers based on the size of the benefit. Getting 50% more of a product must be better than knocking 33% off its cost, right?

Wrong. The savings are identical, but on the fly, even savvy shoppers make mistakes.

"We did studies where we gave people calculators and told them these are the kinds of errors other people make," said Akshay Rao, a marketing professor at the University of Minnesota.

"We still found this error."

Understanding the choices consumers make helps marketers influence their deci-

sions. But the same errors also color perceptions of investment returns, measurements of things such as differences in fuel efficiency and results of public policies.

In one example, Dr. Rao described how standardized test scores in California fell by 60% then improved by an encouraging 70%.

What some failed to realize was that the result was still a net decrease of 32%.

Test yourself. Assume ice cream is on sale, and shoppers can receive a discount of 33% or pay the usual price and get 33% more ice cream free. Which option is better? Or are they the same?

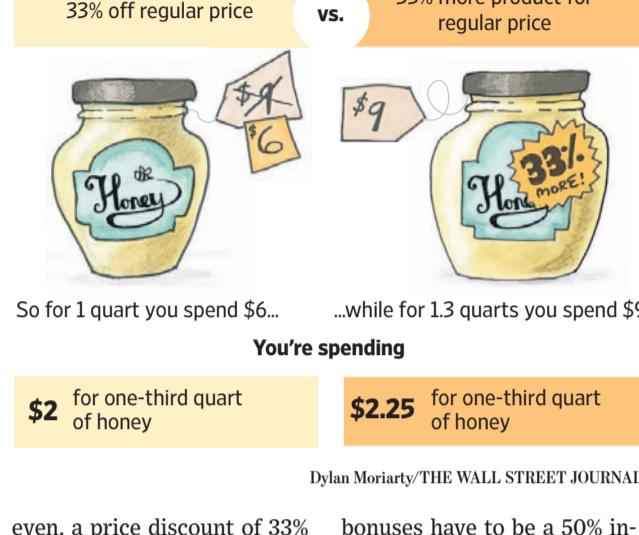
According to Dr. Rao, when two offers use the same percentage, consumers often perceive them to be equivalent. But in this case, the discount offers superior savings.

Here's how it works out. If a gallon of ice cream costs \$9, a 33% discount drops the price to \$6, or \$2 for each third of a gallon. With 33% more ice cream at no additional cost, each third (four in all) costs \$2.25.

For the two deals to break

Honey of a Deal

When two offers use the same percentage, consumers often perceive the savings to be equivalent. In this case, the discounted price is the better deal.



even, a price discount of 33% must be offset by a quantity bonus of 50%.

Consider a pound of coffee beans that normally costs \$15. If a shopper receives 50% more free, the price is \$5 for each half-pound. A discount of 33% reduces the original cost to \$10, which is also \$5 per half-pound.

"It's pernicious when the

bonuses have to be a 50% increase to be the same as a 33% reduction in price," Dr. Rao said. "People always go for the bonus."

One of the most common ploys used to sway consumers is the double discount.

A 40% discount on a \$1,000 suit drops the price to \$600. Marking the suit down twice, first by 20% and then

by an additional 25% decreases the cost to \$800 before shrinking it to \$600.

The deals are identical, but the double discount feels more generous. "The immediate reaction is that you are getting 45% off," Dr. Rao said.

The difference between an actual 40% discount and a perceived 45% discount might seem inconsequential, but research demonstrates that double discounts attract more buyers and generate more sales than economically equivalent single discounts.

This suggests consumers are innumerate, but there is evidence to the contrary. When products are expensive, percentage errors disappear indicating shoppers take greater care when more money is at stake.

To test responses to offers of discounts or bonuses along with shoppers' ability (or willingness) to calculate percentage change, Dr. Rao and his colleagues conducted several experiments.

In a retail store, they monitored consumer decisions when the same hand lotion was offered at 35% off the regular price or, alterna-

tively, with a bonus pack of 50% more lotion free.

In a large shopping mall, they asked shoppers to assess competing promotions for toothpaste and mouthwash in a survey they filled out at their own pace.

And in a laboratory, they enlisted volunteers to evaluate changing coffee prices with half the group warned that percentages are tricky and often lead to mistakes when the base associated with the percentage is ignored.

The experiments revealed that consumers generally favor product bonuses over price discounts, reduced quantities over increased prices and double discounts over single discounts.

When senior executives enroll in Dr. Rao's marketing classes, they acknowledge employing some sales tactics, but, he said, they don't fully understand the potential until he walks them through the paradigms.

"You see lights go off behind their wire rim glasses," he said. "Now they run off to do it again only better and smarter."

His advice to shoppers? Buyer be aware.

Relationship Was Consensual, Say Weinstein Lawyers

By CORINNE RAMEY

Lawyers for Harvey Weinstein are asking a judge to toss out criminal sex-crime charges, citing an extensive and affectionate email correspondence between the onetime powerful Hollywood producer and his alleged rape victim.

The request to dismiss the indictment, filed Friday, is a routine one that judges typically deny. But the filings offer the most detailed look yet at how Mr. Weinstein might defend himself at trial.

"These communications irrefutably reflect the true nature of this consensual intimate friendship, which never at any time included a forcible rape," Ben Brafman, a lawyer for Mr. Weinstein, said in a statement. Mr. Brafman argues prosecutors "intentionally kept" these emails from the grand jury.

A spokesman for the Manhattan district attorney's office, which is prosecuting the case, declined to comment.

Mr. Weinstein, 66 years old, faces charges of rape, predatory sexual assault and other crimes in state Supreme Court in Manhattan. Prosecutors say the charges stem from incidents with three separate women, which took place in 2004, 2006 and 2013. Mr. Weinstein has pleaded not guilty and denied nonconsensual sex.

Much of the filing revolves around the 2013 incident, although Mr. Weinstein's lawyers make arguments to discredit the other women as well. According to prosecutors' criminal complaint, on the morning of March 18, 2013, Mr. Weinstein forced the woman to have sex with him at an address that matches that of a Manhattan hotel. The complaint said that at the time, the woman "had clearly expressed her lack of consent to the act."

For this incident, Mr. Weinstein was charged with first-degree rape.

In the filings, Mr. Weinstein's lawyers argued prosecutors didn't present evidence to the grand jury that demonstrates a long-term, intimate relationship with that woman.

In dozens of emails included in the filings, Mr. Weinstein and the anonymous woman correspond in the manner of two busy—and flirty—people.

"I appreciate all you do for me, it shows," she wrote in April 2013. "It would be great to see you again, and catch up!" she wrote a few days later. "Miss you big guy," she wrote in September of that year.

Mr. Weinstein's responses are brief, kind and often logistical. They are signed "All my best." Replying to one email,



Court filings reveal cozy email exchanges between him and an alleged rape victim.

in which she said he crossed her mind, he writes, "Love to cross your mind it's my favorite exercise."

The correspondence is largely devoid of anything overtly sexual, with one notable exception. "I love you, always do," the woman wrote in an email in February 2017. "But I hate feeling like a booty call. :)" In the filing, Mr. Weinstein's lawyers suggest the "booty call" remark signals a desire for a "fuller and more emotionally connected relationship."

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal,

200 Burnett Rd., Chicago, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY, 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsjtrs@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: customercenter.wsj.com; By email: wsjsupport@wsj.comBy phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

REPRINTS & LICENSING

By email: customreprints@dowjones.com; By phone: 1-800-843-0008

GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS



A worker retouches the exterior paint on a bus at the New Flyer Industries Ltd. manufacturing facility in St. Cloud, Minn., in late July.

Data Show Strength in Job Market

Continued from Page One added 59,000 more jobs than previously reported the prior two months, pushing the three-month average for job gains to a healthy 224,000.

Economists generally expect hiring to ease in the later stages of an expansion, when workers are in short supply. Instead, through the first seven months of the year, employers added an average of 215,000 a month, an acceleration from last year's average through July of 184,000 a month.

As employers competed for workers, wages rose 2.7% for all workers in July from a year earlier, matching the rate for nonmanagers. That is lower than the roughly 4% annual pace for hourly wage gains for nonmanagers recorded in 2000, the last time the jobless rate held near a similarly low level.

But such wages have advanced at a 2.7% rate or better for the third straight month, the most solid stretch of gains in nine years. And that gain came even though the reference week for the Labor Department's establishment survey didn't include the 15th of the month, when many Americans are paid, which tends to subdue wage numbers.

A strong economy and growing paychecks mean more visitors are stopping by the Vineyard and Brewery at Hershey in Pennsylvania to sip wine and beer and listen to concerts. The 60-person company has added about 10 employees this year, and Michael Wilson, partner at the Vineyard, said the winery plans to hire one to three more employees by year-end.

Fed Likely on Track For Next Rate Boost

The July employment report is likely to keep the Federal Reserve on track to raise interest rates at its next meeting in September and does little to alter the outlook for gradually rising rates after that.

Officials are watching employment and inflation data carefully for clues that might tell them for how long they will need to keep raising rates beyond this year.

"People locally have been more apt to come out and enjoy our experiences with their disposable income," said Mr. Wilson, who has also noticed more tourists.

One reason employers have been able to hire is that the share of Americans working or looking for work has started to edge up after a long decline.

In July, the share of American adults who had jobs or were looking for one held at 62.9% after a June increase as more than 100,000 workers entered the labor force. The rate is up slightly from a recent low of 62.3% in 2015, but still near the smallest share of adults participating since the late 1970s.

The share of U.S. adults with a job rose to 60.5% last month, the highest rate since January 2009.

This is one sign in the labor market that employers are becoming open to a wider set of potential hires. Another is that the unemployment rate for workers 25 years and older with less than a high-school diploma hit 5.1% last month, the lowest rate for data tracking back to 1992.

The labor market has gotten tight, so the question is who can you bring on that you

for now, Fed officials would likely be relieved to see the rate of hiring slow and unemployment stabilize at current levels, all of which tamp down worries that growth is becoming unsustainable.

They would also welcome continued increases in the number of Americans looking for jobs, which would further suggest the economy isn't at risk of overheating.

The central bank held rates steady at its policy meeting that ended on Wednesday. It has raised the

federal-funds rate twice this year, most recently in June to a range between 1.75% and 2%. A majority of officials at that meeting penciled in at least two more rate increases this year.

The bank's policy statement on Wednesday repeatedly referred to the economy and labor markets as "strong," a signal that further gradual rate rises will be needed to keep the economy on an even keel, especially now that inflation has returned to the Fed's 2% target.

—Nick Timiraos

can make do with, who you think with a little bit of support and just a little bit of seasoning, they can figure out how to get done the steps you need done to do your business," said Josh Wright, chief economist at iCIMS Inc.

Friday's report suggests there are workers yet to hire. The broadest measure of unemployment, including those too discouraged to look for work, plus Americans stuck in part-time jobs who want to work full time, fell to 7.5% from 7.8% the prior month. But that rate, known as the U-6, remains somewhat elevated compared with the last time unemployment was similarly low. In December 2000, the broader measure was 6.9%.

Possible price increases for non-U.S. products due to tariffs adds another factor that could stoke stronger inflation alongside modestly rising wages, better consumer demand and rising global oil prices.

One question is whether wage growth keeps up. Economists expect the consumer price index rose 3% in July from a year earlier, well up from the 2.1% clocked at the beginning of the year. At that pace, raises are fully offset by inflation.

The Trading Diary table in Friday's Markets Digest incorrectly contained data from Wednesday's trading. The data from Thursday's trading is available at WSJ.com/Corrections.

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

CORRECTIONS & AMPLIFICATIONS

Applications for unemployment benefits fell in July to their lowest level since 1969. In some editions Friday, a U.S. Watch article incorrectly said the drop was earlier in August.

The Trading Diary table in Friday's Markets Digest incorrectly contained data from Wednesday's trading. The data from Thursday's trading is available at WSJ.com/Corrections.

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

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal,

200 Burnett Rd., Chicago, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY, 100

U.S. NEWS

U.S. Told To Find Deported Parents

By ALICIA A. CALDWELL

A federal judge said the Trump administration is responsible for finding hundreds of immigrant parents deported or released into the U.S. without their children in the wake of the government's policy of separating families at the Mexican border.

U.S. District Judge Dana Sabraw said not finding those parents, as many as 400 who may have been deported primarily to Central America, could leave hundreds of children permanently orphaned.

"That is 100% the responsibility of the administration," Judge Sabraw said during a hearing Friday in San Diego.

So far about a dozen deported parents had been located by civil-rights groups, nongovernmental organizations or lawyers, Justice Department lawyers and the American Civil Liberties Union said in a status report filed with the court Thursday.

Judge Sabraw said it was "just unacceptable at this point" that so few deported parents had been found and ordered the government to identify a single person or group team to create a detailed plan to find the remaining missing parents and reunite them with their children.

"I have to say it was disappointing in that there was not a plan proposed," Judge Sabraw said. He told the government that a process must be put in place so that children

More than 2,500 children were separated from their parents at the border.

aren't permanently orphaned "or if it does occur, it occurs on a very, very small percentage of these children."

Scott Stewart, a Justice Department lawyer, said Friday that the government was continuing to comb through records for the separated children to share additional information about the parents with the ACLU.

The judge also directed the ACLU, which sued the government over the practice of separating families at the border in February, to create a steering committee to work with the government on its efforts to locate the parents.

As many as 400 parents have been deported or otherwise left the U.S. without their children and around 80 others have been released into the U.S., the government said Friday.

More than 2,500 children were separated from their parents at the border, most after being caught crossing the border illegally.

President Trump signed an executive order ending the practice on June 20. About a week later Judge Sabraw ordered the government to reunite the separated children and parents and gave them four weeks to complete the task. More than 1,800 children were reconnected with their parents by the deadline.

The government said any parents who were deported without their children agreed to leave the U.S. alone. In some cases, the government said, children couldn't rejoin their parents because of a parent's criminal history or a parent waived the right to be reunified.

The Trump administration has been widely criticized for its policy of separating families and the lack of advanced planning to reunite families.

Cmdr. Jonathan White, the administration official in charge of the initial reunification effort, told a Senate panel this week that he warned the government about separating families while he was at the Health and Human Services Department's Office of Refugee Resettlement.

"Over the previous year, we raised a number of concerns in the ORR program about any policy which would result in family separation due to concerns we had about the best interest of the child," Mr. White testified.



DONALD KRAVITZ/GETTY IMAGES FOR DICK CLARK PRODUCTIONS



UNDERWOOD ARCHIVES/EVERETT COLLECTION

Cara Mund, right, was crowned Miss America 2018 in September. Past winners of the pageant, which started in 1921, have included actress Lee Meriwether, below.

Miss America Finances in Doubt

Pageant is in upheaval after email scandal and decision to drop swimsuit competition

By VALERIE BAUERLEIN

Miss America's troubles have moved beyond swimsuits and evening gowns as concerns mount about the organization's financial future.

State pageant directors pressed new Chief Executive Regina Hopper in late July for reassurance that the Miss America Organization had enough funding to put on the Sept. 9 pageant and reward all participants with scholarships.

Miss Georgia's executive director, Mansfield Bias, said he was worried that Ms. Hopper and her team weren't doing enough to recruit sponsors and shore up finances after the departure of several sponsors before her tenure. The pageant has long-running relationships with sash-and-crown companies but has yet to name any new sponsors with just over a month before the contest.

"It's a simple question, Regina," Mr. Bias said he asked Ms. Hopper at a pageant orientation in Orlando, Fla. "Have you signed one new sponsor or not? Yes or no?"

Ms. Hopper said discussions were under way but no new sponsors were confirmed, according to Mr. Bias and other



state-level directors who were at the meeting.

Ms. Hopper declined to be interviewed, but the Miss America Organization said it has "secured the needed funding" for the competition and scholarships, and "sponsors will be announced as they are confirmed."

It said the changes Ms. Hopper and Chairwoman Gretchen Carlson are leading, including the elimination of the swimsuit competition, are designed to "move the organization forward into fiscal sustainability, relevancy and inclusivity."

Miss America has been fighting for relevance for decades as girls flock to sports

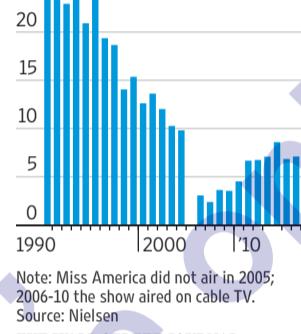
and venues such as "American Idol" and YouTube. TV viewership was 5.4 million last year, down 70% from 1997, according to Nielsen. There are about 4,000 women competing in the Miss America system, down from 80,000 in the early 1980s.

The new leadership team took over in January and inherited an organization that was on precarious financial footing. Miss America now faces the possibility that a significant part of its \$9 million in revenue could dry up as a \$4.3 million annual contract with the Atlantic City, N.J., casino authority and a \$2 million annual contract with Walt Disney Co.'s ABC network expire

Declining Viewership

Number of viewers who watched the Miss America beauty pageant

30 million viewers



Note: Miss America did not air in 2005; 2006-10 the show aired on cable TV.

Source: Nielsen

THE WALL STREET JOURNAL

at the end of the year, according to people familiar with the organization's finances.

ABC said no decisions have been made about the contract renewal. A spokesman for the casino authority said it is "fulfilling the obligation of the last [year] of the three-year contract" but declined to comment on the renewal.

Atlantic City Mayor Frank Gilliam, a member of the casino authority, said he favors giving Miss America some financial support but not \$4.3 million a year.

"We think that it has value, but we have to take a serious look at what it is," he said.

The organization has posted

a net loss six out of seven years through 2016, according to federal tax filings. In recent years, some of those losses were covered by longtime partner Dick Clark Productions, the people familiar with the organization's finances said. The production company cut ties with Miss America last year after learning about the previous leaders' exchange of emails that included sometimes vulgar comments about past pageant winners.

In January, a team of past Miss Americas took over after ousting the former board. Ms. Carlson, a #MeToo activist, and Kate Shindle, whose 2014 book described weak financial and governance controls at the Miss America Organization, led the new board, which promised transparency, honesty and inclusion.

In June, the board said the swimsuit competition would be eliminated as part of a changing format. Half the board members have since been forced out or quit, citing concerns over governance.

Twenty-two state pageant directors, including Georgia's Mr. Bias, signed a petition in July calling for the resignation of Ms. Hopper and Ms. Carlson, saying they lack the experience to right the finances.

Supporters of Ms. Hopper and Ms. Carlson say the petition and other public spats are jeopardizing the organization's stability.

How California's 'Fire Whirl' Happened



California fire officials said Friday they are investigating damage stemming from an unusually large fire tornado that occurred over the city of Redding on July 26. The tornado happened amid a wildfire, which no longer threatens Redding but continues to burn. As of Friday, 131,896 acres were blackened and 1,067 homes had been destroyed.

1 Technically known as a 'fire whirl,' the tornado was spawned by the heat of the fire bearing down on western Redding, sucking in the cool air around it.

2 The cool air pushed up the hot air, creating a vortex of swirling winds.

The July 26 fire whirl hit 160 miles an hour, an unusually high speed.



Sources: California Department of Forestry and Fire Protection; National Weather Service

Dylan Moriarty and Jim Carlton/THE WALL STREET JOURNAL

Report on Vegas Gunman Finds No Conclusive Motive

By ZUSHA ELINSON

Las Vegas gunman Stephen Paddock, who killed 58 people in the deadliest mass shooting in modern U.S. history, lost hundreds of thousands of dollars gambling and spent \$95,000 on firearms purchases in the year before last year's Oct. 1 attack, according to the final report on the massacre by Las Vegas police.

The report, released Friday, gives the most detailed look at Paddock's finances to date, and offers new information about his declining health and lack of intimacy with his girlfriend—but makes no conclusion about what motivated Paddock to open fire.

"What we have not been able to definitively answer is why Stephen Paddock committed this act," said Sheriff Joseph Lombardo of the Las Vegas Metropolitan Police Department.

Mr. Lombardo said Paddock acted alone, left no manifesto, and wasn't associated with any terrorist or ideological group.

Behavioral analysts at the Federal Bureau of Investigation are working on a separate report on Paddock that will be released later this year, he said.

Mr. Lombardo said that Paddock's diminishing wealth could have been a factor.

Paddock was a retired accountant, a prolific gambler, and a successful real-estate investor.

In the fall of 2015, he was flush with \$2.1 million in the bank, but by the month before the attack his stash had dwindled to \$530,000, according to the report.

Over \$600,000 had been paid to casinos and \$170,000 to credit-card companies, according to the report. One the last checks he wrote was for \$13,000 to the Internal Revenue Service.

But Paddock had paid off all of his gambling debts prior to the shooting and had no other debts, the report says.

As his wealth declined, his relationship with his girlfriend Marilou Danley became less intimate, Ms. Danley told investigators. Paddock told her this was due to his declining health, though his doctor didn't diagnose him with any major ailments.

Paddock, who was 64 years old at time of the shooting, was physiologically able to have sex, but the act would exhaust him, she told police. He would often sleep for long periods of time after physical exertion. He also had frequent headaches and reacted strongly to smells, she said.

Police interviews with Ms. Danley, who was in the Philippines at the time of the attack, and Paddock's family offer little insight into his motive.

One of his brothers, Eric, speculated that Paddock carried out the attack because he had done everything he wanted and was bored.

"Paddock would have planned the attack to kill a large amount of people because he would want to be known as having the largest casualty count," Eric Paddock told investigators. "Paddock always wanted to be the best and known to everyone."

U.S. NEWS

Democrats Eyeing 2020 Look to Georgia

By ANDREW DUEHREN

Democrats expected to compete for the 2020 presidential nomination are stepping up for their party's gubernatorial candidate in Georgia—but laying low in traditionally important early primary states such as New Hampshire and Iowa—as they seek to avoid the kind of drubbing Sen. Bernie Sanders suffered in the South in the 2016 primary.

Sens. Cory Booker (D., N.J.) and Kamala Harris (D., Calif.), each considered possible presidential candidates, have traveled to Georgia to support Stacey Abrams, the Democratic gubernatorial nominee.

Sen. Kirsten Gillibrand (D., N.Y.) is planning a trip there in October, according to an aide, and Sen. Elizabeth Warren (D., Mass.) and former Vice President Joe Biden have sent fundraising emails supporting Ms. Abrams.

Our Revolution, a political group affiliated with Mr. Sanders, a Vermont independent, has sent fundraising emails for Ms. Abrams, who could be the first African-American woman to serve as governor.

Sens. Booker, Harris and Warren this week are appearing at a traditional venue for Democratic candidates courting the party's left wing: The annual "Netroots Nation" conference, drawing thousands of progressive activists from around the country. Also making appearances Friday and Saturday are potential candidates Rep. Tim



Sens. Kamala Harris and Cory Booker have traveled to Georgia to support Stacey Abrams, the Democratic gubernatorial nominee.

Ryan of Ohio, Montana Gov. Steve Bullock and Washington Gov. Jay Inslee. The conference came with a bonus: it is being held in New Orleans, another Southern hub.

In her speech to the conference, Ms. Warren argued that working people are being held back by racially tinged "politics of division" that she said is practiced by President Trump—"politics that tries to pit black working people against white working people so they won't band together."

Ms. Warren also was to appear in the city Friday evening with the local Democratic con-

gressman, Cedric Richmond, chairman of the Congressional Black Caucus.

Ms. Abrams wasn't at the Netroots conference, but she was mentioned frequently and treated like a political heroine by participants.

While the major Democrats considering a 2020 bid haven't publicly declared intentions to run for president and say they are traveling across the country to help Democrats in the midterms, the trips could help them plant the seeds for an eventual presidential run.

"What we're seeing for potential Democratic nominees for

president is a targeted strategy to spend a lot of time in places like Georgia to ensure that they build the right coalition for the Southern firewall," said Tharon Johnson, a political consultant in Atlanta who was the Southern regional director for the 2012 Obama campaign. He said successful Democratic candidates must be able to appeal to African-American and millennial voters in the South.

In the 2016 Democratic primary, Hillary Clinton beat Mr. Sanders among African-American voters by more than 50 percentage points, lifting her to victory in many Southern



MATT SLOCUM/ASSOCIATED PRESS, JONATHAN BACHMAN/REUTERS

states.

The flurry of campaigning in Georgia from the Democratic heavyweights stands in contrast to the relative lack of activity in New Hampshire and Iowa, the first two tests in the primary and traditionally the focus of early presidential campaign efforts. Of the most high-profile Democrats considering a run, only Mr. Sanders, who traveled to Iowa this year, has made a political appearance in either state in 2018.

Other Democrats considering a presidential bid, including Los Angeles Mayor Eric Garcetti and Montana's Gov. Bullock,

have traveled to both Iowa and New Hampshire. Rep. John Delaney (D., Md.) already has declared his candidacy for president and spent \$1 million on television ads in Iowa.

Jeff Link, a Democratic strategist in Iowa, said that the reticence from higher-profile candidates to openly campaign in the early primary states is surprising and unusual. "You've gotta start early, and you can't just sort of tiptoe around it," he said. "Thirty years ago people were on a more aggressive timeline than these guys."

—Janet Hook
contributed to this article.

Lawmakers to Call on Twitter CEO

By KRISTINA PETERSON

WASHINGTON—The House Energy and Commerce Committee plans to invite Twitter Inc. Chief Executive Jack Dorsey to testify about the social-media company's algorithms and decisions on content and data, a committee aide said Friday.

On Thursday, House Majority Leader Kevin McCarthy (R., Calif.) had asked the House panel to call Mr. Dorsey to testify about Twitter's ban of some kinds of automated accounts, which Republicans have said disproportionately targeted conservatives.

"I am especially concerned by revelations that some social media companies are filtering the information that their users can see," Mr. McCarthy said in a letter to House Energy and Commerce Committee Chairman Greg Walden (R., Ore.).

Mr. McCarthy asked Mr. Walden to hold a hearing this fall "with testimony from the

companies that underpin our information-driven society," and requested Mr. Dorsey in particular.

A Twitter spokesman declined to comment.

In February, Twitter updated its rules to prohibit users who operate multiple accounts from simultaneously tweeting, retweeting, liking posts and following accounts—a practice common among bot operators trying to coordinate activity across legions of accounts.

Mr. Walden said Friday that he looked forward to having Mr. Dorsey testify at a time they can agree on. "Twitter is an incredibly powerful platform, filtering and shaping the information consumers see with the tweak of an algorithm," Mr. Walden said. "Even well-intentioned algorithms can have unintended consequences."

In May, Mr. Walden met with Mr. Dorsey and invited him to testify. Mr. Dorsey expressed an interest in telling Twitter's story, a committee



Twitter CEO Jack Dorsey faces accusations that the company unfairly silences conservatives.

aide said. The Energy and Commerce panel has been in contact with Twitter and plans to issue a formal invitation soon, the aide said.

Rep. Frank Pallone of New Jersey, the top Democrat on the committee, said Democrats are eager to speak with technology companies, but with a broader focus.

"Democrats have long been concerned about companies' privacy policies and their impacts on consumers, and I think that should be the focus of any hearing with Twitter rather than politically charged conspiracy theories," Mr. Palalone said Friday.

Social-media companies including Twitter have been trying to rein in bullying and abusive content, while avoiding the perception they censor unpopular opinions. Twitter in particular is focusing on cracking down on spam as a way to reduce the amount of fake news on its site. This year, a prominent white nationalist sued Twitter for kicking him off the social network.

A spokeswoman at the time declined to say how many accounts Twitter suspended. She said the company enforces its rules without political bias. Some accounts, for example, could return to Twitter if their owners provide a phone number to verify that they are operated by humans, she said.

Manafort Returns Had False Data, Accountant Says

An accountant for Paul Manafort told jurors she believed his tax returns contained inaccurate information and falsely reduced his tax liability by classifying millions of dollars she believed was income as loans.

By Aruna Viswanatha,
Del Quentin Wilber
and Alexa Corse

The accountant, Cindy Laporta, said Friday that manipulating tax returns in such a way was "inappropriate" and that she knew it was wrong, but did it because Mr. Manafort was a longtime client of her firm. "I prepared the tax returns and communicated with banks based on information that [Richard] Gates and Mr. Manafort provided to me that I didn't believe," said Ms. LaPorta, who testified under immunity.

Ms. Laporta, who worked for Mr. Manafort's longtime accounting firm, KWC, was the first of five immunized witnesses scheduled to take the stand in the trial of the former Trump campaign chairman on charges that he lied on his taxes, didn't disclose holding overseas bank accounts, and participated in bank fraud.

Mr. Manafort, a political consultant, has pleaded not guilty and rejected all the charges. His lawyers argue that special counsel Robert Mueller's office, which brought the prosecution, is exceeding its authority.

The testimony came on the fourth day of a trial that is moving faster than lawyers on both sides expected, with prosecutors using multiple witnesses so far to lay out a case that Mr. Manafort kept secretive overseas bank accounts in order to avoid taxes. Prosecutors expect to wrap up their case next week, including testimony from Mr. Gates, Mr. Manafort's longtime associate.

And then Mr. Manafort's defense will take over.

Mr. Gates has pleaded guilty to conspiracy and making a false statement and is cooperating with prosecutors.

On Friday, Ms. Laporta recalled a 2015 conference call with Mr. Gates, who worked in Mr. Manafort's consulting firm, in which they discussed Mr. Manafort's firm's tax bill the day before it was due. "Rick said it was too high, and he didn't have that money," Ms. Laporta testified, adding that "he" referred to Mr. Manafort.

Ms. Laporta said she agreed to help finesse the company's income, recasting \$900,000 as a loan, based on a two-page

loan agreement that appeared to be from one of Mr. Manafort's clients, Telmar, that she suspected was fake.

It wasn't the first time prosecutors have suggested Mr. Manafort disguised income as a loan.

They previously introduced documents and testimony from another accountant and bookkeeper that Mr. Manafort's company listed a loan of \$1.5 million from a company called Peranova on its ledger and 2012 tax returns. In fact, Mr. Manafort controlled Peranova, a Cyprus-based shell company, and the money was income he earned for work overseas, prosecutors say.

Ms. Laporta's account followed testimony earlier Friday from Philip Ayliff, another accountant, who said he didn't know Mr. Manafort controlled

Laporta was one of five immunized witnesses scheduled to take the stand.

foreign bank accounts that prosecutors allege were used to disguise millions of dollars in income.

Mr. Ayliff helped produce Mr. Manafort's business and personal tax returns from 2010 through 2014. He said Mr. Manafort repeatedly denied controlling foreign bank accounts during that time.

Prosecutors say that in addition to hiding foreign bank accounts and mischaracterizing income, Mr. Manafort falsely described rental properties as a residence, another way to get a tax advantage.

Mr. Ayliff testified that Mr. Manafort asked him to tell a bank that a Manhattan condominium he owned was for personal use and not a rental property, when it had been listed as a rental on previous tax returns.

Mr. Ayliff said he refused.

In a separate hearing in Washington, D.C., Friday, a federal judge heard arguments that Mr. Mueller's appointment was unconstitutional and not authorized by any statute.

That challenge stemmed from a case Mr. Mueller's prosecutors brought earlier this year against several Russian companies and 13 Russian citizens, accusing them of unlawfully using fake social media posts, false personas and staged rallies to sow discord in the U.S. and influence the 2016 election.



A fire, which released a toxic cloud, blazed through Arkema's chemical plant near Houston on Sept. 1 in Hurricane Harvey's wake.

Jury Indicts Chemical Firm After Blast

By ERIN AILWORTH

A grand jury in Texas indicted a chemical company whose plant near Houston caught fire and exploded following Hurricane Harvey last year.

The grand jury in Harris County, which includes Houston, on Friday indicted Arkema North America, a branch of French industrial chemical maker Arkema SA. It also indicted Arkema North America's chief executive, Richard Rowe, and plant manager Leslie Comardelle.

According to a statement from Harris County District Attorney Kim Ogg's office, the grand jury concluded "they were responsible for the release of a toxic cloud" over Crosby, Texas, where the plant is located about 25 miles northeast of Houston. The accident and explosion unfolded over several days starting in late August 2017.

"Companies don't make decisions, people do," Ms. Ogg said. The charges carry up to five years in prison for the employees, and a fine up

to \$1 million for Arkema.

The company called the indictment "astonishing" and said its employees at the Crosby plant "performed heroically" as Harvey swept the region.

"It is hard to believe anyone would seek to criminalize the way in which one facility was impacted by such a crushing natural disaster," an Arkema spokeswoman said.

A U.S. Chemical Safety and Hazard Investigation Board probe found this year that safety plans at the plant fell short of industry standards,

but that those standards were also likely too weak to have prevented the crisis anyway.

While the Arkema plant had a disaster plan in place, it didn't anticipate the 6 feet of floodwater that hit the facility, the investigation concluded. That flooding led to the failure of the plant's main power source, forcing workers to shut off emergency generators.

Without those generators, the organic peroxides made at the plant grew unstable and ultimately ignited, spreading noxious smoke for miles.

U.S. NEWS

Jury Tells Smithfield To Pay in Hog Case

By VALERIE BAUERLEIN

RALEIGH, N.C.—A federal jury awarded more than \$470 million to six neighbors who live near a hog farm run by a contractor for pork giant **Smithfield Foods Inc.**, the third lawsuit in a row the company has lost over odor and noise created by hog farming.

U.S. Sen. Thom Tillis said the lawsuit and similar pending cases against Smithfield in North Carolina posed a threat to agriculture nationwide.

At a round table on the lawsuits at the state fairgrounds Friday, he pledged to hold hearings and potentially introduce legislation to protect farmers from being sued over smells, dust and other byproducts of producing food.

Agricultural commissioners from other states said they were concerned the cases would set a precedent and neighbors living near other types of farms would file lawsuits. U.S. Rep. Mike Conaway (R., Texas), chair of the House Agriculture Committee, was also at the meeting.

It is a clash between rural and urban values, said Hugh Weathers, South Carolina's agriculture commissioner. The juries in U.S. District Court for the Eastern District of North Carolina have been chosen from the Raleigh area, but the lawsuits concern farms roughly 100 miles away in the southeastern part of the state.

"They do not have an understanding of what we do,"

Mr. Weathers said. "They just see the results on the table."

The lawsuit is the third in a series of complaints brought by 500 rural North Carolinians who live near Smithfield contractors storing urine and manure in open pools.

In April, a jury awarded \$50 million to 10 families in Bladen County. That amount was reduced to \$3.25 million to align with state caps on damages.

In June, a different jury awarded \$25 million to a couple in Duplin County. The amount was reduced to \$630,000 because of the state cap. Friday's award will be reduced to \$94 million.

Smithfield has said the lawsuits pose an existential threat to its business in North Carolina and to the state's \$2.9 billion hog industry.

Smithfield owns the vast majority of the 8.9 million hogs produced here. Smithfield and the plaintiffs declined to comment, citing a gag order issued in June.

The North Carolina Pork Council said the verdict "represents a crisis for our agricultural community and an uncertain future for those who provide our food."

Environmental activist Naeema Muhammad said Smithfield should implement more modern and environmentally sound methods of storing waste.

"Why can't they make a change in these lagoons and make life easier on everybody?" she said.



Smithfield has said the lawsuits pose an existential threat to its North Carolina business and to the state's \$2.9 billion hog industry.

Wine Importers See Bottle Shock

BY RICHARD RUBIN
AND JENNIFER MALONEY

The Trump administration is challenging a tax benefit that gives the wine industry more than \$50 million annually and blocking beer and spirits makers from using the same break.

The government's fight against the alcohol industry stems from what officials describe as an error by a Customs and Border Protection office in San Francisco in 2004. Since then, wine importers have been able to offset taxes owed on imports by getting credit for their exports—even when excise taxes on those exports were never paid.

The Treasury Department attempted to end the benefit for wine companies in late 2009 but senators from wine-producing states, including current Senate Minority Leader Chuck Schumer (D., N.Y.), objected and Treasury withdrew the proposal.

Now, Treasury officials say it is time to remedy the mistake before it balloons. They contend that imported wine gets an unfair advantage over domestically produced competition and that allowing the break to spread to other alcohol companies could cost the government billions of dollars annually.

"This proposal would correct an improper practice that has allowed firms to import foreign wine excise tax-free, even though all U.S.-made wine sold here is subject to excise tax," said Tony Sayegh, a Treasury spokesman. "The proposed rule would end a transfer of U.S. taxpayer dollars to foreign producers."

Industry representatives, bracing for a legal and lobbying battle, say the government's argument is flawed and that the tax benefit helps U.S. wine producers compete in foreign markets by encouraging exports. Companies can only reduce import taxes if they have exports to pair them with. Since 2004, U.S. wine exports have nearly doubled to \$1.53 billion in 2017, according

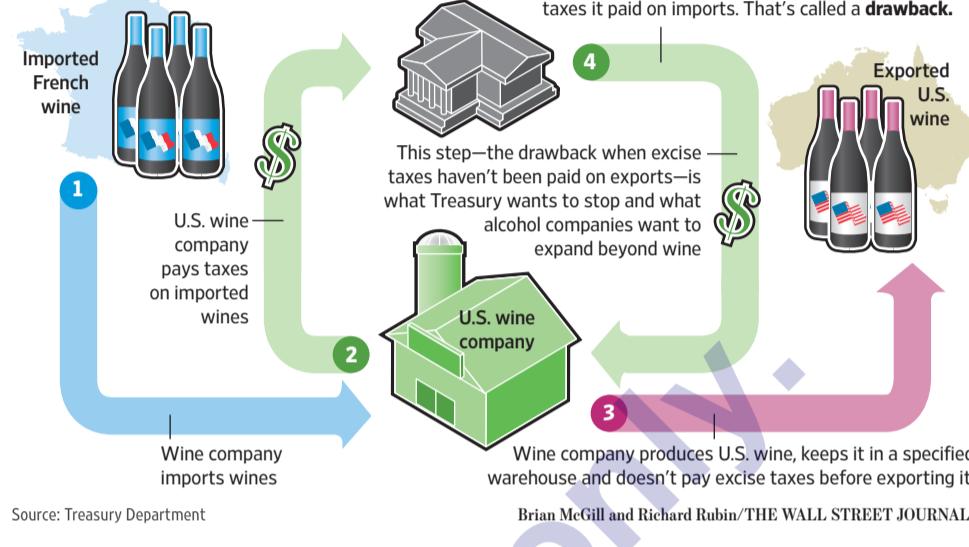


The Treasury's proposed tax rules could affect big U.S. wine producers that also import wines.

Taxing Wine

The Treasury Department is challenging a tax benefit enjoyed by wine companies for more than a decade. The government says imports are getting an unfair advantage, but the industry is resisting the change.

How excise taxes work for wine:



Source: Treasury Department

When it exports, the company claims a refund of the taxes it paid on imports. That's called a **drawback**.

Brian McGill and Richard Rubin/THE WALL STREET JOURNAL.

to the Wine Institute, an industry trade group.

The new rules could affect big U.S. wine producers that also import wines, such as E & J Gallo Winery, the Wine Group and Constellation Brands.

The tax-rule change isn't likely to affect the price or availability of wines imported to the U.S. but it could disincentivize U.S. wine producers from investing in foreign markets, industry experts said.

"The program has functioned just as Congress intended, to incentivize and increase exports of wine made in the U.S.," the Wine Institute, which represents the California wine industry, said in an email.

If all products that face excise taxes got the same treatment as wine, the U.S. could lose \$674 million to \$3.3 billion in revenue annually, according to Treasury. Those include beer, spirits, tobacco and certain fuels.

Spirits and beer makers argue Congress specifically intended to expand the benefit beyond wine to them.

"For an administration that is focused on narrowing trade imbalances, one would think they would want to be doing everything they can to increase exports," said Linda Dempsey, vice president for international economic affairs policy at the National Association of Manufacturers.

U.S. WATCH

SPACE TRAVEL

Astronauts Selected For Test Flights

NASA assigned the astronauts—seven men and two women—who will ride the first commercial capsules into orbit next year and bring crew launches back to the U.S.

SpaceX and Boeing are shooting for a test flight of their capsules by the end of this year or early next, with the first crews flying from Cape Canaveral, Fla., by next spring or summer.

Nine astronauts were named to ride the SpaceX Dragon and Boeing Starliner capsules—five on the first crew flights and four on the second round of missions to the international space station.

"For the first time since 2011, we are on the brink of launching American astronauts on American rockets from American soil," said NASA Administrator Jim Bridenstine, who made the introductions at Johnson Space Center in Houston. U.S. astronauts now take Russian capsules to the space station, with NASA paying as much as \$82 million a seat.

The astronauts include: Chris Ferguson, Nicole Aunapu Mann, Douglas Hurley, Eric Boe, Sunita Williams, John Cassada, Robert Behnken, Victor Glover and Michael Hopkins.

—Associated Press

ECONOMY

Service Industries Lose Momentum

The U.S. service sector's rapid expansion cooled in July, though most industries indicated business remains solid.

An index of nonmanufacturing activity—reflecting industries such as hair-cutting and accounting—fell to 55.7 last month from 59.1 in June, the industry group Institute for Supply Management said Friday. That marked the lowest level in almost a year. Any reading above 50 indicates rising activity, as determined by factors such as production, sales and prices.

Economists surveyed by The Wall Street Journal had expected a reading of 58.5.

The report suggests the sector remains healthy and growing—sales, production and exports continued to rise as they have been in recent years. But growth in each slowed last month.

Businesses struggled to meet demand for their services in part because they are having trouble finding workers, said Anthony Nieves, head of the ISM survey. Unemployment, at 3.9% in July, is near the lowest level in years.

He also noted concerns about trade disputes among the U.S. and other countries.

—Josh Mitchell

NEW YORK

Opera Settles With Singers, Musicians

The Metropolitan Opera reached a tentative agreement with the unions representing its musicians and singers, officials with the company and the unions said Friday.

Officials didn't spell out terms of the deal between the opera and the unions—the Associated Musicians of Greater New York Local 802 and the American Guild of Musical Artists. The pact is subject to ratification, officials added.

The deal was reached without the contentious public battle that ensued during the last contract negotiations in 2014.

Faced with declining ticket sales and surging expenses at the time, the Met proposed as much as a 16% to 17% cut to labor costs. The unions pressed back.

The final four-year agreement called for an initial series of salary cuts, but the Met trimmed \$11.25 million of its own expenses outside the bargaining accord.

The Met, which opens its new season on Sept. 24 with a production of "Samson et Dalila," is still contending with budget issues.

—Charles Passy



SYMBOL OF WALL STREET WESTERN UNION STOCK TICKER

Historical significance. Legendary inventor. Outstanding rarity. This self-winding stock ticker telegraph is a celebration of American financial and technological advancement. Perfected by Thomas Edison, this brass and steel mechanism gathered stock information from Western Union telegraph and printed it almost instantaneously onto the ticker tape held within its base. Set beneath its custom glass dome, this example is highly prized as a collector's item and display piece.

Circa 1920. 13 1/4" h x 8" dia. #30-7950

M.S. Rau Antiques
Antiques • Fine Art • Jewelry

630 Royal Street, New Orleans, Louisiana • 888-767-9190 • ws@rauantiques.com • rauantiques.com

Since 1912, M.S. Rau Antiques has specialized in the world's finest art, antiques and jewelry. Backed by our unprecedented 125% Guarantee, we stand behind each and every piece.



NO KIDDING: More than 100 goats feasted on grass and shrubs in a residential area of Boise, Idaho, on Friday. The herd, owned by We Rent Goats, was clearing a nearby area when they escaped.

WORLD NEWS

Pompeo Vows to Boost Southeast Asia Ties

Countries fear being caught up in U.S.-China fight; 'the elephant in the room'

BY JAKE MAXWELL WATTS

SINGAPORE—Secretary of State Mike Pompeo promised a new era of U.S. economic engagement with Southeast Asian countries, extending an olive branch to a region increasingly concerned about being caught up in a trade battle between the U.S. and China, two of its largest trading partners.

At a meeting with the region's 10-country economic bloc, the Association of Southeast Asian Nations, Mr. Pompeo said Friday that the U.S. would make a \$113 million "down payment" to help develop the region's digital connectivity, infrastructure and energy resources.

He said the money, first announced in Washington earlier this week, heralded "a new era of U.S. economic commitment to peace and prosperity in the Indo-Pacific."

The fast-growing region of 600 million people is a key partner in Asia for the U.S., where Washington has sought cooperation on trade, maritime security and economic sanctions on North Korea.

But the region also faces pressure from other powers, notably China, which has sought more multilateral trading at a time when the U.S. is shunning sweeping trade agreements and seeking to renegotiate past deals it says are unfair.

Chinese President Xi Jinping is pushing an economic agenda that includes support for multicountry trade agreements and a proposed free-



Secretary of State Mike Pompeo is flanked by the foreign ministers of Vietnam, at left, and Malaysia at a summit in Singapore on Friday.

trade area covering the whole of Asia. Those agreements would rival a similar grouping once proposed, and then abandoned, by the U.S.

Mr. Xi has committed billions of dollars to China's Belt and Road infrastructure initiative, a signature foreign policy to consolidate China's diplomatic and commercial ties with countries along Asia-Europe trade routes.

Trade "is the elephant in the room," said Malcolm Cook, senior fellow at the Institute for Southeast Asian Studies in Singapore. "At the front of

Southeast Asian states' minds—including Singapore—will be the blowback effects on Southeast Asian economies of U.S. trade actions against China."

Even with his financial offer, he said, Mr. Pompeo "is coming with a pretty big deficit," Mr. Cook said.

Southeast Asian is deeply tied to global supply chains in industries specifically targeted by an escalating trade dispute, such as electronics, agriculture and autos.

The U.S., which has already affixed tariffs on billions of dollars in Chinese imports, said

it would consider increasing tariffs on a further \$200 billion worth of Chinese goods to 25%, up from an original 10%.

Southeast Asia has sought to mitigate the impact of a possible trade war. It is pushing ahead with regional trade negotiations, including the 16-country Regional Comprehensive Economic Partnership backed by China.

Asean ministers this week called it "a centerpiece of its external economic relations, particularly at a time of growing uncertainty in global trade."

Four countries from the region were among the 11 that

agreed on the Trans-Pacific Partnership, a sweeping trade pact early this year that excludes the U.S. after President Trump pulled out of the talks.

While the region's formal response to Mr. Pompeo's remarks was warm, some of its leaders warned of the knock-on impact of trade disputes.

"We are transiting into a multipolar world," Singapore's foreign minister and the chair of the week's Asean meetings, said at the opening ceremony on Thursday. "We are all acutely aware of the storm clouds of the trade war."

ROSLAN RAHMAN/AGENCE FRANCE PRESSE/GETTY IMAGES

U.S. Reiterates Call For Pastor's Release

SINGAPORE—Secretary of State Mike Pompeo met his Turkish counterpart to press for the release of a detained U.S. pastor in Turkey, reinforcing a tough U.S. message despite growing strains on ties between the two allies.

The talks with Turkish Foreign Minister Mevlut Cavusoglu took place on the sidelines of a regional gathering and came after the U.S. imposed sanctions on two Turkish officials, following Ankara's refusal to release Andrew Brunson, a pastor from Black Mountain, N.C.

Turkish officials accuse Mr. Brunson, who was arrested in Turkey in late 2016, of helping a failed coup that year. U.S. officials say the case is politically motivated.

"The Turks were well on notice that the clock had run and that it was time for Pastor Brunson to be returned, and I hope they'll see this for what it is, a demonstration that we're very serious," Mr. Pompeo told reporters aboard his flight to Singapore.

Turkey has threatened to retaliate with sanctions of its own unless the U.S. reverses the decision.

U.S. officials tried to secure a deal to secure the pastor's return to the U.S. last month, but it fell apart amid disagreements about the terms, according to people familiar with the discussions. Mr. Brunson was transferred last week to house arrest on the Turkish coast.

—Jessica Donati

U.S. Trade Deficit Widens, Aided by Strong Economy

BY PAUL KIERNAN

WASHINGTON—The U.S. trade deficit expanded in June at the fastest rate since November 2016, underpinned by a stronger dollar and buoyant economic growth.

The trade deficit in goods and services increased 7.3% in June from the previous month to a seasonally adjusted \$46.35 billion, the Commerce Department said Friday. Exports fell 0.7% from May, while imports into the U.S. increased 0.6% on the month.

The data confirmed economists' expectations that a narrowing trade deficit earlier this year was likely to reverse, despite a renewed focus on trade policy from President

Trump. Economists surveyed by The Wall Street Journal had expected an even wider gap of \$46.6 billion in June.

"We look for the trade deficit to widen modestly ahead as export growth slows on the heels of cooler global momentum while imports remain well-supported by fiscal stimulus and solid domestic demand," Oxford Economics' Gregory Daco and Oren Klachkin wrote in a note to clients Friday.

Mr. Trump had imposed import tariffs on solar panels, washing machines and certain steel and aluminum products by June. Last month, the Trump administration began following through with a March threat of tariffs on tens of billions of dollars of imported Chinese goods, prompting China to respond with retaliatory levies on high-value U.S. exports such as soybeans.

Economists say tariff announcements often prompt companies to ramp up imports of targeted goods before the levies take effect. Afterward, they tend to look for alternative suppliers.

Friday's data provided evidence U.S. steel and aluminum tariffs were having such an effect. Imports of iron and steel mill products fell a seasonally adjusted 19% in June from May to \$1.48 billion, while imports of bauxite and aluminum were down 10% at \$1.25 billion. Earlier in the year, the U.S. had been increasing imports of both groups of metals.

Many economists believe the dispute with China may also have contributed to an out-of-season surge in U.S. soybean exports in the second quarter that may reverse. Higher shipments of soybeans helped bring the trade deficit in May to its lowest monthly level since late 2016.

Soybean exports remained strong in June. But as China shifts its purchases to Brazil and other countries amid the trade dispute with the U.S., economists say the trend could reverse as soon as July.

The favorable economic outlook and rising interest rates in the U.S. have sent the U.S. dollar index up 6.7% since March 26, further damping the international competitiveness of American goods.

—Eric Morath

contributed to this article.



Cosco, a Chinese state-owned firm, is a routine presence at U.S. ports, including Long Beach, Calif.

China Readies New Tariffs

Continued from Page One on \$50 billion in American goods on which Beijing already has imposed or said it would impose, bringing the total amount of U.S. products potentially subject to Chinese tariffs to \$110 billion—or 85% of U.S. goods entering China last year, according to U.S. statistics. Mr. Trump has threatened to apply tariffs to all \$505 billion worth of Chinese imports to the U.S.

The White House believes it has a strong hand in the trade fight with Beijing, given the strength of the U.S. economy and a recent deal with the European Union to ease trade tensions. "China is not going to dominate our economy," said National Economic Council Director Laurence Kudlow.

"They are the ones with the lousy economy...Look at their stock market. Look at their currency. They're the ones in trouble, not us."

Beijing is following up on its pledge to hit back at the Trump administration's trade policies. As President Xi Jinping seeks to elevate China's role in global affairs by challenging U.S. dominance, he has made it clear to both Chinese officials and global business leaders that he has settled on an unyielding approach in dealing with Washington.

"Any unilateral threat or blackmail will only cause conflicts to intensify and damage the interests of all parties,"

the State Council said in a statement.

Among the additional \$60 billion in U.S. goods that could be subject to tariffs: some 662 kinds of products including small and medium-size airplanes and computers that could be hit with a 5% duty; nearly 1,000 products including coffee beans and textiles that could be slapped with a 10% duty; another more than 1,000 products such as chemicals and deodorant that could be levied at 20%; some 2,493 products such as meat, wine and liquefied natural gas that could be levied at 25%.

China's State Council said the date for implementing the additional tariffs on the \$60 billion in goods will be subject to the actions of the U.S. .

Beijing is making good on its vow to fight back against U.S. trade policies.

Beijing's tariff options are limited by the level of its U.S. imports—totaling \$153.9 billion by Chinese measurements—so Chinese authorities are resorting to other means to hit back at the U.S.

Such measures so far have included increasing checks of American products at borders, delaying licenses for U.S. businesses and essentially blocking Qualcomm Inc.'s \$44 billion planned acquisition of NXP Semiconductors.

The latest Chinese action comes even as some of Mr. Trump's advisers hope the two sides can renew negotiations.

"Talks have stalled but in

recent days I can report that there has been some communication for the first time in a good while...at the highest levels," Mr. Kudlow told reporters Friday.

U.S. Treasury Secretary Steven Mnuchin and President Xi's economic envoy, Liu He, and their teams, have been in conversations about a possible meeting, but the talks remain at a preliminary stage.

Some Trump advisers, such as Messrs. Kudlow and Mnuchin, are advocating more negotiations. Others are more skeptical, including U.S. Trade Representative Robert Lighthizer and White House trade adviser Peter Navarro. They argue that the U.S. needs to continue adding tariffs on Chinese goods to pressure Beijing to make the trade concessions sought by the U.S., according to people familiar with the White House debate.

The Chinese leadership, on the other hand, is counting on the Communist Party's tight grip on the government, media and society, which allows Mr. Xi to impose his policies without public debate or second-guessing from rivals. As part of an effort to prepare for a long-running trade conflict with Washington, Beijing recently shifted its economic focus toward stabilizing growth from controlling debt.

The Chinese government has been easing both monetary and fiscal policies to boost domestic demand as the economy faces strengthening headwinds, from weakening consumption to slowed production and investment. A drop in exports, as a result of the trade fight with the U.S., could put growth further at risk.

—Vivian Salama contributed to this article.

It's not just about achieving your goals...

It's about the path that gets you there.



A place to become... A business leader, a teacher, an artist. If kids and teens can dream it, Boys & Girls Clubs can help them become it. Because at our Clubs, it's not magic that makes dreams come true, it's the people. Like our Youth Development Professionals who ensure our youth have a place to feel physically and emotionally safe. A place to belong. A place to have fun. A place to learn and grow on their path to a Great Future.

GREAT FUTURES START HERE.



BOYS & GIRLS CLUBS
GreatFutures.org

Eric Morath

contributed to this article.

WORLD NEWS

Seoul Faces Growing Anxiety on Economy

By ANDREW JEONG

SEOUL—Fifteen days after taking office, South Korea's leader stood in front of news cameras and pointed to a large screen newly installed by his desk, displaying the latest employment data. Smiling, he told reporters that energizing a slowing economy was his priority.

Concern over the state of the economy is now eroding support for President Moon Jae-in, who has spent much of his 15 months in power focused on a politically popular engagement with North Korea.

While Mr. Moon remains broadly favored, his approval rating has fallen for seven consecutive weeks and Friday hit a record low of 60%, a Gallup Korea poll showed—a decline of 23 points since May.

The fall reflects worries about job creation and the steep increase in the minimum wage approved by the government last month, political analysts say.

Businesses say the 10.9% bump—set to take effect next year, and coming on top of this year's 16.4% increase—greatly outpaces overall economic growth and exceeds the means of small employers.

Meanwhile, job growth has slowed. South Korea added about 836,000 jobs in the first six months of 2018, less than half the 2.15 million of a year earlier. The government projects the economy will grow just 2.9% this year, down from 3.1% in 2017.

Respondents to the Gallup poll cited as their top concerns Mr. Moon's management of the economy, his support for the minimum-wage rises and a perceived failure to tame the youth unemployment rate. The poll, taken this week, had a margin of error of 3.1 percentage points.

Mr. Moon's office declined to comment.



North Korean soldiers marched during a military parade earlier this year in the capital of Pyongyang to mark the 70th anniversary of the founding of the nation's military. Friday's move against Agrosoyuz Commercial Bank, a Russian institution, comes as the U.S. pressures North Korea to eliminate its nuclear-weapons program.

KCNA/ASSOCIATED PRESS

U.S. Sanctions a Russian Bank

By IAN TALLEY

WASHINGTON—The Treasury Department imposed sanctions on Russia's Agrosoyuz Commercial Bank, saying it handled transactions for North Korea in violation of United Nations bans.

Friday's move advances the Trump administration's "maximum pressure" campaign to press Pyongyang to eliminate its nuclear-weapons program, after a roughly five-month pause in Treasury designations against North Korea and its facilitators.

President Trump, amid negotiations with Kim Jong Un's regime to rid the country of its weapons of mass destruction, said in late May he would hold off implementing new sanctions while talks were continuing.

"I'm not going to put them on until such time as the talks break down," the president

said after a meeting with a top North Korean official.

Those negotiations are ongoing, with senior U.S. officials expressing optimism in recent weeks despite evidence Pyongyang is expanding its nuclear and missile assets.

The punitive action—the first time Washington has targeted a Russian bank under its North Korean sanctions policy—also sends a message to Moscow, which the U.S. accuses of not doing enough to stamp out North Korea's illicit-weapons operations.

"The United States will continue to enforce U.N. and U.S. sanctions and shut down illicit revenue streams to North Korea," said Treasury Secretary Steven Mnuchin. "Our sanctions will remain in place until we have achieved the final, fully verified denuclearization of North Korea."

The Treasury Department said the bank knowingly con-

ducted millions of dollars worth of transactions with a banned North Korean financial agent. Agrosoyuz Commercial Bank opened multiple bank accounts for Han Jang Su, the 48-year-old chief representative of the banned North Ko-

listed in recent U.N. reports whom member countries are obligated to expel under international sanctions.

Agrosoyuz has a long history with North Korea, the Treasury said: Over the past decade, it has handled nearly \$20 million in transactions, including almost \$2.5 million for a North Korean front company early this year.

The Treasury Department also sanctioned Ri Jong Won, another Moscow-based representative of FTB, saying he held Russian bank accounts in his name until at least 2016. Messrs. Ri and Han couldn't be reached to comment.

Agrosoyuz is a tiny Russian bank with assets of \$180 million. An Agrosoyuz representative declined to comment. Neither Russia's foreign ministry nor Moscow's embassy in Washington responded to requests to comment.

The administration has

come close to imposing these sanctions numerous times in recent weeks, according to people familiar with the matter, but always opted to hold off as directives from Mr. Trump urged against actions that might derail his delicate talks with the North Koreans.

But in recent months, the U.S. and U.N. officials have disclosed mounting evidence of widespread North Korean sanctions evasion in Russia.

"Until we see the final, fully verified denuclearization of North Korea there can be no easing of sanctions," said Nikki Haley, the U.S. envoy to the U.N.

—Vivian Salama and Anatoly Kurmanayev contributed to this article.

In Bid to Sway Europe, U.S. Accuses Iran of Terror Plots

German Rules Could Block Cash Transfer

German authorities will introduce rules this month that could delay or even block an attempt by Iran to claim cash that has become an irritant in the relationship between Washington and Berlin.

U.S. officials said new anti-money-laundering rules being drafted by the German central bank could complicate and perhaps stop Iran from shipping €300 million (\$349 million) in cash now held by an Iranian-controlled bank in Hamburg.

The central bank confirmed the new rules without elaborating on the reasons for the change.

The amendment follows intense lobbying of the German government and the central bank by the U.S. to stop the Islamic Republic from claiming the assets in what U.S. diplomats think is a desperate scramble to boost Iran's foreign reserves and shore up its own currency.

Effective Aug. 25, the

amended rules create new powers to block transactions if their execution could threaten "to end important relationships with central banks and financial institutions of third countries," according to a copy of the rules provided by the Bundesbank.

The rules empower the Bundesbank to demand more information on payments that raise suspicions because they are very large or could be related to money laundering or terrorist financing.

Tehran has requested authorization from Germany to withdraw the cash from the Europäisch-Iranische Handelsbank AG, a Hamburg-based financial institution owned by Iranian banks.

A Europäisch-Iranische Handelsbank spokeswoman declined to comment, citing client secrecy laws in Germany. Iran's embassy in Berlin couldn't be reached to comment. A spokesman for the German Finance Ministry declined to comment.

—Bojan Pancevski, Tom Fairless and Patricia Kowmann

sanction from its top leaders.

Iran's leadership "isn't a pyramid," said one French security official. "We can imagine an ultranationalist faction carrying out an operation to raise tensions."

Top Iranian officials continue to travel to Europe, and European governments remain committed to the Iran nuclear deal as long as Tehran complies with its terms.

Britain, France and Germany are seeking to help Iran weather the impact of the re-imposition of U.S. sanctions on companies doing business with Iran. The first set of measures takes effect Monday, leading many large Western companies to halt investments and trade.

European officials stress differences with Tehran on many issues but say the nuclear deal benefits European security. Europeans say dialogue and diplomatic contacts best address Iran's interfer-

ence in the Middle East and other points of contention.

In the 1980s and 1990s, Western officials blamed Iran for a spate of killings of opposition figures in Europe and supporting terrorist acts in Europe by Iran's proxy, Hezbollah. From the mid-1990s, Iran seemed to be steering clear of using violence in Europe.

But last month, French, Belgian and German authorities arrested four people, including an Iranian diplomat based in Vienna, for allegedly planning to bomb a gathering of the National Council of Resistance, an umbrella group of Iranian dissidents, outside Paris on June 30.

The arrests came days before Iranian President Hassan Rouhani visited Europe to rally support for the nuclear deal. Iranian Foreign Minister Javad Zarif said the allegation was a "false flag" setup and Iranian officials have repeatedly denied any involvement.



ENERGIZE YOUR MEETINGS WITH FLEXISPOT

FLEXISPOT[®].COM

FlexiSpot V9 turns "ho-hum" afternoon meetings into active, energizing work sessions that spark creativity and collaboration among employees. The sleek part exercise bike, part standing desk design fits comfortably in any size conference room and lets employees go from sitting to cycling to standing while meeting.

855.421.2808

FlexiSpot.com/WJ

WORLD NEWS

Marred Vote Complicates Zimbabwe's Task

BY GABRIELE STEINHAUSER

HARARE, Zimbabwe—Zimbabwe's first election in four decades without former strongman Robert Mugabe on the ballot was meant to be the country's ticket back into the fold of the international community.

But a violent military crackdown on protesters and questions over the vote count have greatly complicated the task of the winner of Monday's election, President Emmerson Mnangagwa.

A longtime ally of Mr. Mugabe, Mr. Mnangagwa deposed the nonagenarian with the help of the military in November. Since then, the man nicknamed the crocodile had been trying to show his softer side, hoping to lure the foreign investment and concessionary loans his cash-strapped government desperately needs.

"This [week] confirms some of the strongest fears of the international community, that is that he is not significantly different from Mugabe," said Charles Laurie, who analyzes political risk for England-based Verisk Maplecroft.

Investors and foreign governments, led by Zimbabwe's former colonial master, the U.K., have been eyeing a new relationship with the southern African country. Its rich min-

eral reserves include platinum, diamonds and the lithium that powers the batteries in electric cars and mobile phones. Zimbabwe's population of 17 million is considered one of the best educated on the African continent.

But hours after the electoral commission declared Mr. Mnangagwa the winner, police in riot gear on Friday stormed a Harare hotel where local and foreign journalists, along with international election observers, were awaiting opposition leader Nelson Chamisa.

The raid was an unexpected gift for the 40-year-old lawyer and part-time pastor, who has been claiming, without showing concrete evidence, that he is the true winner of the vote.

"This cannot be the behavior of the people who have won," he said, after the officers had left. "This is the behavior of the people who have lost."

Election observers have flagged concerns over the environment in which the vote was conducted, including threats of violence and pressure from state media. The observers also condemned what they said was excessive use of force when soldiers clashed with opposition protesters on Wednesday, leaving six civilians dead.

They reserved final judgment on the election, saying



Emmerson Mnangagwa, the winner of Monday's presidential election, attends a news conference in Harare on Friday. His victory has been challenged by opposition leader Nelson Chamisa.

that without detailed results for each individual polling station, it was too early to say whether the various issues were enough to sway the vote in favor of Mr. Mnangagwa.

On Friday, a local observer group said that its own checks of the results for 750 polling stations suggested that Mr. Mnangagwa had indeed beaten

Mr. Chamisa, but it was less clear on whether his vote tally had surpassed the 50% needed to avoid a runoff. According to the official results, Mr. Mnangagwa received 50.8% over Mr. Chamisa's 44.3%.

In a news conference, Mr. Mnangagwa said the police who raided the hotel were acting on intelligence that there

was likely to be violence. He also said foreigners would be part of an investigation into the deaths during Wednesday's protests. "The time for politics is now behind us," he said. "Now begins the time for work and progress."

There definitely is a lot of work. To secure a bailout from the International Monetary

Fund, Mr. Mnangagwa first has to find money to pay off \$2.3 billion in overdue loans and unpaid interest from other public lenders. To shed U.S. and European Union sanctions, he has to compensate white farmers who were driven off their land in the late 1990s and early 2000s. And he will have to cut a budget deficit that last year touched 14% of gross domestic product.

How much progress there will be is another question.

The U.S. State Department said it would review data on the election before making an assessment. The European Union declined to comment on the results, saying the election process was ongoing.

Investors were also paying attention. An official from a development finance institution of an EU country who was supposed to visit Zimbabwe next week put his trip on hold. He said, though, that an investment in the country wasn't off the table for good: "We hope to get there later."

Mr. Laurie, the political-risk consultant, said that despite a bad start, Mr. Mnangagwa's project to bring in foreign money wasn't doomed just yet.

"It is early days and with the right commercial incentives investors can have a short memory," he said.

WORLD WATCH

UNITED KINGDOM

Central Bank Chief Warns of Brexit Risk

Bank of England Gov. Mark Carney said the risk that Brexit talks founder and the U.K. leaves the European Union without a deal next year is "uncomfortably high," highlighting unease about limited progress in negotiations between London and Brussels.

In an interview with the British Broadcasting Corp., Mr. Carney said a no-deal Brexit would likely disrupt trade, slow the economy and push up prices, an outcome he described as "highly undesirable."

He said the U.K. and the EU should do all they can do avoid such a result.

The U.K. is due to exit the EU in March at the conclusion of two years of negotiations. Key aspects of its withdrawal and its future economic ties to the bloc remain unresolved with just months to go, raising the possibility that time runs out without any legal agreement underpinning trade, security, regulation and a host of other issues.

—Jason Douglas

CANADA

Trudeau Faces Doubts Over Refugee Policy

Canadian Prime Minister Justin Trudeau's open-arms policy on refugees is facing pushback at home.

A poll published Friday by Vancouver-based Angus Reid Institute indicates Canadian anxiety over asylum seekers entering the country by foot from the U.S. has intensified from a year ago, when such border crossings hit a peak.

According to the poll, 58% of Canadians surveyed said the country is "too generous" to unofficial border crossers, an increase from 53% when Angus Reid asked a similar question a year ago. The online survey was conducted July 25-30, with a margin of error of 2.5 percentage points.

—Paul Vieira
and Kim Mackrael

MEXICO

Consumer Confidence Hits a Decade High

Consumer confidence in Mexico jumped to its highest level in more than a decade following the presidential election victory of leftist nationalist Andrés Manuel López Obrador, with consumers especially optimistic about the economic outlook for the coming year.

The seasonally adjusted consumer confidence index rose to 101.7 in July from 86.3 a year before, reaching its highest level since March 2008, the National Statistics Institute said Friday.

The index was up from 88.6 the previous month, its biggest ever rise, after Mr. López Obrador won July 1 with more than 53% of the vote, more than 30 percentage points clear of his closest rival.

Mexico's economic activity contracted slightly in the second quarter.

—Anthony Harrup



Arkady Babchenko met with foreign media in Kiev on May 31, two days after what appeared to be his killing. Below, people gathered outside Mr. Babchenko's building.

Dissident, 'Killer' Fake a Hit

Continued from Page One

court hearing that he ordered the hit, but declared his innocence by saying he had been working for Ukrainian counterintelligence to uncover Russian plots. He is under arrest ahead of a trial later this year.

Russian officials denied involvement in any plot to kill Mr. Babchenko and said the hoax proved how unreliable any information from Ukraine's government is. Russia has been covertly supporting separatists fighting in eastern Ukraine since 2014.

In interviews, Messrs. Babchenko and Tsymbalyuk described how they worked with Ukraine's security service, the SBU, to stage the fake assassination. Ukraine's government declined to comment beyond public statements, citing the impending trial.

Mr. Tsymbalyuk, who is now 43 years old, was one of the thousands of ordinary Ukrainians who joined the fight against the separatists in 2014. He said he joined a nationalist militia after a friend was killed, serving in several hot spots on the front lines.

His nom de guerre was Aristarkh, the name he had taken when serving as an Orthodox monk for a time.

In winter 2015, Mr. Tsymbalyuk said he met Mr. Herman, now 51, who ran a small business that modified and up-



graded weapons. Mr. Tsymbalyuk said they met several times on business and would exchange small talk critical of the Ukrainian government.

At one meeting at the beginning of April, Mr. Tsymbalyuk said that Mr. Herman described a hit list with dozens of names and asked whether he would be interested in working as a contract killer.

"Of course I would," Mr. Tsymbalyuk said he replied.

A week later, he said Mr. Herman sent him a dossier on Mr. Babchenko with the words: "This person should be sent to meet his maker."

Mr. Tsymbalyuk said he made a recording of their next meeting, where he said Mr. Herman asked him to name his price, and took it straight to an SBU agent he knew.

"God gave me the chance to land a blow against Russia's security services," he said.

Security officials said they hatched a plot to snare Mr. Herman, get hold of the list and reveal his network. Only a handful of people knew to

avoid leaks, so the hoax had to be as realistic as possible.

The SBU later showed reporters what it said was a hidden-camera video of the late April meeting in which Mr. Herman gave Mr. Tsymbalyuk the first installment of his \$30,000 fee.

The next day, Mr. Babchenko found two SBU agents

waiting for him at the television channel where he worked.

The 41-year-old had fled Russia—where he had fought in the Russian army in Chechnya before becoming a war correspondent and Kremlin critic—after receiving threats.

Mr. Babchenko said that he was immediately convinced by the evidence they presented.

SBU agents visited several times to talk through the operation, including once with Mr. Tsymbalyuk.

Then, on May 29, Mr. Babchenko said an SBU agent and a makeup artist began preparing him and his wife, Olga, for the story they had settled on: that the journalist was shot in the back as he entered his apartment.

Preparations were meticulous. Mr. Babchenko said he put on a T-shirt that already had bullet holes in it. The makeup artist poured pig's blood into his mouth, and he fell to his knees coughing. The agent snapped a few gruesome photos that would later be leaked online. The agent and the makeup artist left around 8 p.m.

Soon, Mr. Tsymbalyuk entered and greeted Mr. Babchenko, who was lying on the floor, both men said. Then Mr. Tsymbalyuk left, and Ms. Babchenko called the emergency services, some of whom were in on the ruse.

Mr. Babchenko said medics rushed him into an ambulance and drove him a couple of miles before pulling over, pretending to try to resuscitate him. Twenty minutes later, they declared Mr. Babchenko dead.

But after arriving at the morgue around 10 p.m., he came back to life. Having taken off his clothes and washed away the blood, he said he sat wrapped in a sheet smoking cigarettes and watching reports of his death on TV.

News of his apparent murder spread fast. His wife played the distraught widow to journalist friends. Police

produced a sketch of the suspect.

Mr. Tsymbalyuk, meanwhile, was racked with concern. He said he had messaged Mr. Herman using their code name for Mr. Babchenko: "I ex-terminated Tapeworm."

But he said Mr. Herman didn't reply for a while. Then, after midnight, he said Mr. Herman wrote back, saying he was sick from excessive drinking but satisfied with the apparent success.

The next day the operation moved faster than planned, according to Messrs. Babchenko and Tsymbalyuk. They said security services got word that Mr. Herman had tickets to fly to Italy, so they swooped and detained him.

Then, as the SBU's chief briefed reporters on the case, Mr. Babchenko stepped forward to gasp and then cheer.

In court, where Mr. Herman said he had been working for Ukrainian counterintelligence, he confirmed the SBU's allegation that the contract on Mr. Babchenko had been put out by an old Ukrainian acquaintance living in Russia who was acting for the Kremlin. Mr. Herman blamed his detention on strife between the SBU and Ukrainian counterintelligence. The SBU, which is in charge of counterintelligence, said it has no record of Mr. Herman working with them.

Mr. Herman criticized Ukraine's government during his court appearance for not taking sufficient measures against Russia's covert operations.

"The Russians are spending a lot of money and effort in order to take Ukraine," he said.

Consumer confidence in Mexico jumped to its highest level in more than a decade following the presidential election victory of leftist nationalist Andrés Manuel López Obrador, with consumers especially optimistic about the economic outlook for the coming year.

The seasonally adjusted consumer confidence index rose to 101.7 in July from 86.3 a year before, reaching its highest level since March 2008, the National Statistics Institute said Friday.

The index was up from 88.6 the previous month, its biggest ever rise, after Mr. López Obrador won July 1 with more than 53% of the vote, more than 30 percentage points clear of his closest rival.

Mexico's economic activity contracted slightly in the second quarter.

—Anthony Harrup

OBITUARIES

SEMEGNEW BEKELE
1965 – 2018

Engineer Backed Ethiopia's Dams

Diminutive and agile, Semegnew Bekele usually wore a high-visibility vest and construction helmet while working on the banks of the Blue Nile on Ethiopia's side of the border with Sudan, considered one of the world's most inhospitable construction sites.

Most of his work as project manager of what is expected to be Africa's biggest hydroelectric dam occurred at night, when the temperatures dropped below 100 degrees. The site teemed with thousands of workers.

The mega dam, about 60% complete, pits Ethiopia against neighboring Egypt in a spat that started when construction began in 2011. Egypt frets the project will usurp the Nile, on which

Egyptians depend almost entirely for water, and in recent years the dispute has morphed into a power struggle for broader domination in the region.

Mr. Bekele didn't live to see the dam completed, or experience changes his country is expected to undergo with the appointment a few months ago of a young, reformist prime minister. He was found shot dead in his car July 26 in Addis Ababa's most central square. He was 53 years old. A gun was found inside his vehicle, and police are still investigating.

Some 20,000 people attended his funeral, and Ethiopians in the diaspora, many of whom live in Minnesota and Washington, D.C., paid tribute to him on social media.

—Matina Stevis-Gridneff

C.D. SPANGLER JR.
1932 – 2018

Entrepreneur Pushed For Low Tuition Costs

C.D. Spangler Jr., a graduate of Harvard Business School, expanded the family business he inherited by investing in banking, real estate and the second-largest U.S. maker of wallboard, National Gypsum Co., based in his hometown of Charlotte, N.C.

One of his main investment criteria was: Is this good for North Carolina? In the late 1980s, he made an unsuccessful offer to acquire RJR Nabisco Inc., partly because he wanted to bring the company's headquarters back to North Carolina from Atlanta.

He also devoted his time to educational policy, including 11 years as president of North Carolina's state university system. The first member of his family to

graduate from college, he campaigned against tuition increases.

"The argument to raise tuition comes from a small group of very wealthy people who think they know something about running a business," he told a local newspaper in 1996. "But they don't know much about the economic status of the families of North Carolina."

He told the Associated Press in 1997 that low tuition wasn't a gift. "It's an investment in these students," he said.

Mr. Spangler, whose hobbies included repairing grandfather clocks, died July 22 in Charlotte. He was 86.

He is survived by his wife of 58 years, Meredith, two daughters and four grandchildren.

—James R. Hagerty

BY JUSTIN BAER

William Byrnes served as Fidelity Investments' president and vice chairman, led the company's expansion overseas and counseled generations of money managers on their often lonely quest to beat the market. The most enduring legacy he left at Fidelity was forged decades earlier, when he befriended a fellow analyst at the Boston investment company, Edward "Ned" Johnson III.

Mr. Johnson, who succeeded his father as Fidelity's chairman in 1977, ran the family-controlled business for nearly 40 years, transforming the stockpicker into a financial behemoth with more than \$2 trillion in assets under management. Mr. Byrnes, who had been appointed a board member and president in 1972, would help him with nearly every step, either as the executive tasked with implementing Mr. Johnson's ambitions—or advising him.

"Ned could think things up, but Bill could make things happen," said Jim Curvey, the company's vice chairman.

Mr. Johnson sent Mr. Byrnes to Tokyo, then London, to launch Fidelity's offices there. Mr. Byrnes returned to London in 1979 and ended up staying for about a decade.

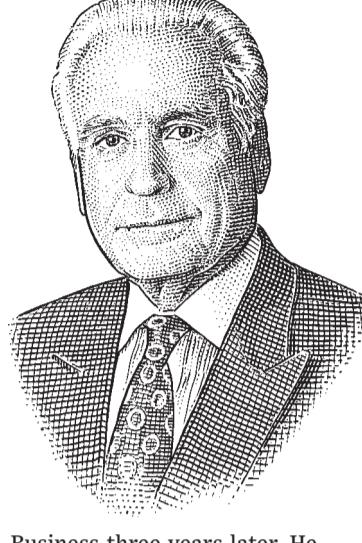
Though Mr. Byrnes stepped down from his day-to-day role in 1990, he stayed on the Fidelity board until 2014—and remained a trusted adviser as the company transitioned to a third generation. Abigail Johnson succeeded her father to become Fidelity's chairwoman in 2016.

Mr. Byrnes died on July 21 in Naples, Fla., at 96.

He was born in Cambridge, Mass., graduating from Belmont Hill School in 1940 before earning a degree from the University of Pennsylvania's Wharton School of

WILLIAM BYRNES
1921 – 2018

Executive Helped Make Fidelity a Global Giant



Business three years later. He served in the U.S. Army Air Corps during World War II, then went to work at the family business, a small chain of women's shoe stores called Hamilton-Lapp Co.

In his mid-30s and looking for a career change, Mr. Byrnes took a job in 1957 as a stock analyst at Edward Johnson II's investment firm. Ned Johnson joined Fidelity later that year.

Mr. Byrnes in time was promoted to director of investment research, and in 1969 was named executive vice president of the firm reporting to the Johnsons. When Ned Johnson became chairman, Mr. Byrnes was appointed vice chairman.

His roots as an investor himself, and his easy-going manner, often made him an ideal sounding board to the dozens of money managers who would rise to prominence at Fidelity. "Focus on fundamentals of the company and don't worry about the stock price," he would tell them. "You can't predict the market."

And he could spot talent.

Peter Lynch, who would become one of the pre-eminent investors of his generation, was toiling as a

metals and chemicals analyst in 1974 when Mr. Byrnes asked him to head the firm's investment-research division. "He told me, 'I think you can improve research,'" Mr. Lynch said. "He gave me a lot of ideas and encouragement."

Mr. Byrnes had joined the leadership team just as the stock-picking firm was facing one of its toughest tests: a prolonged bear market. The Dow Jones Industrial Average touched 1000 intraday in 1966 but didn't close above that until 1972. "In '82 it was at 777," Mr. Lynch said. "It was a 16-year drought."

The Johnsons, along with Mr. Byrnes, launched a flurry of businesses to help insulate Fidelity from the market downturn. The firm opened its own brokerage to sell its funds directly to individuals and plunged into new markets, from money-market funds to real estate and venture capital.

"These other things really paid off, allowed us to keep business strong," Mr. Lynch said. "Some were great successes, others didn't work."

Fidelity also looked overseas.

Mr. Byrnes led the way, serving as lead manager as the company established offices in Tokyo and London. But by 1979, returns at the fledgling Fidelity International Ltd. unit were flagging. Mr. Byrnes went back to London for what he thought was a six-month assignment; instead, he remained there as vice chairman of FIL until 1989.

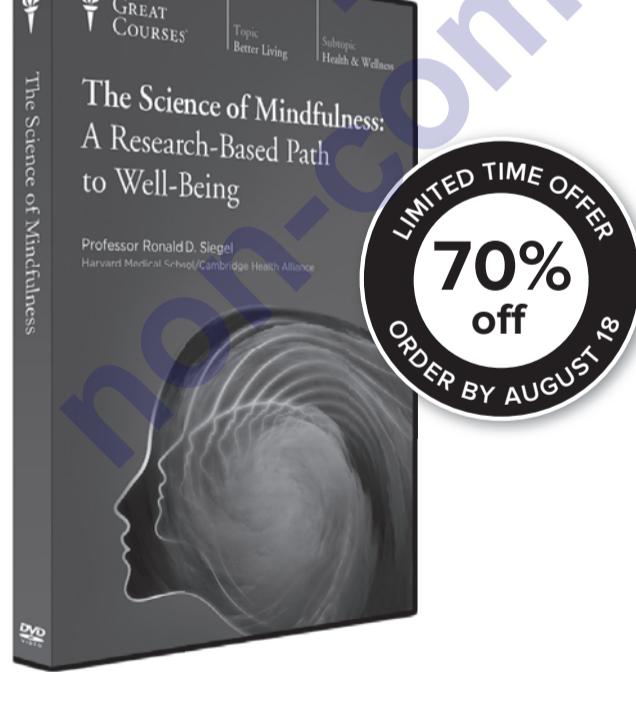
Mr. Byrnes returned to Boston as the vice chairman of the parent company, stepping away from his role as Mr. Johnson's go-to executive for good and spending more time at his winter home in Naples, Fla.

Mr. Byrnes was married twice, first to Sybil Griffith and then to Peggy Cryan. He is survived by a son, three stepchildren and five grandchildren.

◆ Read a collection of in-depth profiles at WSJ.com/Obituaries

ADVERTISEMENT

THE
GREAT
COURSES®



Meld Ancient Wisdom with Modern Science

Many problems that we face—such as depression, compulsive and addictive behaviors, chronic pain, and stress and anxiety—stem from the human brain's hardwired tendency to seek pleasure and avoid pain. For thousands of years, people have used mindfulness practices to deal effectively with life challenges such as these. And we are now in the midst of an explosion of scientific research, demonstrating that mindfulness practice changes the function and structure of the brain.

In these 24 fascinating lectures, Professor Ronald D. Siegel, a clinical psychologist at Harvard Medical School, reveals the science behind mindfulness in compelling detail and demonstrates its application to a wide range of issues—psychological, social, and medical. Learn how these techniques can radically transform the mind, the heart, and the experience of everyday life—joining ancient wisdom practices and scientific methodology in forging new possibilities for living.

Offer expires 08/18/18

THEGREATCOURSES.COM/5WS

1-800-832-2412

The Science of Mindfulness:
A Research-Based Path to Well-Being

Taught by Professor Ronald D. Siegel

HARVARD MEDICAL SCHOOL/CAMBRIDGE HEALTH ALLIANCE

LECTURE TITLES

1. Why Mindfulness Matters
2. Our Troublesome Brains
3. Informal, Formal, and Intensive Practices
4. Who Am I? The Perils of Self
5. Mindfulness or Psychotherapy?
6. Attention and Empathy in Relationships
7. The Science of Compassion and Self-Compassion
8. Tailoring Practices to Fit Changing Needs
9. Modifying Our Brain Function and Structure
10. Solitude—An Antidote to Loneliness
11. Connecting with Children and Adolescents
12. Seeing Sadness and Depression in a New Light
13. Befriending Fear, Worry, and Anxiety
14. Transforming Chronic Pain
15. Placebos, Illness, and the Power of Belief
16. Interrupting Addiction and Troublesome Habits
17. Overcoming Traumas Large and Small
18. Groundbreaking Mindfulness Programs
19. The Neurobiology of Self-Preoccupation
20. Growing Up Isn't Easy—Facing Impermanence
21. Toward a Science of Wisdom
22. The Promise of Enlightenment
23. Mindful Ethics as a Path to Freedom
24. The New Science of Happiness

The Science of Mindfulness:
A Research-Based Path to Well-Being

Course no. 9303 | 24 lectures (30 minutes/lecture)

SAVE UP TO \$190

DVD	\$269.95	NOW \$79.95
Video Download	\$234.95	NOW \$59.95
CD	\$199.95	NOW \$59.95
Audio Download	\$149.95	NOW \$34.95

+\$10 Shipping & Processing (DVD & CD only) and Lifetime Satisfaction Guarantee

Priority Code: 163702

For over 25 years, The Great Courses has brought the world's foremost educators to millions who want to go deeper into the subjects that matter most. No exams. No homework. Just a world of knowledge available anytime, anywhere. Download or stream to your laptop or PC, or use our free apps for iPad, iPhone, Android, Kindle Fire, or Roku. Over 600 courses available at www.TheGreatCourses.com.

AT&T Asks For Pension Cash Back

Continued from Page One

yers working with the Pension Rights Center, a retiree-advocacy nonprofit in Washington, D.C., or related groups around the country, the center says.

An AT&T spokesman says the pension overpayments affect "significantly less than 1/10th of 1%" of its about 517,000 participants, with "a very small percentage" referred to collections. He declines to say how the company identified the errors or how much money is at stake.

A Fidelity spokesman says the firm helped zero in on errors at AT&T's direction, including some predating Fidelity's role. AT&T and Fidelity decline to address the individual cases in this article.

Companies for years have been taking measures to recoup pension overpayments, an issue federal tax officials have tried to address going back to the 1990s with a series of refinements to rules governing when and how companies must rectify such errors.

AT&T appears to have gone a step beyond many other large companies by sticking to its demands of full repayment and hiring a collection agency in some cases, even where retirees make the case that they lack the wherewithal to repay.

Sydney Smith, a former AT&T information-technology analyst living in the St. Louis area, received a letter in July 2016 saying she owed AT&T's pension plan \$19,306.95—money she had received, the company later told her, because she provided a date in the pension-benefit calculation that the plan's website shouldn't have let her use.

Ms. Smith says she told Fidelity she didn't have the money. A single mother, she had cashed out her pension to pay debts and living expenses. "I used it," says Ms. Smith, 42. "It's gone."

She asked about a repayment plan and was told she could make two payments of nearly \$10,000 each, she says. She didn't have that. Days after the plan denied her appeals, Ms. Smith says, she began getting calls from Lyon Collection Services Inc., the same agency that demanded repayment of Mr. Mizelle. "They started to call pretty constantly."

Ms. Smith enlisted Roger Curme, a lawyer with the South Central Pension Rights Project, a legal-assistance service funded in part by the U.S. Department of Health and Human Services. "We haven't seen that before," Mr. Curme says of a big company's using a collection agency. "These tactics that AT&T is using...they're kind of harsh."

'Up in the air'

Ms. Smith filed a claim with the plan asking it to waive repayment but was denied. The plan also denied her subsequent appeal. She hasn't heard from the company since February, she says, and is hopeful she won't. Yet, she adds, "it's not resolved—it's still up in the air."

Lyon Collection President Rick Martin says his firm follows laws governing consumer collections and his employees are persistent without harassing customers. He declines to comment on individual cases or clients and says the company doesn't focus on retirees. "Debtors have the right to request that Lyon cease any further communication with them," he says, "which we immediately honor."

In general, pension lawyers say, it is legal for a company to demand back pension overpayments. Pension-plan sponsors and administrators have an obligation to safeguard a plan's assets. Companies for years have interpreted that obligation to include not just stopping overpayments but also requiring repayment. Often, plans recoup what they can by reducing retirees' remaining benefits.

"Not recouping the monies would mean that there would be fewer funds available for distribution to other participants," the Fidelity spokesman



'I could not pay it back,' says James Mizelle, 70, who got a letter demanding he repay \$32,116.05 of his AT&T pension.

MATT ROTH FOR THE WALL STREET JOURNAL

says.

Pension lawyers say that in recent years some employers and plan administrators have grown skittish about giving retirees a pass for even small overpayments. They point to Internal Revenue Service guidance that suggested plans had to pursue repayments vigorously or risk losing key tax benefits, such as deductions for employer contributions and tax-free investment returns.

Among companies recently requesting paybacks is Fiat Chrysler Automobiles NV's U.S. unit, which says that in 2016 it notified several hundred retirees that their pension checks were incorrect. About 300 people, or 0.3% of its pension recipients, received more than they were supposed to, it says.

The company says it followed federal regulations when asking retirees to return overpayments and doesn't use a collections service. On average, it says, those getting extra payments were receiving benefits of \$24,000 a year. Three-quarters of them were asked to repay \$3,000 or less. Of the rest, the average recovery the company sought was 3.7% of the retiree's monthly benefit, and none was more than 8%.

Had they known the correct payment amount, some retirees might have made different life decisions, such as when to retire or where to move, says Jay Kuhnke, president of the National Chrysler Retirement Organization, a retiree-advocacy group. "They might have said, that's not as much as I thought, I'm going to work another 4 to 5 years," he says. "The retiree has no way of going back."

AT&T's pension plans have \$45 billion in assets, enough to pay about 77 cents on every dollar of pension benefits earned so far by all current and former employees and retirees for their full life expectancy, as well as other beneficiaries.

Lawyers who work with retirees say they rarely see referrals to collections agencies by a large company. Some former Treasury Department officials who worked on recoupment issues say it wasn't something they had seen before.

"An awful lot of plan sponsors, just as a matter of culture, are not very enthusiastic about chasing down their retirees to recover overpayments," says Brian Dougherty, co-leader of the plan-sponsor task force at the law firm Morgan, Lewis & Bockius LLP.

The AT&T spokesman says

On the Hook

Pension obligations and assets available to pay them among companies' AT&T identifies as peers



Pension benefits paid, and corporate contributions made, in 2017



*As of the company's most recent year-end

Note: Data reflect U.S. pensions for GE and IBM. THE WALL STREET JOURNAL.

pension administrators and was surprised to hear she was entitled to another \$546.73. "I said, are you sure about this? Because I get an AT&T pension," says Ms. Ralston, 75. "They said, no, this is your pension for your previous service."

Just before Ms. Ralston's September 2017 birthday, Fidelity told her in a letter that the additional benefit was a mistake and that she owed \$58,500.11. It was about two years after she suffered a heart attack. "I thought I was going to have another one," she says. "Every time I get something in the mail from AT&T that says 'benefits department,' I get a cold chill up my back."

AT&T offered to halve her remaining pension to \$444.89 a month. After Ms. Ralston consulted a lawyer, she received a letter from AT&T in February reaffirming the debt but adding that "your overpayment information will not be sent to an outside collections agency at this time."

She hasn't repaid and worries AT&T might come after her again.

Claudia Jones worked for Bell South and then AT&T for about 16 years, she says, before being laid off in 2015. She took her pension in a lump sum and invested it in an annuity that pays about \$600 a month.

In March, she got a letter from AT&T and Fidelity saying her benefit had been miscalculated and that she would have to repay \$45,300.17. "Say they did miscalculate," says Ms. Jones, 66. "We shouldn't be punished for that."

In late June, she says, she started receiving calls from Lyon Collection. She can't afford to pay, she says, and isn't sure what she'll do.

AT&T left Mr. Mizelle, too, in limbo. Fidelity in a letter wrote that "the Plan will recover the excess benefit amount by any means that are available."

He enlisted a lawyer to file a claim with the plan, arguing that he no longer had the additional money and that requiring repayment would cause him financial hardship. The plan rejected his claim.

The committee that denied his subsequent appeal wrote him reiterating the debt but saying it "decided not to pursue further collection attempts of the overpayment amount at this time, without waiving any rights to resume the collection process in the future."

annoyance. "[I] grit my cheeks and play through it," says Mr. Markus. "When you're a musician, you get used to a certain number of 'grin-and-bear-it' moments." He says he wouldn't want to create a "volume war," since "nobody needs that."

On the plus side, there is the exposure. Kirsten Lonnie, executive director of the Southampton Cultural Center, says people driving out to the Hamptons could be "heavy hitters," or folks living in private estates who may be looking for musicians for a private party or event.

Mr. Markus says he hands out a couple of business cards each time he plays at Gas Hampton. It has led to one party booking in Southampton, so far.

"That is one of the things I had in mind when I took the gig," he says. "The parties do pay well."

THE WALL STREET JOURNAL



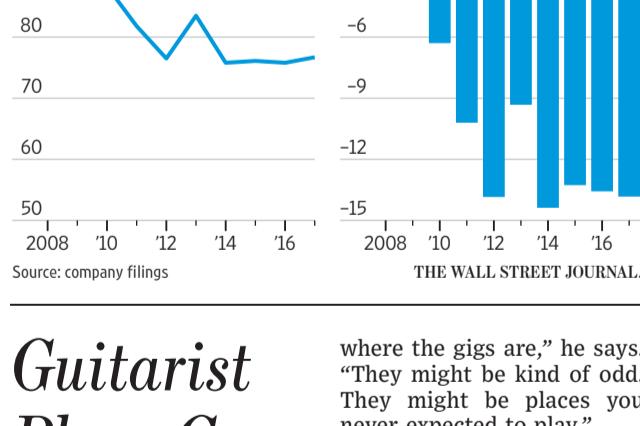
'I get a cold chill up my back' when mail comes from AT&T's benefits department, says Eileen Ralston, who was told she owed \$58,500.11.

ALEXANDRA FOR THE WALL STREET JOURNAL

Pensions Calling

AT&T's pension plans have about three-quarters of the assets they need to pay lifetime benefits for its employees, retirees and other beneficiaries.

Funded status



Source: company filings

THE WALL STREET JOURNAL.

Guitarist Plays Gas Station

Continued from Page One

quirky a gig as they come," says Mr. Markus, adding that he doesn't bother to promote it because "people get gas when they need gas."

Mr. Markus, a working musician for about 25 years and a member of the folk-rock band Gathering Time, used to set up near an ice chest with a "propane sold here" sign and some cat litter used to clean up oil spills. Recently, he moved with his tip jar back to a cleaner spot near some potted palm trees.

"My philosophy has always been to make a living, you go

where the gigs are," he says. "They might be kind of odd. They might be places you never expected to play."

Southampton, unlike New York City, isn't especially tolerant of buskers. Musicians aren't allowed to perform on the street or public sidewalks without permission or a permit.

Gas Hampton owner Sergio Celikoyan hired the musician as part of an effort to pry people out of their cars and over to his convenience store to spend a little more money. His aim is to create an aesthetic that screams Hampton, not roadside pit stop.

He hired a local muralist to decorate the store as a beach, with surfboards, palm trees, sailboats and a lighthouse. Painted circus tents lead to the bathroom, which is realty-teenage star Bethenny Frankel. She tweeted it was

the "nicest gas station bathroom I've ever seen."

Gas Hampton has seen more than its share of stars. Jimmy Fallon and Brooke Shields have posed for photos. Golfer Jack Nicklaus stopped in to ask for directions. Television host Dr. Mehmet Oz came by.

Mr. Markus, the guitarist, gets paid by the owner about \$150 for a three-hour performance, plus tips. Those can be as much as \$20 a car. His filling-station set list includes Jackson Browne's "Running on Empty," America's "Ventura Highway," Simon & Garfunkel's "America," and—not surprisingly—given the crowd—Jimmy Buffett.

One woman walked up to him recently on her way to the convenience store and asked if he played any "Jesus music." He played the first song that came to mind, "Amazing Grace." She tipped

him \$20.

Local teenagers can be a tougher crowd. Mr. Markus has gotten used to some sarcastic requests for songs by rappers Jay-Z or Drake.

Sometimes customers pause to take photos or video, he says, because a live musical performance at a gas station "is sort of an only-in-the-Hamptons kind of thing."

On some summer weekends, when Mr. Markus isn't singing, the owner pays a local magician to do card, coin and rope tricks. Tom Hashim, who works by day as a salesman for a home-improvement company, sets up a table with a sign "Razzle Dazzle Co." and dons a vest featuring bunnies coming out of hats.

Mr. Hashim, who prefers performing indoors, says he waits until customers get out of their cars to make his tricks "more personal." He will often open with a quick



Stuart Markus plays summer weekends at Gas Hampton.

GORDON M. GRANT FOR THE WALL STREET JOURNAL

annoyance. "[I] grit my cheeks and play through it," says Mr. Markus. "When you're a musician, you get used to a certain number of 'grin-and-bear-it' moments." He says he wouldn't want to create a "volume war," since "nobody needs that."

On the plus side, there is the exposure. Kirsten Lonnie, executive director of the Southampton Cultural Center, says people driving out to the Hamptons could be "heavy hitters," or folks living in private estates who may be looking for musicians for a private party or event.

Mr. Markus says he hands out a couple of business cards each time he plays at Gas Hampton. It has led to one party booking in Southampton, so far.

However fancy the clientele, though, there is no escaping that the stage is a gas station. Noisy vehicles are an

OPINION

When Banks Bailed Out the Government

By James Freeman
And Vern McKinley

Citigroup hired Sanjiv Das as CEO of its mortgage unit in July 2008, right as the financial crisis was beginning to flare. People asked him why he accepted the assignment. He might have wondered the same thing as he rode a taxi to Citigroup's headquarters for his first day on the job.

The cabdriver was a fellow Indian immigrant. Mr. Das began to describe his new role at the bank. "Just my luck," the driver interjected. "I have some keys I need to give you." The cabbie, according to Mr. Das, then produced two house keys and handed them over: "Your guys sold me the loans to flip these houses," he said. With the market in free fall, he was unable to sell, and since he could not possibly afford to pay the mortgages, he would simply hand the properties back to Citi.

Citigroup is 'too big to fail.' Its predecessor was once responsible enough to weather a panic.

Mr. Das was incredulous that his new employer had given two mortgages to this cheerful speculator. But the story got worse. The driver explained that he had three more mortgages from Citi's rivals. Perhaps he also hoped to return the keys to their CEOs as he ferried executives around Manhattan.

Promiscuous mortgage issuance was just one of the colossal errors made by Citi's leaders in the runup to the Great Recession. But in November 2008, President Bush refused to let the bank suffer the consequences. "Just don't let Citi fail," he told Treasury Secretary Hank Paulson.

Mr. Paulson tells this story in his memoir. But similar events have unfolded time and again in the century since the federal government began standing behind Citi. The bank's rescuers have included politicians and regulators of both parties. Many didn't believe that Citi deserved bailouts and doubted it could be reformed. Some weren't even sure the rescues were necessary. What they

all had in common was that they couldn't manage to say no.

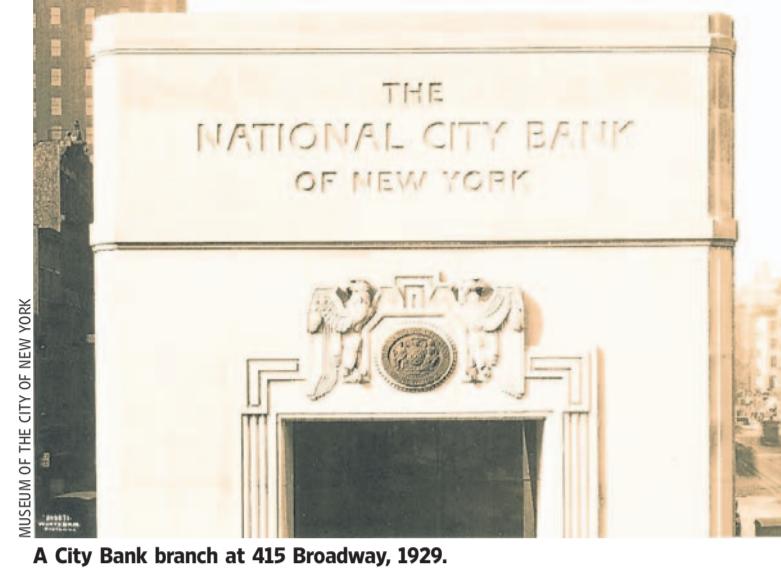
A few months after Mr. Bush's Oval Office directive, Citigroup's then-CEO, Vikram Pandit, was asking regulators for yet another bailout. According to a Journal report at the time, Mr. Pandit pleaded, "Don't give up on us."

The government never does. For obvious reasons, Citi's serial bailouts can infuriate taxpayers. But the public and the press may not fully appreciate that the Washington-Wall Street bailout culture can be destructive even for the institutions it is supposed to benefit. Our study of Citi's history, starting with its founding as City Bank of New York in 1812, reveals that the bank was in many ways healthier and more stable during the century when it was independent than during its century of support from the federal government.

During this era of serial bailouts, Citi has often been presented as a victim of events beyond its control: a financial panic, economic disruption overseas, a perfect storm of credit expansion, private greed and public incompetence. Yet in the old days, Citi not only didn't fall victim to business cycles or financial crises, it thrived when others faltered. It became a banking giant because it had the strength to seize opportunities—and new customers—in periods of panic.

As for the benefits of bailouts, which are, after all, undertaken in the name of saving the economy, it is impossible to prove that the nation's financial system couldn't live without Citi or the other giants. A sober look back at the panic of 2008 turns up new reasons to question the favored status of the banks labeled "too big to fail." Can anyone name a Citi service that other companies couldn't provide? Doesn't the U.S. pay a price in lost innovation by keeping deeply flawed incumbents atop the financial heap?

The history of instability and government support at Citi is not a story Washington wants to tell—or help others tell. Reporters have run into a stone wall trying to obtain key information about 2008. We've had as much trouble trying to pry records from the Federal Reserve about government assistance to Citi in the 1920s. That may partly explain the relative lack of coverage of Citi's serial crises, even as



A City Bank branch at 415 Broadway, 1929.

various books have covered the failure of a much smaller institution, Lehman Brothers, which never received a bailout.

The lack of attention to Citi is especially odd given the frantic response in 2008 to its impending doom. "If Citi isn't systemic," Mr. Paulson writes that he told another official, "I don't know what is." Citigroup received the most generous government help of any bank during the crisis, with capital injections of \$45 billion as well as hundreds of billions of asset guarantees, debt guarantees and other assistance.

The Citi story simply does not fit Washington's explanation of the 2008 crisis. Financial regulators and the Wall Street megabanks they oversee like to say the problem was concentrated in the so-called shadow banking system. This is the gray area occupied by nonbank financial institutions—including Bear Stearns, Lehman and AIG—outside the more-heavily regulated commercial-banking sector. The 2010 Dodd-Frank Act was sold as a way to give regulators important new powers to oversee such large, risky firms.

But Citigroup, a federally regulated bank holding company containing a federally insured bank, was already subject to the full range of supervisory authorities. Perhaps most embarrassing of all to the regulators, Citi was specifically overseen by the Federal Reserve Bank of New York and its

chief, Timothy Geithner, a principal architect of financial-crisis policies during both the Bush and Obama administrations. Mr. Geithner served as Mr. Obama's Treasury secretary. His successor Jack Lew was a former Citi executive. Don't count on him to expose the full dimensions of this disaster.

The alternative model is a system in which failure is allowed and taxpayers aren't made to rescue reckless financiers. Moses Taylor is perhaps the greatest American businessman most people have never heard of. When he became a director of City Bank in June 1837, the U.S. was in the midst of a financial panic. Unlike his predecessors on the board—or his successors who steered the modern Citigroup in 2008—he had anticipated and prepared for a crash. Believing that poor judgment by both bankers and government officials had created a speculative bubble, he had maintained a significant cash reserve at his own merchant house. It endured through the panic and the years-long economic downturn that followed. He became president of City in 1856.

Taylor summed up his approach to business and banking with one phrase: "ready money." Compared with modern megabanks, Taylor's bank was both more highly capitalized and more liquid. He ensured that a lot more money was owed to City than it owed others, and he kept a lot of cash on hand in case of trouble. As an additional layer of protection, he sought out stable

deposits: clients unlikely to make sudden huge withdrawals.

James Stillman became City's president in 1891, and transformed it into the largest bank in the U.S. His scrutiny of loans was exacting. "His all-seeing eye raked the portfolio," journalist John Winkler wrote in 1934. "Notes long due were collected, bad debts wiped off or (more often) amortized, further credits were refused firms bearing honored names if even so much as a smudge were on their credit record, devilishly embarrassing personal questions had to be answered before the new president would consider a loan."

Stillman's City Bank was sometimes the one rescuing the federal government, rather than the other way around. In 1894 Stillman satisfied the Treasury's urgent need for gold by rallying investors to a bond offering in which the subscribers paid with the precious metal.

Meanwhile City was also helping Washington get out of a disastrous infrastructure project. The Union Pacific Railway entered receivership in 1893. A battle of banks ensued over plans to recapitalize it, and much of the debate centered on how to treat the government's \$45 million of claims. City Bank provided money and management to help keep the trains running and begin a turnaround. Stillman was placed on a committee of five responsible for overseeing the bankruptcy, and his bank earned fees and shares in the revived railroad. It also acted in part as an agent of the U.S. government.

City profited from the deal, and so did taxpayers. The government received \$58 million in settlement from the revived railroad. Modern shareholders and taxpayers could only dream of a Citigroup CEO examining the bank's investments with such an energetic and skeptical eye—never mind bailing out the government.

Mr. Freeman, an assistant editorial page editor at the Journal, writes the Best of the Web column for WSJ.com. Mr. McKinley is a visiting scholar at the George Washington University Law School, consultant and attorney. They are the authors of "Borrowed Time: Two Centuries of Booms, Busts, and Bailouts at Citi," forthcoming from HarperCollins on Aug. 7.

Anarchy Breaks Out in Portland, With the Mayor's Blessing



CROSS COUNTRY
By Andy Ngo

Portland, Ore. Along the trolley tracks behind the U.S. Immigration and Customs Enforcement field office, a biohazard cleanup crew works under police protection. It finds used needles and buckets of human waste simmering in nearly 100-degree heat. The smell of urine and feces fills the block. For more than five weeks, as many as 200 people had occupied the site to demand ICE's immediate abolition. They're gone now, but a community is left reeling. Thirty-eight days of government-sanctioned anarchy will do that.

A mob surrounded ICE's office in Southwest Portland June 19. They barricaded the exits and blocked the driveway. They sent "guards" to patrol the doors, trapping workers inside. At night they laid on the street, stopping traffic at a critical junction near a hospital. Police stayed away. "At this time I am denying your request for additional resources," the Portland Police Bureau's deputy chief, Robert Day, wrote to federal officers pleading for help. Hours later, the remaining ICE workers were finally evacuated by a small federal police team. The facility shut down for more than a week.

Federal workers were defenseless. An ICE officer, who asked that his name not be published, told me one of his colleagues was trailed in a car and confronted when he went to pick up his daughter from summer camp. Later people showed up at his house. Another had his name and photo plastered on flyers outside his home accusing him of being part of the "Gestapo."

Where were the police? Ordered away by Democratic Mayor Ted Wheeler, who doubles as police commissioner. "I do not want the @PortlandPolice to be engaged or sucked into a conflict, particularly from a federal agency that I believe is on the wrong track," he tweeted. "If [ICE] is looking for a bailout from this mayor, they are looking in the wrong place."

The mob set up camp behind the building, where they harassed journalists and banned photography. The open-borders advocates also erected an 8-foot wall around their

site. I walked through and saw young children, including infants, in squalid conditions and 90-degree heat. Every American flag was defaced. Anarchist and communist flags were unsold.

Stuart Lindquist, the ICE facility's 79-year-old landlord, visited his property on June 21. "The political powers in the city of Portland have stopped the police from doing what they normally would do," he told me.

A vicious mob targeted the ICE office and even a food cart. The police followed orders to do nothing.

When he attempted to drive into the parking lot, occupiers swarmed and pounded his windows. In the commotion, Mr. Lindquist's car struck someone in the mob, who wasn't injured. His home address later appeared online, and he says the harassment hasn't stopped.

On June 28 federal police mobilized from out of state finally moved to reopen the office. They arrested a handful of people for refusing to leave the ICE office's front, but the rest retreated to the camp and focused

their vitriol on the officers. They repeatedly called a black officer "traitor" and "house n—." They shouted that they knew where the officers lived, and published more addresses online.

The same day Mayor Wheeler again pledged not to intervene. In a statement, he whitewashed the lawless behavior: "I join those outraged by ICE actions separating parents from their children, and support peaceful protest to give voice to our collective moral conscience."

The Hakes family, which owns the Happy Camper food cart across the street from ICE's office, responded to the statement with incredulity. The mob "terrorized our family" and forced the business to close, Julie Hakes told me. Ms. Hakes showed me text messages from her 21-year-old daughter, Brianna, who ran the cart. "Just saw a drug deal," Brianna reported early on. After members of the anti-ICE mob spotted her selling breakfast burritos to federal officers, the situation deteriorated. "Call me immediately!" Brianna wrote after being accused of "supporting the pigs" and "child deportation." She said people wearing masks threatened to hurt her and burn down the cart, and the police never responded to their frantic calls.

Randy Glary, a 52-year-old artist

and longtime resident, was photographing the camp when he said a group of occupiers knocked his camera into his face. Charles Williams, a 62-year-old man who lives across the street, said someone threatened to stab him with an "AIDS-infected needle." From his balcony, he saw the "thugs" begin masked street patrols. Others brandished sticks. Lisa Leonard, a 53-year-old disabled resident, said occupiers hit her on her head, disabled her electric wheelchair, and lifted her in the air when she complained about loud drumming. She called police, who took a statement but made no arrests.

The locals who spoke to me all wondered why the city allowed this and ignored their calls for intervention. Peter Simpson, a public-information officer with the Portland Police Bureau, explained that "at the mayor's direction, PPB involvement was very limited" until July 25.

Back at the trolley tracks, the occupiers have been evicted but taxpayers will have to foot the costly cleanup bill. The Hakes family is still trying to recover. Brianna has decided to move out of the neighborhood. "They know my face and car," she said. Like other residents I spoke to, she expects the mob to return.

Mr. Ngo is an editor at Quillette.

Legal Gambling Can Be Good for Sports—and Even for Opera

By Reuven Brenner

Europeans love to bet on sports. So do Americans, but until recently sports gambling was illegal in every state but Nevada. American sports leagues lobbied Congress to pass a nationwide ban, which it did in 1992. But in May, with *Murphy v. National Collegiate Athletic Association*, the Supreme Court struck it down, leaving states free to legalize the practice.

The leagues may be better off as a result. Sports wouldn't be as popular without betting. Spectators get more involved when they back their opinions with money. Many football and tennis games are boring, one-sided affairs that nonbetting fans wouldn't bother to watch. But bettors stay and wager on the next game, the next set—so the audiences are larger and TV rights are worth more.

Some leagues fear corruption. Yet they are all well aware that even when gambling was illegal, Americans bet some \$150 billion a year on sports, and bribery and fixed games have been rare. And in Europe legal bookmaking has helped keep sports honest. When occasional fixing of games occurs, the bookmakers, noticing unusual trading patterns, notify the authorities. With the point-spread system, bookies lock in a fixed profit of approximately 5% on all bets, and therefore have no reason to fix games. The incentive instead is to keep them honest, so as to expand the gambling market.

Then again, legalization has its own hazards. High betting taxes can breed corruption. Illinois taxes casino profits at 50%, and Italy imposes an 8.5% levy on the "handle"—all money bet—rather than net profits. That creates an incentive for bookies to fix games, grab as much money as

they can, and exit the business before the tax can be collected.

When sports betting is illegal, neither bookies nor winners pay taxes. Leagues that succeed in sustaining the perception that the games are honest get the best of both worlds—the large market and attendant

broadcast revenues without the taint of corruption. By that logic, it's better to keep the betting market illegal and honest than subject it to high taxes and arbitrary regulations that could destroy it.

Prohibition also stands in the way of sensible regulation. A study of

illegal bookmakers in New York City found that they extracted money quickly by advancing short-term credit to bettors, most of whom were "compulsive gamblers." When betting is outlawed, bookies cannot be held liable for taking advantage of their customers like this.

Believe it or not, legal gambling also can be good for the arts. In the glory days of bel canto, all opera houses in Italy had a casino attached—yes, La Scala too. The opera houses were private and profitable. Arms dealer Domenico Barbaja (1778-1841), the most famous impresario of the times, managed them and commissioned new operas and ballets. Stendhal's biography of Gioachino Rossini summarizes his contract with Naples's San Carlo opera house, and shows that he got 200 ducats a month as musical director there and 1,000 ducats as his share of the gambling proceeds.

Then as now, some entertainment

businesses cannot be stand-alone financial entities. If popcorn and soft drinks were outlawed, most cinemas would close. A widespread outcry would lead to government subsidies, which is what happened to Italian opera houses once casinos were outlawed. Opera houses have been government-financed ever since, and the art has stagnated.

As in sports, so in high culture—prohibitions, bad regulations and badly imposed taxes destroy businesses and have long-term unintended consequences. Perhaps after New York legalizes sports betting, former President Trump can open a grand new casino and betting parlor in partnership with the Metropolitan Opera.

Mr. Brenner holds the Repub Chair at McGill University and is co-author of "A World of Chance" (Cambridge, 2008), on which this article draws.

OPINION

REVIEW & OUTLOOK

Trump's Car Freedom Act

The Trump Administration's deregulation is improving consumer choice and reducing costs from health care to appliances. Its proposed revisions Thursday to fuel economy rules continue this trend to the benefit of car buyers, not that you'd know it from the political hyperventilation.

Corporate average fuel economy (Cafe) standards are a relic of the 1975 Energy Policy and Conservation Act, which sought to reduce oil consumption by requiring manufacturers to produce more efficient cars. But the law has outlived its purpose as shale hydraulic fracturing has made the U.S. the world's largest oil producer.

Regulators aren't clairvoyant, but the Obama bureaucrats were acutely blind—perhaps willfully so—to economic and technological trends in 2012 when they set a fleetwide average benchmark of 54.5 miles a gallon by 2025. The Environmental Protection Agency assumed unproven technologies would be widely adopted, but many have stalled or combusted. Dual-clutch transmissions resulted in a sudden loss of power and throttle, for example.

The EPA projected that oil prices would be about \$125 a barrel today and "high-cost petroleum liquids projects" in unstable regions and biofuels would be among the "most important components" of new supplies. Production in Venezuela and Libya has plunged, yet oil prices are about \$70 per barrel as U.S. shale drillers increase output.

Americans prefer bigger cars, which makes it harder for automakers to meet the escalating Cafe targets. SUVs and pick-ups make up about two-thirds of vehicle sales. Incremental improvements in fuel efficiency are also becoming more costly. Carmakers should be able to achieve the standards over the next couple of years due to credits for technologies like low-leakage air conditioning systems.

But automakers would have to sell hundreds of thousands of electric cars—or buy credits from those that do—to meet future Cafe targets. And consumers aren't buying electric cars en masse despite subsidies that can amount to \$10,000 a car in California. Former CEO Sergio Marchionne estimated that Fiat Chrysler lost \$20,000 on each electric car it sold. Carmakers then must raise prices on SUVs and pick-ups.

As prices rise to meet the new standards, consumers would also wait longer to replace their cars. The average age of a car is approaching 12

Easing fuel-mileage rules is a boon to auto makers and consumers.

years, up from about 8.5 in 1995. Newer cars are more efficient and safer, so longer vehicle turnover could result in more traffic fatalities and increased CO₂ emissions.

Enter Thursday's Trump Administration proposal to freeze—not roll back—fuel economy standards at the current 2020 target of 37 miles a gallon. Credits would disappear, eliminating market distortions.

The Administration is also seeking public comment on seven alternatives that would increase fuel economy targets by between 0.5% to 3% annually through 2026. This is a sop to American automakers, which fear that a future Democratic administration will ratchet the standards back up. But another rule revision would require at least two years to implement.

It's thus likely that a President Kamala Harris would focus instead on establishing new targets for the following decade based on updated estimates of variables like oil prices and technology. Those mileage targets are likely to be lower if the Trump Administration reduces the current benchmarks now.

Automakers also want to duck a prolonged legal tussle with California, which received a waiver from the Obama Administration under the Clean Air Act in 2013 to establish its own emissions standards and electric-car mandate. The proposed Trump standards would apply nationally, and California is certain to sue to enforce its waiver.

But the Energy Policy and Conservation Act expressly pre-empts state regulations of fuel economy. And the Clean Air Act allows the EPA to reject a waiver if California "does not need such standards to meet compelling and extraordinary conditions."

Ah, but what about the damage to climate change from greater U.S. auto emissions? The waiver provision was intended to help California curb pollutants like NO_x that contribute to local smog. But greenhouse gas emissions are global, and the Department of Transportation estimates that the Trump mileage changes will increase global temperatures by all of 0.003% Celsius by 2100. The impact on climate change will be essentially zero.

A lower court might indulge California, but the Trump Administration is likely to prevail at the Supreme Court. Meantime, Detroit's not-so-brave automakers can thank the Administration for taking the political blows so they can continue to pretend to be carbon saints.

The Tragedy of Zimbabwe

Most military coups upset the status quo, but not in Zimbabwe. The ruling Zanu-PF party ousted long-time dictator Robert Mugabe last year but successor Emmerson Mnangagwa is adopting the old dictator's ways.

That's the dispiriting message of Mr. Mnangagwa's election victory over challenger Nelson Chamisa announced Friday by Zimbabwe's electoral commission. Mr. Mnangagwa received 50.8% versus 44.3% for Mr. Chamisa, avoiding a runoff. Zanu-PF kept its parliamentary majority with 144 of 210 seats versus the opposition Movement for Democratic Change (MDC), which won 64.

Voter turnout was high at 75%, reflecting the hope of Zimbabweans that the election would be fair. It wasn't. European Union observers cited "misuse of state resources, instances of coercion and intimidation, partisan behavior by traditional leaders and overt bias in state media," all to the Zanu-PF's advantage.

Making America Work Again

Friday's jobs report for July revealed another good month for the American economy, and the unemployment rate ticked down to 3.9% from 4%. But many potential workers are still on the sidelines, and Congress has an opening to help.

Job growth at 157,000 in July was less robust than expected. But the Bureau of Labor Statistics revised the past two months upward by 59,000 to 248,000 jobs in June and 268,000 in May. This puts the average for the last 12 months at 200,000, higher than the 185,000 in the previous 12 months, a rare acceleration this deep in the business cycle. Credit goes to tax reform and deregulation that are giving the expansion a second wind.

Yet even with this growth, 96,000 more people were out of the labor force in July, and that's up nearly a million from July 2017. Even with the pull of a strong economy and more than six million available job openings, the 62.9% labor force participation rate is the same as a year ago.

Some 17.9 million prime-age workers who aren't disabled aren't in the labor force, according to data from the White House's Council of Economic Advisers. About 1.6 million cited going to school as the reason, and another 8.4 million were caregivers. Roughly 2.9 million reported illness and 1.2 million retired early. But 2.9 million have worked in the previous year, and about 400,000 say they couldn't find work. These workers in particular should be the easiest to move back into jobs.

There are many reasons people aren't working, including the opioid plague. But there are also government incentives not to work. These columns have noted that some of the highest

With better incentives, millions on the sidelines could join the workforce.

marginal tax rates hit Americans who work more hours but lose government benefits as their incomes rise. White House economists estimate that a person can lose up to 36 cents in food-stamp benefits for every marginal dollar earned from labor.

Millions of Americans receiving government assistance also don't work at all.

About two-thirds of adult food-stamp recipients are not disabled or seniors, according to government survey data. Yet more than 50% of this group reported working zero hours a week while receiving benefits. The same holds for Medicaid.

Food stamps have a work requirement on paper but states have waived it in part or entirely, so the House included in its farm bill a provision that requires 20 hours a week of work or training or volunteering. The last two categories ensure that food-stamp recipients aren't punished if they can't find jobs. The measure excuses anyone caring for a young child or going to school, among other dispensations.

Such sensible changes were too spicy for the Senate, which passed its farm bill without the reforms. But this week President Trump tweeted his support for including the work requirement in the House-Senate conference. Alas, Mr. Trump's tariff war isn't helping the politics. Farm state Senators are claiming that trade damage means finishing the bill is especially urgent, so there's no time for debate over food stamps.

President Trump can take credit for the stronger economy. But the U.S. needs more productive workers to keep growing at a 3% clip, and welfare reform is one way to coax more people back to work.

LETTERS TO THE EDITOR

Better Policies Can Result in Greater Growth

Your editorial "The Return of 3% Growth" (July 28) cites economist Larry Summers as a leading spokesperson for dismal scientists who foresee a secular stagnation fate for an America stuck in a rut of low population and productivity growth.

As soon as the GOP tax-reform measure was passed, the higher-growth naysayers (or, to use language of the left, skeptics and deniers) grudgingly conceded that economic growth could accelerate on a temporary basis—what Mr. Summers now describes as a "sugar high"—but after an initial modest increase, demographic and deficit headaches would return in a low-growth migraine.

The liberal skeptics may yet be proved right that sustained annual growth of 3% or more is a pipe dream, and that reality will set in with a sub-2% vengeance. Meanwhile, 4.1% growth in the hand beats 2% growth in a future bush. It seems logical that lower tax rates and less-onerous regulations would be good for capital investments that fund innovations that facilitate productivity growth, but maybe the recent progressive-economist converts to fiscal conservatism have a point about borrowing from the future to pay for growth today.

SEAN HOGAN
Augusta, Ga.

Donald Trump's election has inconveniently interrupted the self-fulfilling nature of liberal academicians' economic predictions which are in part based on small input changes to our economy, either from ongoing Demo-

cratic Party policy or measured ones from traditional Republicans. As difficult as it is for economists to accurately predict GDP growth, it is probably more difficult for them to admit that President Trump was correct.

BOB SPEAR
Coronado, Calif.

Tax reform and deregulation have lifted the economy out of the Obama stagnation. Not only is growth expanding in absolute terms but the "quality" of growth is far superior. Just as increases in goods produced count, costs associated with complying with increased taxation, regulation and expanded mandates count in the GDP calculation. What doesn't count is the impact this has on individual disposable income, new enterprise formation and small-business expansion.

Since the 2008 fiscal crisis, growth that should come from aggressive monetary policy was offset by increased taxation, regulation and the massive expansion of social programs. The result was lots of part-time or poor-quality jobs, little incentive to raise wages and an increase in the cost structure for small business and individuals. Big corporations, well equipped to deal with this environment, prosper. Small business flounders. The poor are stuck in multiple low-paying jobs or choose to enter into the expanded safety net.

The gap between the very rich and poor widens. Who wants this kind of growth?

JON LINKER
Houston

Admitting China Into the WTO Was Right

Regarding Bob Davis's "When the World Opened the Gates of China" (Review, July 28): Once American and Chinese counterparts, in late 1999, finally reached bilateral agreement on the demanding terms China would submit to in order to join the global trade system, the contentious question before the U.S. Congress was this: Would the U.S. turn its back on its own achievements while all other WTO members would benefit from them?

Hindsight is always 20-20. The U.S. and China today have serious economic disagreements. Some who opposed China's WTO entry at the time are still in positions of influence in Washington. What would those opponents of China's entry have wanted at the time? Would, for example, they have preferred no American negotiation whatsoever with the rapidly emerging China, regardless of the potential economic and strategic costs of unilaterally consigning China to global exclusion? Would they have preferred U.S. insistence on internal Chinese political changes that would have doomed the negotiations?

Short of wartime necessity, the attempt to keep any major economy weak by isolating it from the global economy is a recipe for failure. The U.S., including Congress, properly worked for China's inclusion in the global trading system, on compelling economic terms, in 1999, 2000 and 2001.

MAX BAUCUS
Belgrade, Mont.

ROBERT A. KAPP
Port Townsend, Wash.

Former Sen. Baucus served as ambassador to China (2014-2017). Mr. Kapp was president of the U.S.-China Business Council (1994-2004).

Donald Trump and his advisers are responsible for the welfare of the entire country, not just manu-

You Likely Don't See Audio Books in a Knitting Context

"KKR to Buy Audiobook Publisher" (Business & Finance, July 17) points out the growing market for audiobooks, including among commuters and treadmill users. There is a segment that might not have been considered: knitters. Many of us try to watch TV while knitting, but the results can be devastating. While

watching one game in the women's NCAA semifinals, I had to rip out eight rows of a sweater after getting overexcited about the play. I've stopped watching TV programs with subtitles for the same reason. I recently subscribed to an audiobook service, a much better solution to the problem.

Before any of your readers have patronizing thoughts about knitters as a market, be advised that the online knitting community Ravelry has about 7.6 million registered users.

ANNE BAILEY
Charlottesville, Va.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

Pepper ... And Salt

THE WALL STREET JOURNAL



"All those in doubt can say, 'Whatever.'"

OPINION

For a Charity Nowadays, Everything's Political

By Naomi Schaefer Riley

When Christopher Palusky became president of Bethany Christian Services in January, he didn't expect to end up tangling with Michael Moore. But that's exactly what happened thanks to the charitable agency's work placing some 100 migrant children into foster homes in Michigan and Maryland. In a Facebook post in June, the left-wing filmmaker encouraged his followers to "find out where in your area they have stashed the children Homeland Security have kidnapped," and to "go there, surround the building and refuse to leave until the children are reunited with their parents."

Bethany Christian Services faces protests and lawsuits for its work with migrants and foster children.

"In my area," Mr. Moore added, "it's a Betsy DeVos-funded joint called 'Bethany Christian Services.'" Local chapters of the American Civil Liberties Union and NAACP echoed Mr. Moore's call to protest, and on June 27 more than 150 people showed up at Bethany's campus. Mr. Palusky and his colleagues had to change the location of the school migrant kids attended during the day.

At the same time, Mr. Palusky has fielded criticism from neighbors for his public opposition to the separation policy. "We started to raise the alarm bell in D.C., saying this isn't right," he tells me. "We don't want this happening in our country." Trump supporters—of which there are plenty in Grand Rapids—demanded to know why Bethany was "going against the administration," Mr. Palusky says.

Bethany Christian Services, founded in 1944, is not a political organization. It describes itself as

"a social services agency that serves and supports expectant parents, foster families, individuals and families in need of counseling, and struggling families and children who are in desperate need of even the most basic necessities."

But increasingly politics seems to find Bethany. It has been engaged in refugee resettlement for 40 years. In 2013, it started placing unaccompanied alien minors with foster parents until a permanent home can be found. Although Mr. Palusky strongly opposes the Trump administration's separation policy, he said "there was no question in my mind" that Bethany would work with the government to find homes for the kids while their situations were sorted out: "Either the kids were going to live in big-box stores or detention centers or they were going into loving foster homes."

Meantime, Bethany's caseworkers call around to detention centers to locate the parents. "A couple of weeks into the process, we knew where all the parents were," Mr. Palusky says. Most of the children were able to talk to their parents on the phone. "In fact," he adds, "we've been informing DHS"—the Department of Homeland Security—"where the parents are, because they haven't always been able to find them."

In June Mr. Palusky accompanied two boys to Phoenix to be reunited with their parents. As the car approached the detention facility, one of them saw his father lined up with his face against the wall and started yelling, "That's my dad! That's my dad!" Mr. Palusky recalls: "I got choked up and said, 'I'm really sorry that you were taken apart from your dad.'



That's not who we are and that's not what we're about, and that's not the America that I know." As of this week, 90% of the kids in Bethany's care have been reunited with their families.

Mr. Palusky prefers not to comment on the general ability of state and federal bureaucracies to keep track of, let alone care for, children. But at a time when almost every state in the country is experiencing a severe shortage of foster families, he notes that more than 100 people showed up for a recent meeting to recruit foster families for migrant children.

In addition to its work with refugees and migrants, Bethany offers adoption services in 36 states and foster care in nine—and that, too, can

embroil it in politics, given the antagonism its religious character can inspire. Like many faith-based organizations, it is more successful than child-welfare bureaucracies at finding families to take in kids who need homes. Mr. Palusky describes his work as allowing foster and adoptive families "to do what Christ has told them to do. Christ talks about widows and orphans and taking care of them; here's an opportunity for you to do that."

He adds that "we're not your mother's adoption agency." Although Bethany does arrange adoptions of babies from mothers who want to place them with other families, most of its work focuses on other populations, including older children in sibling groups, and kids with severe behavioral problems. The opioid crisis has escalated the foster-care situation: "I'm in disaster-response mode right now," says Mr. Palusky, who previously worked for the evangelical relief agency

World Vision.

International adoption, meanwhile, has dropped 80% since its peak in 2004. Bethany has been outspoken in criticizing the State Department for focusing only on child trafficking and not the benefits of intercountry adoption. But resistance also comes from other countries, and Bethany looks for ways to help.

Ethiopia, for instance, has shut down international adoptions entirely. Bethany encouraged church members within the country to adopt. Taking in kids "outside of their own tribe was unheard of," Mr. Palusky says. Bethany has facilitated the adoption of "over 500 kids adopted in Ethiopia by Ethiopians." Foster care likewise was "a foreign

concept" there until Bethany started working on it.

In many Third World countries, there is still no one to take in the hardest cases. "Governments have said, 'We want to deal with our own issues in our own country,'" Mr. Palusky says—but they often fall short. "Ninety-seven percent of our international adoptions are kids with special needs. It could be a cleft palate. It could be Down syndrome."

Although American Christians are eager to take in children with serious medical challenges regardless of race, nationality or tribe, Bethany and its families face constant criticism from the left that they're motivated by either money or missionizing.

Now the organization is under attack from those who don't approve of its policy against placing children with same-sex couples. In September the American Civil Liberties Union filed a federal lawsuit against the state of Michigan for contracting with Bethany. The city of Philadelphia is also threatening to end Bethany's foster-care contract in the name of gay rights.

Mr. Palusky has no objection to secular charities and advocates a pluralistic, "big tent" approach to foster care: "Our niche is inside the faith-based community. Because of that we are able to help out more kids." But he wants more people to be able to "align with the organization they want" in order to do foster care.

When I ask if he would be open to a recent proposal to "voucherize" foster care and adoption, giving families the wherewithal to choose which organizations to work with, he gets to the heart of the matter: "OK, is it going to help out more kids?" He replies to his own question: "If the answer is yes, that's wonderful."

Ms. Riley is a visiting fellow at the American Enterprise Institute and a senior fellow at the Independent Women's Forum.

Peggy Noonan is on leave and will return in the fall.

Some Good News—About Natural Disasters, of All Things

By Roger Pielke Jr.

In his posthumously published book "Factfulness," the Swedish statistician Hans Rosling describes a paradox: "The image of a dangerous world has never been broadcast more effectively than it is now, while the world has never been less violent and more safe." A case in point: natural disasters. The earth will always be volatile, but despite recent fires, volcanoes and hurricanes, humanity currently is experiencing a stretch of good fortune when it comes to disasters.

It's difficult to be "factual" about disasters—the vivid trauma of each event distracts observers from the long-term decrease in destructiveness. But climate activists make the problem worse by blaming every extreme weather event on human-caused climate change, hoping to scare people into elevated concern.

Disasters certainly continue to cause catastrophic damage across the globe. The annual cost of disasters has doubled since reliable accounting of all events world-wide began in 1990, rising from about \$100 billion to \$200 billion a year in 2017 dollars.

But it's deceptive to track disasters primarily in terms of aggregate cost. Since 1990, the global population has increased by more than 2.2 billion, and the global economy has more than doubled in size. This means more lives and wealth are at risk with each successive disaster.

Despite this increased exposure, disasters are claiming fewer lives.

Data tracked by Our World in Data shows that from 2007-17, an average of 7,000 people each year were killed by natural disasters. In the decade 50 years earlier, the annual figure was more than 37,000. Seven thousand is still far too many, but the reduction represents enormous progress.

The material cost of disasters also has decreased when considered as a proportion of the global economy. Since 1990, economic losses from disasters have decreased by about 20% as a proportion of world-wide gross domestic product. The trend still holds when the measurement is narrowed to weather-related disasters, which decreased similarly as a share of global GDP even as the dollar cost of disasters increased.

The decrease in disaster damage isn't a surprise, because as the world population and economy have grown, the incidence of the most damaging extreme events has hardly changed. The Intergovernmental Panel on Climate Change reported in 2014 that there has been no increase in hurricanes, floods, droughts or tornadoes within the past 30 years. And 2018 is on track to have the lowest losses

from disasters as a share of global GDP since 1990.

It is then no surprise that the climate-disaster scare campaign has been ineffective at swaying public opinion. Gallup reported earlier this

In half a century, the average number of annual fatalities declined more than 80%.

year that 63% of Americans worried a "great deal" or "fair amount" about climate change—the same level as in 1989, when the question was first posed. But though popular worry hasn't boiled over, the public debate around climate change has become

more politicized, more partisan and less "factual."

In place of today's unproductive scare campaign, activists and the media should facilitate debate on the merits of actual climate-policy proposals, such as a carbon tax or improved flood defenses. Carbon dioxide emissions have indeed contributed to global temperature increase and may yet influence extreme weather, so the public and policy makers must decide the best ways to reduce emissions and increase society's resilience to extreme weather.

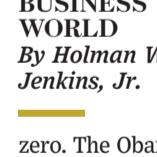
The U.S. has a long way to go in this regard. Last year Hurricanes Harvey, Irma and Maria together caused more than \$300 billion of damage. Among other issues, the storms revealed the lack of proper planning and infrastructure in Houston and the

unpreparedness of the federal government in Puerto Rico.

Improving resilience to disasters will be easier if it is based on evidence. That means acknowledging both the progress made so far and the risks and vulnerabilities that lie ahead. As Rosling advises: "Factfulness, like a healthy diet and regular exercise, can and should become part of your daily life. . . You will make better decisions, stay alert to real dangers and possibilities, and avoid being constantly stressed about the wrong things." It's good advice.

Mr. Pielke is a professor of environmental studies at the University of Colorado, Boulder. He is author of "The Rightful Place of Science: Disasters and Climate Change" (CSPO, 2018) and "The Climate Fix" (Basic, 2011).

Fuel-Mileage Rules Are No Help to the Climate



BUSINESS WORLD

By Holman W.

Jenkins, Jr.

zero. The Obama White House at the time exaggerated by a factor of two the Environmental Protection Agency's estimate of the effect on total emissions over the lifetime of the cars involved. It doesn't matter. Two times nothing is still nothing.

But don't the fuel-economy rules at least have symbolic value by showing the U.S. leading on global

warming? If, in return for zero climate benefit, American consumers and auto makers shoulder hundreds of billions of dollars in inefficiency-producing, consumer-disatisfying costs, how does this encourage the body politic to be more receptive to further climate policies? It doesn't.

Here's a related question: If climate activists really think any reduction in CO2 is infinitely valuable and cost vs. benefit doesn't matter, why are they still exhaling?

Let's remember the truth of Mr. Obama's fuel-economy rules. He did not wander the balconies of the White House gazing far into the future when he drafted the 2021-25 fuel economy target of 54.5 miles a gallon. His flunkies, as documented in a House investigation, simply were looking for a impressive-sounding number to serve the administration's political interests at the time. The out-year targets were designed to be juked once Mr. Obama was safely in retirement. In the meantime, the rules were deliberately jiggered to help U.S. auto makers sell pickups and SUVs so Mr. Obama could claim a successful auto bailout.

Human beings are social animals. Journalism is a social enterprise. The advice that parents and teachers give children, "Think for yourself," in a sense, asks for an impossibility.

The great Walter Lippmann, almost 100 years ago, published a book called "Public Opinion," in which he described how journalists, having neither the time nor the disposition to think deeply, fit the facts of the day into predigested narratives or "stereotypes." Sadly, in our own day, it's editors, who were once deemed a check on reporter illogic,

who now insist on facts that fit a prefab narrative.

Take the 31,000-word opus that fills the entire latest issue of the New York Times magazine. It systematically confuses the question does "Does the greenhouse effect exist?" with the question "Are changes in CO2 levels causing a climate disaster?"

When journalists go searching for 'missed opportunities,' they should question green tactics.

It treats the 1979 Charney report's estimate, based on a crude understanding of climate processes and back-of-the-envelope calculations, as a now-accepted iron law: A doubling of CO2 will lead to between 1.5 and 4.5 degrees Celsius of warming. Never mind that all sensible scientists regard the failure to improve on Charney in 39 years, despite billions spent on climate research and climate modeling, as a deep embarrassment.

The Times engages in casual exaggeration, such as referring flipantly to the oceans boiling, in place of wrestling with the hard problem of evidence. It laments "missed opportunities" to enact international climate treaties that, by the nature of international treaties, would have been collusion in empty gestures. Yet it fails to notice that the U.S. has gone through umpteen budget and tax debates without a carbon tax—which is unpopular with the public, but so are all taxes—ever being part of the discussion.

If the Times is looking for a folly, this is it. The green movement's resort to hysterical exaggeration and vilifying skeptics buried any hope of

enacting the one policy that is nearly universally endorsed by economists, that could be a model of cost-effective self-help to other countries, that could be enacted in a revenue-neutral way that would actually have been pro-growth.

A carbon tax remains a red cape to many conservatives but, in fact, would represent a relatively innocuous adjustment to the tax code. It could solve political problems for conservatives (who want a tax code friendlier to work, savings and investment) as well as for liberals (who want action on climate change).

Speaking of missed opportunities missed by the Times: Just days after Mr. Obama's 2008 victory brought unified Democratic control to Washington, Al Gore had a revelation. Unpopular energy taxes no longer were urgently needed. The climate problem could best be addressed by doling out subsidies to green energy entrepreneurs. Who doesn't like doling out subsidies?

This was nothing but a slippery way of excusing Mr. Obama in advance for policies that would have zero effect on climate change and only fulfill the pork-barrel wants of his donor base.

Happily, in undoing Mr. Obama's policies, Mr. Trump is doing nothing to hurt the climate. He's doing nothing to foreclose the pro-growth carbon-tax debate that we predict will well up one day soon, surprising all. Such a day might have come a lot sooner except for the needlessly polarizing and antagonizing tactics of Mr. Gore and his green allies.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Matt Murray

Editor in Chief

Karen Miller Pensiero, Managing Editor

Jason Anders, Chief News Editor; Thorold Barker, Europe; Elena Cherney, Coverage Planning;

Andrew Dowell, Asia; Neal Lipschutz, Standards;

Meg Marco, Digital Content Strategy;

Alex Martin, Writing; Michael W. Miller, Features & Weekend; Shauna Nessa, Visuals;

Rajiv Pant, Product & Technology; Ann Podd, News Production; Matthew Rose, Enterprise;

Michael Siconolfi, Investigations;

Nikki Waller, Live Journalism;

Stephen Wisniewski, Professional News;

Carla Zanoni, Audience & Analytics;

Gerard Baker, Editor at Large;

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

SPORTS

COLLEGE FOOTBALL

Ohio State's Football Crisis Widens

Urban Meyer changes his story about how he handled abuse allegations against a former assistant

BY RACHEL BACHMAN AND BEN COHEN

AS A HASTILY convened Ohio State University panel formed to investigate him, embattled football coach Urban Meyer took to Twitter to change his story and fight to keep his job.

Meyer, one of the nation's winningest active football coaches, was placed on paid administrative leave this week as the school probes his response to allegations that his longtime assistant coach Zach Smith had exhibited a pattern of abusing his wife before he was fired last month.

At issue now is what Meyer knew, when he knew it and how he acted on such information.

Meyer said on July 24 that he was unaware until recently of an alleged domestic-abuse incident in 2015 involving Smith. In a tweet on Friday afternoon, two days after he was placed on leave, Meyer changed his story.

He wrote that he has "always followed proper reporting protocols and procedures when I have learned of an incident involving a student-athlete, coach or member of our staff by elevating the issues to the proper channels. And, I did so regarding the Zach Smith incident in 2015." It's unclear when or to whom he relayed the allegations or why he continued to employ Smith for the next three years.

Meyer, who also wrote that he was "not adequately prepared to discuss these sensitive personnel issues with the media," apologized for his responses. He added: "Please know that the truth is the ultimate power and I am confident that I took appropriate action."

Ohio State officials and a representative for Meyer did not immediately respond to requests for comment.

The dramatic twists in Ohio State's widening crisis show how radically the perception of wrongdoing in college sports, and schools' reactions to allegations of violence, have changed. In less than a decade, sports fans have realized that college athletes getting free things isn't a big deal, but domestic violence and sexual assault are.

"Maybe coaches are being held accountable in a different way," said Bill Curry, a retired football coach who led teams at Alabama and Kentucky. "I know that females are much more likely to report these things and to understand that they've got a better chance of being heard than they've ever had in history. I think it's a wonderful thing."

It remains to be seen whether Meyer will coach another game at Ohio State, where he oversees a football program that says "honesty" and "treat women with respect" are two of its core values.



That a highly successful coach like Urban Meyer might lose his job shows how much the perception of wrongdoing in college sports has changed in a decade.

The uncertainty itself is a remarkable sign of how an issue that has long been diminished or ignored by sports fans has stirred outrage even among some football die-hards.

Zach Smith played for Urban Meyer and coached under him at the University of Florida before following him to Ohio State, and they were so close that Meyer and his wife, Shelley, helped counsel Smith and his ex-wife, Courtney, through her 2009 allegations of domestic violence.

But in 2015, another alleged incident prompted Courtney Smith to contact Shelley Meyer, who also works as an instructor in the nursing school, according to Ohio State's website.

Courtney Smith was granted a protective order against Zach Smith last month. Urban Meyer fired the assistant coach on July 23.

Meyer told reporters at the Big Ten Conference's media day on July 24 that he "got a text late last night that something happened in 2015" and suggested that he'd been unaware of the 2015 allegations until then. "There was nothing—once again, there was nothing," he said. "I don't know who creates a story like that."

The security of Meyer's job going forward is likely to depend on whether university officials believe his 2015 actions were appropriate.

If he loses his job, it would be

an extraordinary downfall for one of college football's most successful coaches, but it wouldn't be the first time it's happened at Ohio State.

Meyer is the coach of Ohio State's football team because of another scandal.

The only reason the embattled Buckeyes coach was lured to Columbus in 2011 was that one of the sport's richest programs happened to be in trouble. After the NCAA determined that several football players had traded their own athletic gear and memorabilia for dis-

College athletes getting free things isn't a big deal. Domestic violence and sexual assault are.

counted tattoos, it didn't matter that then-coach Jim Tressel had won a national championship for Ohio State. He still lost his job in the fallout of what came to be known as "Tattoogate."

Meyer and Tressel were both powerful men at the pinnacle of their sport with multiple Big Ten Conference titles and national championships when they ran into their respective problems. There were aggravating circumstances in Tressel's case, too. He concealed the violations from university

leaders.

But it's important to remember that college athletes receiving freebies was long treated as a high crime.

Tressel's initial punishment for his role in Tattooogate was a two-game suspension. The television pundit Skip Bayless was indignant: He believed it wasn't nearly enough of a penalty. "This is a joke to me," he roared. "Are you kidding? Two games?" A local newspaper columnist in Ohio likened Tressel's failure to inform the school of the tattoo situation to an act of violence: "He punched his university in the nose. A sucker punch." The players involved pleaded forgiveness from Ohio State fans for having the audacity to sell items as sacred as their Big Ten championship rings. "I didn't mean to hurt anybody," Buckeyes quarterback Terrelle Pryor said at a somber news conference arranged by the school.

But since then, the notion of players sharing in the billions of dollars they help generate has gone from blasphemy to something closer to common sense.

Polls taken by Seton Hall University only four years apart show how quickly public opinion has shifted when it comes to paying college athletes—or at least allowing them to profit off their particular talents. About 27% of Americans polled in 2011 believed college players should receive a salary. That number had increased

to 38% by 2015.

The combination of grassroots support and building legal pressure has pushed the notoriously somnambulant NCAA to action.

Meanwhile, the public has treated allegations of domestic violence and sexual abuse less like a private debate of he-said, she-said and more like the crimes they are—especially after sprawling scandals in the past decade at sports powerhouses like Penn State University, Baylor University and Michigan State University.

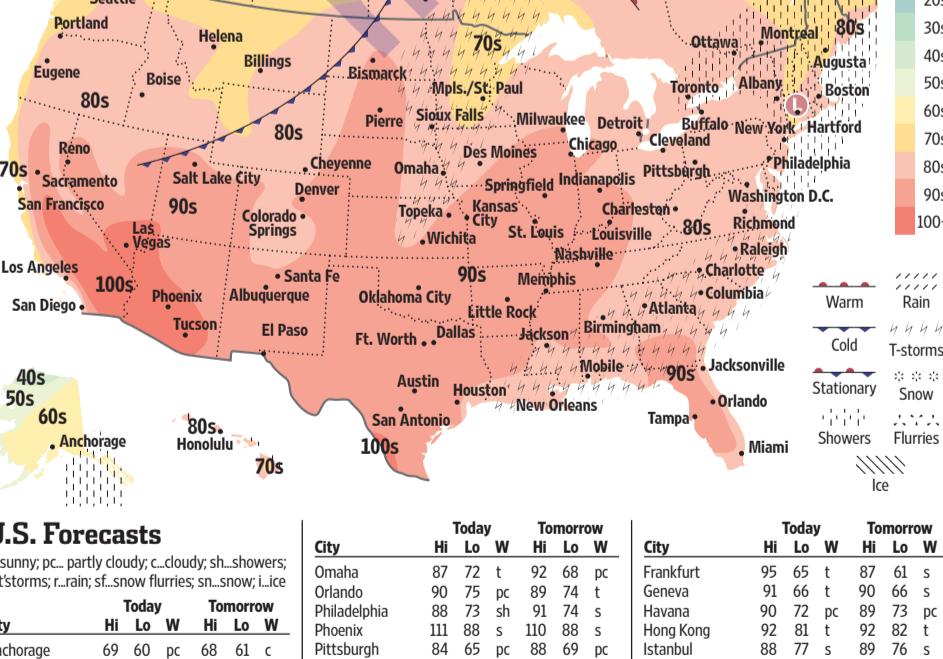
Kathy Redmond, founder of the National Coalition Against Violent Athletes, who settled a Title IX suit with Nebraska after saying that a Cornhusker football player raped her during their freshman year in 1991, says attitudes have been changing slowly since several sexual- and domestic-assault scandals involving athletes in the 1990s and early 2000s.

The turning point in terms of the public attitude, Redmond said, was the 2014 release of a video that showed NFL star Ray Rice punching and knocking unconscious his fiancée in a casino elevator.

"That was a big game-changer because we saw it," Redmond said. "I think prior to that, people heard about domestic violence, but they didn't think much of it. When they saw the video, I think that changed people's perspective."

—Brian Costa contributed to this article.

Weather



U.S. Forecasts

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

t...storms; r...rain; sf...snow flurries; sn...snow; i...ice

Today Hi Lo W Today Hi Lo W

City Anchorage 69 60 pc 68 61 c

Atlanta 88 73 pc 89 73 t

Austin 96 70 pc 98 71 pc

Baltimore 88 69 sh 90 71 s

Boise 86 56 s 89 59 s

Boston 82 71 t 87 73 pc

Burlington 85 67 pc 90 71 s

Charlotte 88 72 pc 91 73 pc

Chicago 95 76 s 92 75 pc

Cleveland 86 70 s 91 73 pc

Dallas 97 77 pc 99 78 pc

Denver 92 60 t 90 59 pc

Detroit 89 70 s 93 70 s

Honolulu 88 77 t 89 77 c

Houston 92 75 t 92 76 pc

Indianapolis 92 71 s 91 71 s

Kansas City 92 73 pc 95 73 s

Las Vegas 110 86 s 108 83 s

Little Rock 91 72 pc 91 74 s

Los Angeles 89 70 s 89 70 s

Miami 89 80 sh 89 79 pc

Milwaukee 92 75 s 92 69 pc

Minneapolis 78 69 t 86 68 pc

Nashville 94 73 pc 92 74 pc

New Orleans 88 76 pc 89 77 t

New York City 82 74 sh 89 75 pc

Oklahoma City 92 71 pc 94 76 s

International

Today Hi Lo W Today Hi Lo W

City Amsterdam 80 59 s 76 58 pc

Athènes 90 75 pc 89 74 s

Baghdad 111 85 pc 113 86 s

Bangkok 91 81 t 92 79 t

Beijing 98 80 s 93 78 t

Berlin 89 65 pc 78 60 pc

Buenos Aires 87 59 s 81 60 s

Chesterfield 60 38 s 62 43 s

Dubai 105 91 s 104 91 s

Dublin 70 56 pc 73 54 pc

Edinburgh 67 53 pc 67 57 s

THE COUNT | By Michael Salfino

REYES MAKES RUN FOR INFAMY

Who says there's no suspense left in the New York Mets season?

If Mets infielder Jose Reyes makes one more appearance on the mound this season, he could become just the third position player since baseball's Expansion Era began in 1961 to allow more runs as a pitcher than he drove in as a hitter.

Reyes is in position to make such a run for infamy because his first outing of 2018 was such a disaster.

Reyes pitched the eighth inning and allowed six runs in a 25-4 loss to the Nationals on Tuesday. He had only knocked in eight runs all season (in 169 plate appearances) before hitting two solo homers on Wednesday. He thus became the first player since Cap Anson in 1884 to hit two homers the day after allowing two, according to Stats, LLC.

Reyes's 10 RBI and six runs allowed through Wednesday still is the fourth smallest differential for a position player with at least 50 games as a non-pitcher, according to Stats. You may think this quest is over and there's no way the Mets would ever allow his 54.00 ERA anywhere near the pitcher's mound again. Reyes,

after all, faced 11 batters and only one swing and missed at any of his 48 offerings.

Mark Reynolds was so em-

Ugly Outings

Here are the position players in the Expansion Era who had the smallest differential between runs allowed as a pitcher and runs knocked in as a hitter

PLAYER	INNINGS PITCHED	RBI	RUNS ALLOWED	RBI MINUS RUNS ALLOWED
Casper Wells, 2013	1.2	1	5	-4
Manny Alexander, 1996	0.2	4	5	-1
Gene Michael, 1968	1.0	8	5	3
Jose Reyes, 2018**	1.0	10	6	4
Paul Janish, 2009	2.0	16	11	5
Rod Brewer, 1993	1.0	20	5	15
John Mabry, 2001	0.1	20	5	15
Manny Castillo, 1983	2.2	24	7	17
Keith Osik, 2000	1.0	22	5	17
David Murphy, 2015	0.1	23	5	18

Source: Stats, LLC

*since 1961 **season still active

case for Reyes pitching again is pretty simple—he wasn't even the team's worst pitcher Tuesday. Starter Steven Matz yielded seven runs while being unable to even get out of the first inning.

Only Casper Wells in 2013, for the White Sox and Phillies, and Manny Alexander for the 1996 Orioles allowed more runs in an emergency pitching performances than they knocked in. The Mets will need to get blown at least once more for Reyes to join them. But getting blown out appears quite likely. The Mets five losses of 10-plus runs is tied with the Marlins for the most in baseball, according to Baseball-Reference.

REYES MAKES RUN FOR INFAMY

Who says there's no suspense left in the New York Mets season?

If Mets infielder Jose Reyes makes one more appearance on the mound this season, he could become just the third position player since baseball's Expansion Era began in 1961 to allow more runs as a pitcher than he drove in as a hitter.

Reyes is in position to make such a run for infamy because his first outing of 2018 was such a disaster.

Reyes pitched the eighth inning and allowed six runs in a 25-4 loss to the Nationals on Tuesday. He had only knocked in eight runs all season (in 169 plate appearances) before hitting two solo homers on Wednesday. He thus became the first player since Cap Anson in 1884 to hit two homers the day after allowing two, according to Stats, LLC.

Reyes's 10 RBI and six runs allowed through Wednesday still is the fourth smallest differential for a position player with at least 50 games as a non-pitcher, according to Stats. You may think this quest is over and there's no way the Mets would ever allow his 54.00 ERA anywhere near the pitcher's mound again. Reyes,

after all, faced 11 batters and only one swing and missed at any of his 48 offerings.



Joint Pain
His wife embezzled
\$500,000. He got
the tax bill. **B4**

EXCHANGE

Future Proofing
Old-money billionaires
are chasing new tech
riches **B8**



BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT

THE WALL STREET JOURNAL.

SATURDAY/SUNDAY, AUGUST 4 - 5, 2018 | **B1**

DJIA 25462.58 ▲ 136.42 0.5% NASDAQ 7812.01 ▲ 0.1% STOXX 600 389.16 ▲ 0.7%

10-YR. TREAS. ▲ 9/32, yield 2.952%

OIL \$68.49 ▼ \$0.47

GOLD \$1,214.20 ▲ \$3.60

EURO \$1.1568

YEN 111.26

THE FIXER

Funneling money around the world for Russians was easy. Getting out was hard.

"If you are reading this, it is probable that you wonder who Ben Worsley is."

Typing on his computer, Benedict Worsley felt surrounded. The plan, the Englishman told friends, was to work for the Russian financiers for a few years and then retreat to his gated pied-à-terre in the south of France.

Mr. Worsley, tall with thinning gray hair, flew on private jets and sailed on luxury yachts. His Rolodex swelled to include people in Luxembourg, Cyprus and the United Arab Emirates. Despite having no finance background, the 50-year-old former headhunter reinvented himself as an offshore specialist helping manage hundreds of shell companies. Along the way he acquired a ringside seat into how rich Russians quietly shuffle money across the European Union and marveled at how easy it was.

Now, as he explained in his online statement, it was all unraveling. A banking crisis had turned acrimonious. "I now find myself caught in the middle between two warring Russian factions," he wrote.

He was having panic attacks. He had cut himself off from many of his old friends in London, where he got his start. The threat of legal bills loomed. When he traveled, he thought he was being followed. "I was a nobody," he had written to an opposing lawyer in a pleading email. "I like to be a nobody. That's fine for me."

Nobodies like Mr. Worsley are the building blocks that made London's reputation as an international money center. Countless fixers—lawyers,

BY MAX
COLCHESTER
AND MARGOT
PATRICK

Exxon in a statement confirmed the probe had ended, saying it began in January 2016 and involved more than 4.2 million pages of records. "After a thorough investigation, including a review of these documents, the SEC issued its closure letter," company spokesman Scott Silvestri said in the statement.

The Securities and Exchange Commission in a Thursday letter informed Exxon that it closed the probe and decided against trying to penalize the energy giant over its disclosures and how it valued oil and gas assets. The letter was reviewed by The Wall Street Journal.

The SEC's investigation began under former chairman Mary Jo White, who was picked by former President Obama. It ended under SEC Chairman Jay Clayton, a new leader appointed by President Trump. The decision ends what

Please turn to the next page



British headhunter Benedict Worsley reinvented himself as an offshore specialist managing hundreds of shell companies for Moscow financiers.

'I now find myself caught in the middle between two warring Russian factions.'

real-estate agents, corporate-service providers—help funnel foreign money through the city and cater to the world's superrich.

It isn't always glamorous work, as Mr. Worsley ultimately found, and the extraordinarily Byzantine job of hiding money on a vast international scale can take a heavy psychological toll. This account of his adventures, based on interviews with more than a dozen people familiar with his situation, documents, court records and the public statement he posted on his website, reveals a conflicted man ricocheting from loyalty to betrayal as the legal noose tightened on his Russian clients.

Mr. Worsley, who hasn't been accused by authorities of any crimes, was paid hundreds of thousands of dollars in salary and expenses for his work. He said in an affidavit in a subsequent court case that he didn't stop to consider that the money flows he facilitated might be construed as illicit.

Please turn to page B6

ILLUSTRATIONS BY RUTH GWILY

THE INTELLIGENT INVESTOR | JASON ZWEIG

How Brokers Make More On Your Cash Than You Do



When some investment firms say they will treat your money as if it were their own, they mean it—all too well.

If the Securities and Exchange Commission wants to make good on its promise to compel brokers to act in their customers' best interest, it should shine a klieg light on how brokers treat investors' cash.

Investors invest, but of course they leave billions in cash in brokerage accounts, too.

At Morgan Stanley, \$6.3 billion of that cash is in a money-market mutual fund yielding 1.8%. On

Aug. 13, the firm will shut that fund and sweep its clients' idle cash into bank accounts that, after a transition period, could yield much less.

As Charles Schwab Corp. also did earlier this year, most major brokerages have shoved clients out of money-market funds and into lower yielding bank sweeps, thereby capturing much of the return on customers' cash for themselves.

In a bank sweep, your brokerage automatically rakes together and deposits your spare cash in one or more banks. Banks hand the brokerage a hefty fee, and the brokerage hands you some crumbs. For any given investor, a

Best Interest?

Even as short-term interest rates have risen sharply, brokerage firms are paying next-to-nothing on their customers' cash.

2.0%

1.5

1.0

0.5

0

2016 | 17 | 18

*Effective federal funds rate †Crane 100 Money Fund Index **Crane Brokerage Sweep Index

Sources: Federal Reserve Board (interest rate); Crane Data (money-market funds, sweep accounts)

THE WALL STREET JOURNAL.

few dollars from dividends or interest income don't amount to much. Rolled together with idle cash from thousands of other investors, they can add up to millions.

Even as short-term interest

rates have risen to roughly 1.9% from 1.1% over the past year, brokerage firms have barely budged how much they pay on their customers' cash.

These firms often describe

Please turn to the next page

"With its 'Main and Main' location...666 Fifth Avenue has the potential to be one of New York City's most iconic and successful office properties," said Ric Clark, chairman of Brookfield Property Group, in a

Please turn to the next page

THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

APPLE INC.

AAPL Apple became the first U.S. company to surpass \$1 trillion in market value Thursday, thanks to two big days of gains after the company released its latest results.

The tech giant posted its best-ever revenue mark for the usually sleepy June quarter. Finance Chief Luca Maestri said demand for iPhones remained consistent through the spring and sales for its services, such as the app store, reached an all-time high. Apple also said it would repurchase \$20.8 billion of its shares, helping to send the stock up 5.9% **Wednesday**. The shares have now gained 23% in 2018.

US FOODS HOLDING CORP.

USFD Investors' appetite for US Foods spoiled on Monday, after its latest results were hurt by rising diesel prices and a shortage of truck drivers in a tight labor market.

Its suppliers, too, are struggling in their hunt for workers. Finance Chief Dirk Lascio said the company doesn't anticipate either trend easing much this year. Separately, US Foods agreed to acquire five food businesses from Services Group of America in a \$1.8 billion cash deal that expands US Foods' reach in several northwestern states. Shares dove 17% **Monday**, the stock's worst day ever.

PERFORMANCE OF STOCKS AFFECTED BY TARIFF CONCERN THIS WEEK

Source: SIX



CATERPILLAR INC.

CAT Shares of several companies fell as investors discovered the toll of the Trump administration's trade disputes. Caterpillar said tariffs would increase its material costs by as much as \$200 million over the rest of 2018, prompting investors to send shares down 2% **Monday**. Tyson Foods Inc. shares fell 7.6% when the company said tariffs hurt prices on chicken and pork. Boeing Co. fell too, as trade tensions escalated throughout the week.

GENERAL ELECTRIC CO.

GE GE announced it was putting key parts of its digital unit up for sale as the conglomerate looks to unwind one of former chief executive Jeff Immelt's major initiatives.

The industrial giant created GE Digital as a stand-alone operation in 2015 and projected sales for the unit to top \$15 billion by 2020. But it faced stiff competition, had been losing money, and last year it booked only about \$500 million in revenue. It isn't clear what parts of the unit are for sale, but the proceeds won't be a game-changer for a company with a market value above \$100 billion. Still, GE shares rose 3.6% **Tuesday**.

TESLA INC.

TSLA Tesla is still burning through cash, just less quickly than expected. Chief Executive Elon Musk reassured investors that his electric car company would turn a profit by the end of the year in a far less contentious earnings call than last quarter. Tesla's effort to produce 5,000 Model 3 sedans per week, a milestone it achieved on July 1, caused losses to more than double from last year. However, Tesla ended the quarter with \$2.2 billion in cash and said it will focus on repaying its debt. "Are we running low on money? The answer is no," Mr. Musk said. Shares soared 16% **Thursday**.

CIGNA CORP.

CI Activist investor Carl Icahn thinks Cigna is overpaying for pharmacy-benefit manager Express Scripts Holding Co. On Wednesday, the Journal reported his plans to vote against the health insurer's proposed \$54 billion acquisition, which sent shares of Cigna up 2% while Express Scripts stock slid 6.3%. Although Mr. Icahn's stake in Cigna is small, he could attempt to sway other shareholders to oppose the deal too. Shares of Express Scripts recovered some of their losses Thursday after Chief Executive David Cordani reaffirmed his faith in the deal on the company's earnings call.

BLUE APRON HOLDINGS INC.

APRN Customers are losing interest in Blue Apron dinners—and investors are too. The second largest meal-kit company by revenue said its total customer count was 717,000 at the end of June, down 24% from last year and 9% from March. Blue Apron's profit margins improved, though logistical problems persist and competition from grocery stores offering pre-made meals is increasing. Blue Apron stock sank 24% **Thursday**, its second-worst day since its initial public offering last year. The company sold shares at \$10 in its IPO; they ended the week at \$2.16.

—Laine Higgins

SEC Ends Its Probe Of Exxon

Continued from the prior page was a surprise foray by the federal regulator into questioning how a major oil producer valued its assets in a world of increasing climate-change regulations.

An SEC spokesman declined to comment.

Investigations by the attorneys general of New York and Massachusetts continue into how Exxon has accounted for the impact of climate change on its assets. New York investigators have alleged in court papers that Exxon appears to have used internal estimates to account for climate impacts that differed from public statements. Exxon has denied those charges and said its statements accurately reflect the "proxy cost" of carbon it uses in internal estimates.

Before the probes began, Exxon was the only major oil-and-gas company that hadn't written down the value of its reserves in the previous decade, an issue New York investigators had taken an interest in. In accounting terms, the value of such assets often falls when prices decline. Since the fourth quarter of 2016, Exxon has booked more than \$3 billion of impairments.

Under U.S. law, public companies must tell shareholders about risks or uncertainties that matter to shareholders' investment decisions. Environmental groups and some activist investors have pushed the SEC to force companies to disclose more about how they weigh their exposure to climate change.

The SEC advised public companies in 2010 that they should consider the impact of greenhouse-gas regulations, international agreements among governments to limit emissions, and the physical effects of climate change, such as severe weather. The SEC said all of those factors wouldn't apply to every public company, and it declined to mandate any specific disclosures about climate change.

Securities lawyers say the decision is specific to Exxon's case and may not portend a change in terms of how the SEC reviews companies' statements about climate change. Proving that a company suppressed the threat of climate change is difficult because the trend may not immediately—or anytime soon—affect its performance.

"Given the time horizon over which climate change could have an impact, it's challenging to prove that any risk or uncertainty is material to a company in the present day," said Keith Higgins, a former SEC director and now chairman of the securities and governance practice at Ropes & Gray LLP.

Kushners Lease Out Office Tower

Continued from the prior page written statement.

The structure of the deal is different from what Brookfield and Kushner Cos. discussed in the spring. Back then, Brookfield was considering a deal in which it would essentially acquire Vornado's 49.5% stake in the property and become partners with the Kushner family.

The Kushner sale of the 99-year lease gives Brookfield complete operational, leasing and development control. Unlike many 99-year leases, Brookfield won't pay annual ground rent. Rather, it will pay all the rent upfront, giving Kushner Cos. the money it needs to exit from the investment, according to people familiar with the matter.

The sale means that the Kushner family won't lose much money from its investment in 666 Fifth Avenue, but it isn't clear whether the family will have made much either. In recent years, the building hasn't been generating enough money to pay its debt service.

The property has taken numerous twists, both financial and political. Kushner Cos. sold a controlling stake in the retail space for more than \$500 million a few years after it purchased the tower in 2007, using most of the proceeds to repay debt.

But that wasn't enough to shore up the property in the postcrash years. In 2011, Kushner Cos. renegotiated what was then \$1.2 billion in debt and brought in Vornado as a 49.5% partner.

In 2017, soon after Mr. Trump took office, Mr. Kushner's father, Charles Kushner, was negotiating

with Anbang Insurance Group, a Chinese insurer with connections to Beijing government. The elder Mr. Kushner's plan at the time was to use Anbang's capital in a \$7.5 billion plan to convert 666 Fifth Avenue into a 1,400-foot-tall mixed-use skyscraper with retail, hotel and condominiums.

Jared Kushner had already sold his stake in 666 Fifth to a trust controlled by other family members to avoid potential conflicts. Still, the talks between Anbang and his father ignited criticism that Mr. Kushner might use his position to help his family salvage its investment.

The Anbang talks soon collapsed. Since then, Kushner Cos. has steered clear of any deals with sovereign funds, a decision that has made the firm rein in its ambitious plans for the site. The family also faced a deadline: the debt on the building needs to be repaid next year.

The latest round in the family effort to exit 666 Fifth began earlier this year when Kushner and Vornado began discussing Kushner buying Vornado's stake. That deal, announced in June, made it easier for Kushner to talk to Brookfield and other interested buyers.

One of the uncertainties about the Brookfield purchase of the 99-year lease is how much of the current debt on the building is going to be repaid. In the 2011 restructuring, the debt was carved into two pieces—a senior piece and a junior piece. The senior piece is worth \$1.1 billion and the junior piece has increased since 2011 to over \$300 million, because interest on it has been accruing.

Kushner executives have been arguing that only the senior debt on the building has to be repaid, partly because 666 Fifth isn't worth the total \$1.4 billion of debt on the building. A spokesman for LNR Partners LLC, the special servicer that has been representing creditors of 666 Fifth, declined to comment.

How Brokers Make More On Your Cash

Continued from the prior page cash sweeps as a low-cost source of funding." They're not kidding. You've probably never realized how badly you could be getting stiffed: Sweeps often affect only a few dollars at a time, and the disclosures are hard to find, understand and compare.

All this is perfectly legal. Regulations don't require brokers to pay you anything on your cash, says Paul Clark, a partner in banking and securities law at Seward Kissel in Washington, D.C.

Most firms declined to comment. Others said most clients keep only a small portion of their portfolios in cash, and all clients are free to select money-market funds or other choices.

Bank sweeps have considerable benefits: federal deposit insurance, instant access to your money, checkwriting, a debit card, online bill payment and the like, all with no fees. A broker's profits on sweeps may subsidize other services—lowering commissions, for example. What's more, if you just put your money in a bank instead, the bank would also make a fat spread off you—with even less disclosure of how much profit it is earning.

The foregone gains aren't huge. If you hold \$10,000 in cash, you could earn about \$200 over the next year, at current yields, in a money-market mutual fund. In the average brokerage bank-sweep account, you would make \$19, according to Crane Data, a firm in Westboro, Mass., that tracks cash rates.

Yet brokers talk constantly these days about acting in your best interest. Pushing you into sweep accounts that are far more lucrative for them than for you seems inconsistent with that noble goal.

And sweeps are rife with conflicts.

Many brokerage firms sweep your cash into banks their parent company owns. Charles Schwab's brokerage now deposits all its bank-sweep balances at siblings Schwab Bank and Schwab Signature Bank. "In setting interest rates, the affiliated banks may seek to pay as low a rate as possible," says a Schwab disclosure.

Some firms, including Wells Fargo Advisors, disclose that the adviser assigned to your account may get paid an incentive fee for steering your cash into a sweep at a sister bank rather than encouraging you to shop elsewhere for better rates.

At Ameriprise Financial Inc., which has \$24 billion in cash from clients, revenue from sweeps was up 56% in the first half of 2018 over the same period last year, Chief Executive James Cracchiolo said in a call with analysts on July 25.

You've probably never realized how badly you could be getting stiffed, a few dollars at a time.

According to a recent disclosure from Ameriprise, a bank-deposit account earning 1.9% would cost the firm about 0.1% in service fees. Ameriprise pays its customers 0.13% to 0.14% on balances of less than \$250,000. The firm keeps the difference, roughly 1.6%. Ameriprise—like many brokerages—makes more than 10 times as much on its customers' cash as they do.

The sweep business is so lucrative that Ameriprise expects to launch its own bank next year, partly to capture the spread for itself, the company's management confirmed on the July call.

Brokerage customers at E*Trade Financial Corp. averaged \$37.9 billion in sweep deposits in the first half of 2018, according to the company's latest earnings release. The firm lists 29 banks where it may deposit cash sweeps, and its disclosures say it

relies on an outside provider's "allocation algorithm" and "objective process" to distribute cash among those banks. Yet E*Trade has deposited 92% of its customers' sweeps at siblings E*Trade Bank and E*Trade Savings Bank, according to its latest earnings release.

For the full year 2017, at the 0.01% yield E*Trade was then paying on cash, it paid all its customers combined only \$4 million in interest on sweep deposits, according to the firm's annual report.

In March, E*Trade began raising the yield on its sweeps. Customers are now earning 0.15% on cash balances between \$100,000 and \$499,999.

Investors with sweep accounts at the brokerage division of LPL Financial Holdings Inc. earn 0.16% on a \$250,000 balance. LPL, meanwhile, is making roughly 1.85% on its customers' cash, Chief Financial Officer Matthew Audette said on a call with analysts and investors on July 26.

Cash sweeps contributed 25% of LPL's total gross profit in the second quarter, nearly as much as LPL's commission and advisory fees combined, according to a financial presentation by the firm.

At Raymond James Financial Inc., clients have \$41 billion in bank sweep accounts, of which 46% resides at Raymond James Bank—up from 37% a year ago. "More and more of the client sweep cash has been directed to our bank as opposed to outside banks," Chief Financial Officer Jeffrey Julien said in a conference call on July 26.

Part of the problem is inconsistent and incomplete disclosure. Some brokerages say how much they are taking in fees; some disclose the maximum they could take. Some disclose they will sweep all your cash to banking affiliates; some don't clearly state that their sibling banks get first dibs on your dough. Regulators could do more to make these disclosures informative.

The bottom line: Brokerages are getting rich on your money. You have the right to change how they handle your cash, and you should.

Alex Nabaum



with Anbang Insurance Group, a Chinese insurer with connections to Beijing government. The elder Mr. Kushner's plan at the time was to use Anbang's capital in a \$7.5 billion plan to convert 666 Fifth Avenue into a 1,400-foot-tall mixed-use skyscraper with retail, hotel and condominiums.

Jared Kushner had already sold his stake in 666 Fifth to a trust controlled by other family members to avoid potential conflicts. Still, the talks between Anbang and his father ignited criticism that Mr. Kushner might use his position to help his family salvage its investment.

The Anbang talks soon collapsed. Since then, Kushner Cos. has steered clear of any deals with sovereign funds, a decision that has made the firm rein in its ambitious plans for the site. The family also faced a deadline: the debt on the building needs to be repaid next year.

The latest round in the family effort to exit 666 Fifth began earlier this year when Kushner and Vornado began discussing Kushner buying Vornado's stake. That deal, announced in June, made it easier for Kushner to talk to Brookfield and other interested buyers.

One of the uncertainties about the Brookfield purchase of the 99-year lease is how much of the current debt on the building is going to be repaid. In the 2011 restructuring, the debt was carved into two pieces—a senior piece and a junior piece. The senior piece is worth \$1.1 billion and the junior piece has increased since 2011 to over \$300 million, because interest on it has been accruing.

Kushner executives have been arguing that only the senior debt on the building has to be repaid, partly because 666 Fifth isn't worth the total \$1.4 billion of debt on the building. A spokesman for LNR Partners LLC, the special servicer that has been representing creditors of 666 Fifth, declined to comment.

BUSINESS NEWS

Kraft Heinz Sees Clouds Lifting on Sales

Food company says investments are starting to pay off; shares rise 8.6%

By ANNIE GASPARRO

Kraft Heinz Co. offered an optimistic view of its business Friday, saying \$300 million of investments in marketing and new products would lift sales this year.

Kraft Heinz executives said revenue from the U.S. declined in the second quarter, but that trends have started to improve.

Chief Executive Bernardo Hees said the company has "by

far the strongest innovation pipeline" it has had in its three years as a combined company. "It gives us further confidence in our ability to change trajectory," he said on an earnings conference call.

Shares of the company, which were down 24% year to date, rose 8.6% to \$64.48 on Friday.

The focus on investing in its brands, including hiring sales people to work with retailers and building e-commerce capabilities, follows several years of cost cutting at the company.

When Kraft and Heinz merged in 2015 in a \$49 billion deal engineered by Heinz owner 3G Capital, executives initially focused on stripping

out \$2 billion in annual spending to boost profitability. But sales were lackluster, as Americans moved away from legacy packaged foods like the company's Oscar Mayer deli meat, Jell-O dessert and Shake 'n' Bake mixes.

In the quarter ended June 30, Kraft Heinz's U.S. sales fell 1.9% to \$4.51 billion, but executives said that was better than they initially expected.

"We saw consumption trends improve as [the quarter] unfolded," Mr. Hees said, and that continued into July.

Kraft Heinz and other makers of processed, packaged foods have been losing favor with consumers for several years. Many large brands

chased the low-fat and then low-carbohydrate fad diets by reformulating their recipes in previous decades, but more recently, a push for simple ingredients and fresher foods has left legacy brands behind.

Kraft Heinz has responded by making changes like removing artificial food dye from Kraft Mac & Cheese and taking byproducts out of its Oscar Mayer hot dogs. Recent product additions include Heinz Mayo and Planters Cheez Balls.

Overall, revenue in the latest quarter came in at \$6.69 billion, up 0.7% from a year earlier and beating analyst expectations. Stripping out the effect of currency fluctuations and deals, sales fell 0.4%.

Prices were 1.3% higher compared with 2017's second quarter. Kraft Heinz said it raised them to help offset higher costs internationally and trucking expenses in the U.S.

"Cost inflation on many fronts has been holding back our bottom line," Mr. Hees said.

Profit in the quarter fell 35% to \$756 million, or 62 cents a share, from \$1.16 billion, or 94 cents a share, a year earlier.

On an adjusted basis, Kraft earned \$1 a share, up from 98 cents a share and exceeding analysts' estimates.

Analysts asked Kraft Heinz executives why the combined

company hasn't made another acquisition to boost profitability, especially now that the cost savings from the 2015 merger have been realized.

Mr. Hees said that he has learned a lot about the packaged-food industry in the five years since 3G Capital acquired H.J. Heinz Co., and is picky about what business Kraft Heinz would acquire.

"With the experience we have today, the knowledge of the things that do work and things that you have seen that do not work, it allows us to be much more confident where to put the money, what assets can be turned around," he said.

—Allison Prang contributed to this article.

Packaging Giant Aims To Acquire U.S. Rival

By DANA MATTIOLI AND BEN DUMMETT

Amcor Ltd. is in advanced talks to acquire packaging rival **Bemis** Co., according to people familiar with the matter.

Terms of the potential deal couldn't be learned, but Bemis, based in Neenah, Wis., had a market value of \$4.2 billion at the start of trading Friday. Given a typical takeover premium, an acquisition could value the company at more than \$5 billion.

Amcor and Bemis could announce a deal next week assuming the talks don't fall apart at the last minute, the people said.

Bemis shares soared Friday after The Wall Street Journal reported on the possible deal, closing up 11% at \$51.53.

Bemis, which was founded in 1858, makes flexible packag-

A Takeover of Bemis by Australia-listed Amcor Could Range Upward of \$5 Billion.

ing for health-care companies and consumer-goods providers like Kraft Heinz Co. Globally, it employs around 16,000. Amcor makes packaging and wrapping for products such as disposable drinks and condiments. It has a market value equivalent to about \$13 billion. The company has its corporate headquarters in Zurich and head office in Australia, where it is listed.

Bemis has about \$1.5 billion of debt and registered more than \$4 billion in sales last year. With major consumer-goods companies grappling with slumping demand as tastes change, Bemis and other packaging providers have struggled to boost sales. Bemis last year eliminated jobs and closed manufacturing sites.

The company had been under pressure from activist investor Starboard Value LP to boost profits before the two sides reached an agreement over the appointment of four independent directors in March.

Bemis has been showing signs of turnaround. Last month, it reported adjusted earnings for the second quarter rose 42% from a year earlier, benefiting from cost-cutting and other measures to improve its operations. Bemis's stock price jumped 6.2% on the results. Still, the stock has for years underperformed its peer group.

Amcor generated sales of \$9.1 billion last year servicing sectors ranging from food and beverages to pet care. The company, whose founding dates back to the 1860s, has grown into a global packaging giant employing more than 35,000. By acquiring Bemis, Amcor could bolster its offerings of so-called rigid plastic packaging. That business represents about 32% of Amcor's total sales, compared with 68% for its operation making flexible-packaging products.

The talks come as Eastman Kodak Co. is exploring a sale of its flexible-packaging division. Rochester, N.Y.-based Kodak is in the early stages of a sales process that could value the division at above \$400 million.

Heineken Teams Up With Chinese Brewer

By SAABIRA CHAUDHURI

Heineken NV on Friday announced a tie-up with China's biggest brewer as it looks to tap drinkers in the world's largest beer market by volume.

The multibillion-dollar deal with government-controlled China Resources Beer Holdings Co. would give the Dutch brewer access to a sprawling distribution network in a competitive market—one in which it has had a minimal presence.

Under the agreement, Heineken will take a 20.67% stake in the Chinese brewer, while selling its Chinese business to the company for about \$305 million. The Chinese brewer, which is owned by **China Resources Enterprise**, will license the Heineken brand domestically and acquire a 0.9% stake in the European brewer for about \$538 million.

"China is a continent and we are a small organization and to scale up for us is just unaffordable," Heineken Chief Executive Jean-François van Boxmeer told reporters.

Brewers have struggled to boost profits in China, a high-volume but intensely competitive market. Also, mainstream beer brands are losing out to pricier brands as well as wine and baijiu, a local spirit. Per capita consumption of beer in the country declined 13% between 2013 and 2017, according to research group IWSR.

"CRE lacks a premium brand for growth and we lack the distribution reach in China that CRE has," said Mr. van Boxmeer, referring to the Chinese brewer's owner.

The Chinese company's main offering is an affordable beer called Snow, the largest beer brand in the world by volume, selling for much less than Heineken in China. The company has 26% of the Chinese market by volume, according to broker Redburn.

Heineken, which has been in China since 1983, hasn't been able to expand beyond its limited reach in the country's



The Dutch company, which has struggled in China, is swapping assets with government-controlled China Resources Beer Holdings.

south, said Allen Cheng, an analyst at Morningstar.

"You need a lot of infrastructure, you have to have a lot of factories," he said. "If you have a plant in Guangdong, it's pretty difficult to deliver your product to Beijing."

The deal comes about two years after Anheuser-Busch InBev NV agreed to sell SABMiller's stake in its Chinese beer venture with China Resources. The Chinese company bought the stake as AB InBev sought Beijing's approval for its purchase of SABMiller, then the world's No. 2 brewer.

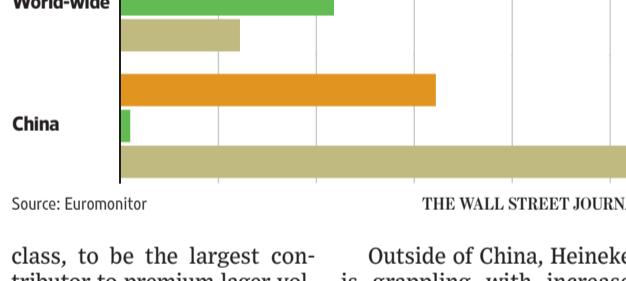
Now, Heineken and China Resources will together aim to take on the Belgian brewer's Budweiser brand, which has made big inroads in China.

Berenberg analyst Javier Gonzalez Lastra said he expects the Chinese market, with its rapidly growing middle

An Untapped Market

Heineken has the second-largest share of the global beer market, but is far behind in China.

Beer market share by volume, 2017



Source: Euromonitor

THE WALL STREET JOURNAL.

class, to be the largest contributor to premium lager volume growth globally.

"Consumers are trading up, and the premiumization trend is encouraging them to prefer premium international beer brands," he said.

Outside of China, Heineken is grappling with increased competition from AB InBev

following the SABMiller deal in some of its biggest markets like Mexico and Nigeria. The Amsterdam-based brewer, now the world's second biggest,

has also struggled to woo American drinkers, who are increasingly turning away from mainstream brands toward craft beer, spirits and wine.

In China, in addition to its eponymous brand, Heineken sells international brands Tiger and Sol, along with cheaper local brands Anchor and Hainan Beer. But the company on Friday said its profit in China are "negligible."

Heineken plans to let China Resources decide whether to continue selling those domestic brands.

"They have a formidable selling machine," Mr. van Boxmeer said. "They are very motivated to make a big acceleration of the Heineken brand," he added, saying it was about getting the beer into more places than it is sold today.

—Shan Li contributed to this article.



A Toyota assembly line in Japan. The auto maker said U.S. trade action has had little effect so far.

By SEAN McLAIN

TOKYO—**Toyota Motor** Corp. delivered a record profit for the April-June quarter, saying its bottom line showed little impact from U.S. tariffs on steel and aluminum.

At the same time, Japan's biggest auto maker said President Trump's threatened tariff of up to 25% on imported cars would add as much as \$6,000 to the cost of each vehicle shipped to the U.S. from Japan. Toyota sent 700,000 vehicles from Japan to the U.S. last year. For now, the company maintained its forecast for the current fiscal year, ending in March.

On Friday, it posted a fiscal first-quarter net profit of ¥657 billion (\$5.89 billion). Its operating margin rose to 9.3%, which company executives said was largely because of cost cuts and an increase in vehicle exports from Japan. Revenue rose 4.4%.

Toyota said U.S. steel and aluminum tariffs would reduce operating profit by a little under \$100 million for the fiscal year. The tariffs have lifted the price of imported steel and aluminum in the U.S. and allowed domestic producers to raise prices.

While Toyota does produce in the U.S., the tariffs' impact on the company is muted be-

cause it supplies many vehicles for the U.S. market from Japan. U.S. sales of imported Toyotas rose during the quarter, helped by increased demand for Toyota's popular RAV4 sport-utility vehicle.

Finished vehicles, including the steel inside them, face a lower tariff when entering the U.S. than does Japanese steel imported into the U.S. separately.

Toyota is upgrading its RAV4 factories in Canada, which will double production capacity to about 400,000 vehicles later this year. The auto maker aims to limit exports from Japan after production is expanded.

cause it supplies many vehicles for the U.S. market from Japan. U.S. sales of imported Toyotas rose during the quarter, helped by increased demand for Toyota's popular RAV4 sport-utility vehicle.

Finished vehicles, including the steel inside them, face a lower tariff when entering the U.S. than does Japanese steel imported into the U.S. separately.

Philip Morris, which owns brands like Marlboro and L&M, has made significant market gains in Japan with IQOS, which it positions as the future of smoking as traditional cigarettes lose favor with consumers.

Growth has cooled in Japan recently, prompting Philip Morris, BAT and Japan To-

bacco—which sells Ploom Tech—to slash prices. But both BAT and Philip Morris remain focused on selling their heat-not-burn devices there while rolling them out in countries around the world.

In the U.S., Philip Morris is currently waiting for approval from the Food and Drug Administration to sell IQOS and market it as safer than traditional cigarettes. BAT is also waiting on FDA approval for Glo, although it hasn't sought U.S. approval to market it as safer than smoking.

The two devices rely on different methods: Glo heats around the tobacco, while IQOS heats it internally via a rod.

Philip Morris and other cigarette makers claim the smoke-free products—which have fatter profit margins than conventional cigarettes—are less harmful than traditional smoking, although critics say more independent studies are needed to evaluate their health effects.

The stakes are high for Philip Morris. Unlike rivals that are spreading their bets between e-cigarettes and heat-not-burn, Philip Morris has spent \$3 billion mainly to develop IQOS.

Philip Morris Sues Over Tobacco Device

By SAABIRA CHAUDHURI

Philip Morris International Inc. is suing **British American Tobacco** PLC over its arch rival's tobacco heating device in Japan, the latest move by tobacco makers to get a leg up in the market for cigarette alternatives.

Philip Morris, whose own IQOS tobacco-heating device competes in Japan, said Friday it was alleging that some features of BAT's Glo device infringe on technologies covered by two of its Japanese patents. The U.S. tobacco giant is seeking ¥100 million (\$896,160) in damages and a permanent injunction on the Glo products.

A spokeswoman for BAT said the London-based owner of Kent, Dunhill and Lucky Strike cigarette brands will be challenging the validity of the patents Philip Morris cites in its case.

Philip Morris, which owns brands like Marlboro and L&M, has made significant market gains in Japan with IQOS, which it positions as the future of smoking as traditional cigarettes lose favor with consumers.

Growth has cooled in Japan recently, prompting Philip Morris, BAT and Japan To-

WEEKEND INVESTOR

When the floodwaters have receded and fires have burned out, many U.S. homeowners are hit with another disaster: inadequate insurance.

That was a big lesson of last year's major hurricanes and wildfires. In many instances, homeowners couldn't fully repair their damaged homes with insurance proceeds because they didn't understand until too late what their policies did and didn't cover.

And in general over the past couple of decades, insurers have made it tougher on consumers. Increasingly, they have made home policies less generous and more complicated, shifting risks and costs off their books and onto policyholders, some consumer advocates and lawyers say.

"Insurance documents are so difficult to understand. They're very convoluted and most people don't spend their time reading them," says Sherri Levin, an accounting professor who lives on the U.S. Virgin Island of St. Thomas. Ms. Levin's condo was damaged by hurricanes last year, and she says she hasn't yet been paid by her insurers.

"Even if you do read the documents and understand the documents, it's hard to estimate the value of everything in your house," Ms. Levin says. "People are going to be guessing."

There is one thing home policies long have had in common, yet people still often don't know: Standard coverage excludes flood damage. The U.S. government's National Flood Insurance Program is the biggest seller of flood policies to homeowners and small businesses.

After Hurricane Irma, "we heard from consumers who did not know who their insurance carrier was or they were shocked at what their policy actually covered," says Jimmy Patronis, Florida's chief financial officer, in an interview. "As insurance rates go up, people will go without, and that's not acceptable."

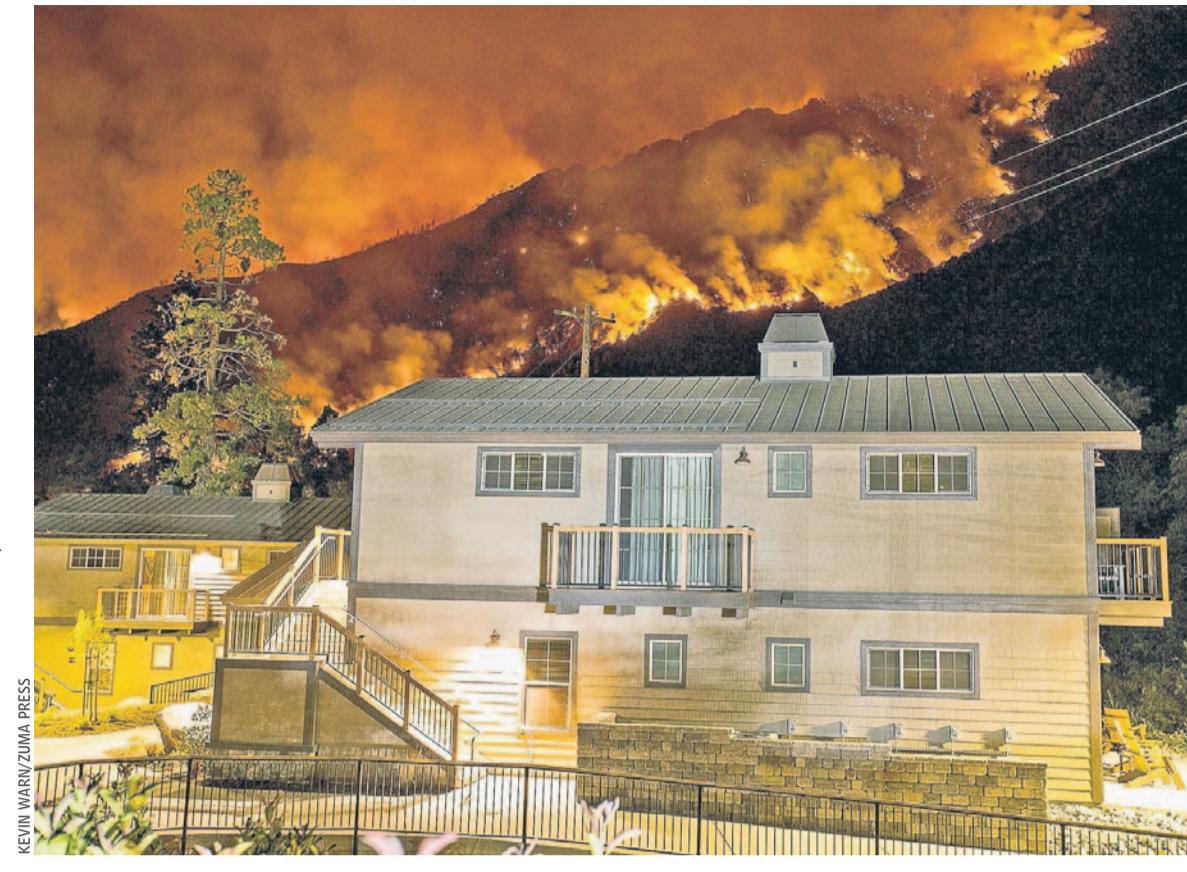
Here are some basics:

Flood insurance is separate. Hurricane Harvey showed last year that flooding can damage properties outside the highest-risk zones and leave empty-handed homeowners who aren't required to buy flood insurance.

People with federally backed home mortgages must purchase the coverage if they are in a designated high-risk flood area. The government policies provide up to \$250,000 for rebuilding and \$100,000 for contents.

Mary Barnes, a retired prison security officer, knew she was taking a risk in forgoing flood insurance for her house near the Colorado River in Wharton, Texas. But with one son in college and another child at home, her budget was stretched.

"It was unaffordable to me, unless I chose for us not to eat," she



After wildfires in California last year, the state insurance department asked insurers to immediately pay policyholders for living expenses and a portion of personal contents, without requiring an inventory.

Home, Well-Insured Home

» Read your home policy. They can be tough to understand, but it's important to know what's excluded, like flooding.

» Live in or anywhere near a flood zone? Buy a flood policy through an agent or by contacting the National Flood Insurance Program.

» Study the government's floodsmart.gov website.

» If you have a high-value home, consider excess flood insurance for losses above the federal policy limits.

» Know the maximum your homeowners policy will pay out. Costs spike after disasters.

» Expand your coverage after a big home improvement.

» Inventory your possessions, including proof of purchase and details like make and model, and store this list outside your home.

» Take steps to avoid claims: Install storm shutters. Secure your roof.

Sources: Bessemer Trust; floodsmart.gov

insurance coverage. Policyholders on the islands will have to sign a form saying they understand how becoming underinsured can happen before getting new or renewed insurance coverage.

Homeowners also need to be aware of another pitfall: Insurers sometimes provide "actual cash-value coverage," which takes depreciation into account, rather than replacement-cost coverage. Actual cash value could fall short of covering replacement, leaving the policyholder to foot more of the bill.

Make a list.

Homeowners should inventory possessions and store the list outside the home. People with expensive items like jewelry can get specialized coverage.

As Harvey headed toward Texas, Adriana Vargas rushed from room to room taking photos because she hadn't prepared an inventory. Her Houston house was flooded days later. She took more photos as damaged furnishings were hauled out. She compiled an inventory based on the pictures. "When you sign up for insurance and they tell you you should document everything you have, you should do that," she says.

After wildfires in California last year, the state insurance department asked insurers to immediately pay policyholders for living expenses and a portion of personal contents, without requiring an inventory. "That's a very time-consuming and onerous thing to ask someone to do if they've lost everything," says California Insurance Commissioner Dave Jones.

Many insurers agreed to partially waive the inventory requirement.

Learn What Your Insurance Covers Before Disaster Hits

Hurricane Harvey's harsh lesson for homeowners: Flood damage is excluded

BY LESLIE SCISM AND NICOLE FRIEDMAN

says of a roughly \$600-a-year policy. She had maintained the coverage in earlier years when she still had a mortgage. "I would have loved to keep it....If you can afford it, by all means do it," she says.

The river swamped Ms.

Barnes's house as part of Harvey's damage. Now, she is working with volunteer groups to stitch together free services for repairs.

For affluent families, a flood policy is worth it for the peace of mind, even if not required under terms of a mortgage, says Karen Mondshine, whose home in Houston flooded after the U.S. Army Corps of Engineers released reservoir water in Harvey's aftermath.

She and her husband, Greg, had a \$500-a-year policy through Chubb Ltd., although their neighborhood was designated as having lower-than-average flood risk. "Just because the mortgage company doesn't say it is required, doesn't mean it isn't in your best interest," says Ms. Mondshine, an executive with an insurance brokerage. "Our primary home was our biggest investment."

Chubb resolved her claim in a satisfactory way, she says, declining to provide details. "We sometimes feel badly—survivors' guilt. We see so many other people struggling to get their lives back to normal."

Consumers typically have a 30-

day waiting period after purchase before the government policies take effect. A small number of private-sector insurers also provide the coverage, typically for amounts that kick in above the federal policy limits.

Check your policy limits.

The maximum payout in a standard home policy may be insufficient to rebuild and replace contents. Homeowners often fail to increase policy limits if they upgrade their homes. In the past 10 years, about 10% of residential properties nationwide had remodels worth more than \$25,000, according to data provider BuildFax.

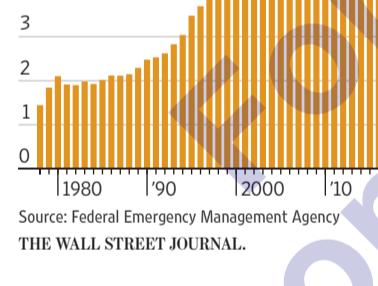
Homeowners also can find that their policy limits are inadequate when everyone in a disaster-hit area seeks building materials and contractors' services simultaneously, driving up costs.

In a sign of the widespread misunderstandings that exist, the U.S. Virgin Islands' insurance commissioner issued a bulletin after last year's catastrophes that told insurers they need to educate policyholders about adequate

Zone Defense

Many homeowners have added dedicated flood insurance through the years as standard coverage excludes flood damage.

Flood insurance policies in force



Source: Federal Emergency Management Agency
THE WALL STREET JOURNAL

TAX REPORT | LAURA SAUNDERS

His Wife Embezzled. The IRS Taxed Him.

The 'innocent spouse' rule can protect joint filers, but it may involve a trip to Tax Court



Rick Jacobsen's wife embezzled nearly \$500,000.

After her conviction, the Internal Revenue Service asked him to pay more than \$100,000 of taxes due on her theft. Yes, embezzled funds are taxable, and Mr. Jacobsen and his wife had filed joint tax returns.

But Mr. Jacobsen fought back, arguing his own case before a Tax Court judge. He said he didn't know about the embezzlement and shouldn't be forced to pay because he was an "innocent spouse." In an opinion released last month, he won relief from about \$150,000 of tax, interest and penalties.

"I'm no angel, but I pay my taxes. I spoke from the heart, and the judge believed me," says Mr. Jacobsen, who is 54 and currently works at a cheese-processing plant in Plymouth, Wis.

Mr. Jacobsen's odyssey through the tax system shows the perils of signing a joint return with a tax cheat. It also shows that innocent spouses can sometimes escape dire tax consequences with a lot of time and effort, even if they can't afford a lawyer.

His issues began in June 2011, when his then-wife was arrested on charges of embezzling from a blood bank where she worked as

an accountant. That November she was convicted of stealing about \$486,000 from her employer and soon after was sentenced to prison, according to the Tax Court opinion in *Jacobsen v. Commissioner*.

As a result of these events, Mr. Jacobsen learned that embezzled funds are taxable, and that when spouses sign a joint return, each can be 100% responsible for errors or additional taxes.

The joint-liability provision has been in the tax code since 1938, despite the opposition of many experts, says Carlton Smith, an attorney affiliated with the federal tax clinic at Harvard Law School. In recent years about 50 million couples have filed joint income-tax returns annually, more than one-third of the total submitted.

The IRS asserted that Mr. Jacobsen owed about \$110,000 in taxes and penalties for 2010 in connection with his wife's embezzlement, and an additional \$18,000 for funds she embezzled in 2011.

So he filed a handwritten request on Form 8857 for relief under the "innocent spouse" rules. Congress first passed this provision in 1971 to sever joint liability if one spouse isn't complicit in the other's bad tax behavior.

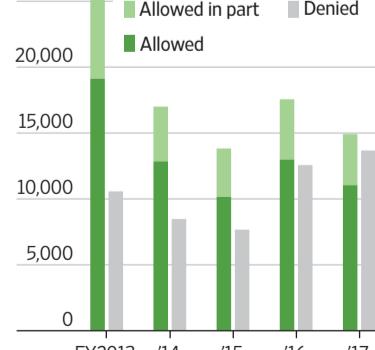
The IRS was inclined to offer Mr. Jacobsen relief. But then his



JOEY GUIDONE

Relief Pitches

Outcomes of 'innocent-spouse' relief requests made to the Internal Revenue Service



Source: IRS via National Taxpayer Advocate
THE WALL STREET JOURNAL

by legal aid groups and he couldn't afford a lawyer, Mr. Jacobsen didn't give up. He filed a handwritten petition to the Tax Court appealing the IRS decision. The Court, which allows individuals to represent themselves, waived his \$60 filing fee.

Judge Elizabeth Paris heard his case in March 2017. In her opinion released in late July of this year, she ruled that Mr. Jacobsen doesn't owe the amount due for the 2010 embezzlement, which Mr. Smith estimates at \$150,000 due to interest and penalties.

She also ruled that he owed the \$18,000 for the funds embezzled in 2011, because by the time the return was filed he knew about the theft. Mr. Smith believes Mr. Jacobsen has good grounds to appeal this ruling because the judge failed to weigh the evidence properly.

What swung the decision in Mr. Jacobsen's favor? Judge Paris cited his testimony on several factors, and the opinion offers a window into this complex provision

that's a lifeline for some.

• **Lack of financial sophistication.** Mr. Jacobsen, a factory worker, had an associate's degree and no financial education. He said he trusted his wife to handle their financial affairs.

According to the opinion, his wife embezzled amounts that largely mirrored his payments for his freelance work as a home inspector, helping to conceal the theft.

• **No benefit from lavish expenditures.** Mr. Jacobsen and his wife didn't pay down their mortgage or buy items such as a new car. At one point their utilities were disconnected for nonpayment. They did gamble at nearby casinos. For 2010, their tax return reported \$161,951 of gambling losses and \$162,951 of other income, their gambling winnings.

Mr. Jacobsen explained that he would gamble \$100 on a slot machine and sometimes play for hours. Although the casino statement might show thousands of dollars of wins and losses that cancelled each other out, he only put in \$100 of his own money. Judge Paris called his testimony "credible."

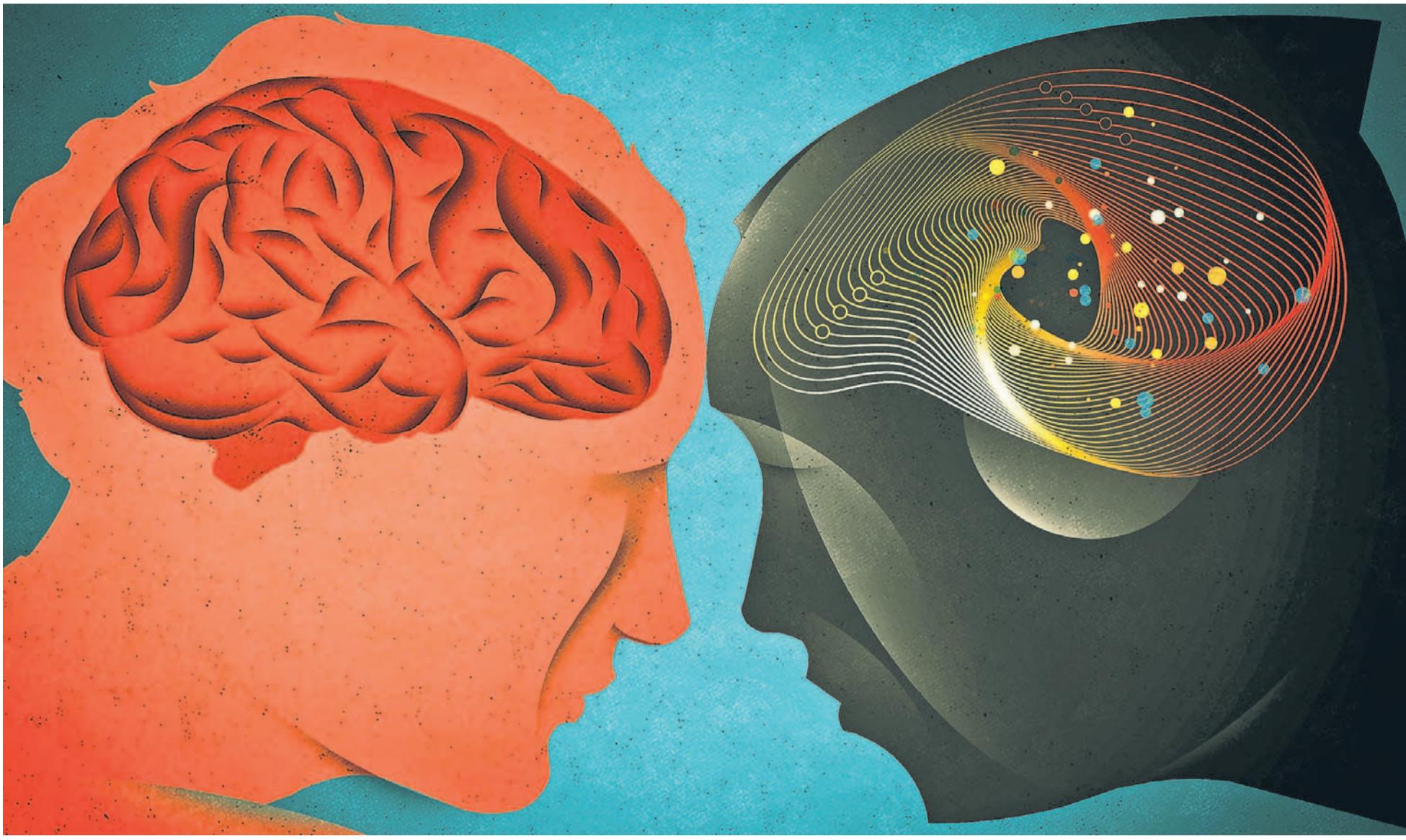
• **Spousal testimony.** Mr. Jacobsen's former wife said he knew of her theft, but she offered no evidence. The judge gave little weight to her assertions.

• **Marital status.** The law favors relief when the innocent spouse has been abandoned by the other, or when the spouses are no longer married. Mr. Jacobsen was divorced from his wife at the time of his trial.

• **Health.** Mr. Jacobsen is a disabled veteran due to a physical injury he sustained while in the U.S. Army. He was also being treated at a Veterans Affairs hospital for post-traumatic stress disorder due to the embezzlement.

• **Tax compliance.** At the time of the trial, Mr. Jacobsen was current with his income taxes.

TECHNOLOGY



BRIAN STAUFFER



Everything we're injecting artificial intelligence into—self-driving vehicles, robot doctors, the social-credit scores of more than a billion Chinese citizens and more—hinges on a debate about how to make AI do things it can't, at present. What was once merely an academic concern now has consequence for billions of dollars' worth of talent and infrastructure and, you know, the future of the human race.

That debate comes down to whether or not the current approaches to building AI are enough. With a few tweaks and the application of enough brute computational force, will the technology we have now be capable of true "intelligence," in the sense we imagine it exists in an animal or a human?

On one side of this debate are the proponents of "deep learning"—an approach that, since a landmark paper in 2012 by a trio of researchers at the University of Toronto, has exploded in popularity. While far from the only approach to artificial intelligence, it has demonstrated abilities beyond what previous AI tech could accomplish.

The "deep" in "deep learning" refers to the number of layers of artificial neurons in a network of them. As in their biological equivalents, artificial nervous systems with more layers of neurons are capable of more sophisticated kinds of learning.

To understand artificial neural networks, picture a bunch of points in space connected to one another like the neurons in our brains. Adjusting the strength of the connections between these points is a rough analog for what happens when a brain learns. The result is a neural wiring diagram, with favorable pathways to desired results, such as correctly identifying an image.

KEYWORDS | CHRISTOPHER MIMS

Should Artificial Intelligence Copy the Brain?

The biggest breakthrough in AI, deep learning, has hit a wall, and a debate is raging about how to get to the next level

Today's deep-learning systems don't resemble our brains. At best, they look like the outer portion of the retina, where a scant few layers of neurons do initial processing of an image.

It's very unlikely that such a network could be bent to all the tasks our brains are capable of. Because these networks don't know things about the world a truly intelligent creature does, they are brittle and easily confused. In one case, researchers were able to dupe a popular image-recognition algorithm by altering just a single pixel.

Despite its limitations, deep learning powers the gold-standard software in image and voice recognition, machine translation and beating humans at board games. It's the driving force behind Google's custom AI chips and the AI cloud service that runs on them, as well as Nvidia Corp.'s self-driving car tech.

Andrew Ng, one of the most influential minds in AI and former head of Google Brain and Baidu Inc.'s AI division, has said that with deep learning, a computer should be able to do any mental task that the average human can accomplish in a second or less. Naturally, the computer should be

able to do it even faster than a human.

On the other side of this debate are researchers such as Gary Marcus, former head of Uber Technologies Inc.'s AI division and currently a New York University professor, who argues that deep learning is woefully insufficient for accomplishing the sorts of things we've been promised. It could never, for instance, be able to usurp all white collar jobs and lead us to a glorious future of fully automated luxury communism.

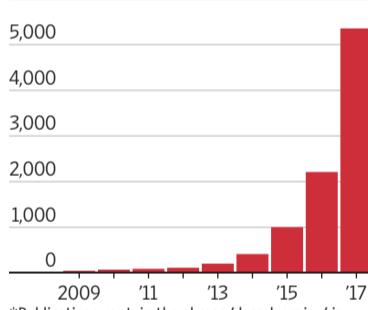
Dr. Marcus says that to get to "general intelligence"—which requires the ability to reason, learn on one's own and build mental models of the world—will take more than what today's AI can achieve.

"That they get a lot of mileage out of [deep learning] doesn't mean that it's the right tool for theory of mind or abstract reasoning," says Dr. Marcus.

To go further with AI, "we need to take inspiration from nature," say Dr. Marcus. That means coming up with other kinds of artificial neural networks, and in some cases giving them innate, pre-programmed knowledge—like the instincts that all living things are born with.

Machine Minds

Number of scientific publications about deep learning



*Publications contain the phrase 'deep learning' in their title or abstract

Source: Digital Science and Research Solutions

THE WALL STREET JOURNAL.

give AI the ability to build mental models of the world, something even babies can accomplish by the end of their first year. Thus, while a deep-learning system that has seen a million school buses might fail the first time it's shown one that's upside-down, an AI with a mental model of what constitutes a bus—wheels, a yellow chassis, etc.—would have less trouble recognizing an inverted one.

Supplementing deep learning with other kinds of AI is all well and good, says Thomas Dietterich, former president of the Association for the Advancement of Artificial Intelligence, but it's important not to lose sight of the magic of deep learning and machine learning in general.

"For machine-learning research, the goal is to see how far we can get computer systems to learn just from data and experience, as opposed to building it by hand," says Dr. Dietterich. The problem isn't that innate knowledge in an AI is bad, he says; humans are bad at knowing what kind of innate knowledge to program into them in the first place.

"In principle we don't need to look at biology" to figure out how to build future AIs, says Dr. Duvenaud. But the kinds of more sophisticated systems that will succeed deep-learning-focused tech don't work yet, he says.

Until we figure out how to make our AIs more intelligent and robust, we're going to have to hard-code into them a great deal of existing human knowledge, says Dr. Marcus. That is, a lot of the "intelligence" in artificial intelligence systems like self-driving software isn't artificial at all. As much as companies need to train their vehicles on as many miles of real roads as possible, for now, making these systems truly capable will still require putting a great deal of logic that reflects the decisions made by the engineers who build and test them.

Many researchers agree with this, and are working to supplement deep-learning systems in order to overcome their limitations, says David Duvenaud, an assistant professor of machine learning at the University of Toronto.

One area of intense research is determining how to learn from just a few examples of a phenomenon—instead of the millions that deep-learning systems typically require.

Researchers are also trying to

make AI the ability to build mental models of the world, something even babies can accomplish by the end of their first year. Thus, while a deep-learning system that has seen a million school buses might fail the first time it's shown one that's upside-down, an AI with a mental model of what constitutes a bus—wheels, a yellow chassis, etc.—would have less trouble recognizing an inverted one.

Supplementing deep learning with other kinds of AI is all well and good, says Thomas Dietterich, former president of the Association for the Advancement of Artificial Intelligence, but it's important not to lose sight of the magic of deep learning and machine learning in general.

"For machine-learning research, the goal is to see how far we can get computer systems to learn just from data and experience, as opposed to building it by hand," says Dr. Dietterich. The problem isn't that innate knowledge in an AI is bad, he says; humans are bad at knowing what kind of innate knowledge to program into them in the first place.

"In principle we don't need to look at biology" to figure out how to build future AIs, says Dr. Duvenaud. But the kinds of more sophisticated systems that will succeed deep-learning-focused tech don't work yet, he says.

Until we figure out how to make our AIs more intelligent and robust, we're going to have to hard-code into them a great deal of existing human knowledge, says Dr. Marcus. That is, a lot of the "intelligence" in artificial intelligence systems like self-driving software isn't artificial at all. As much as companies need to train their vehicles on as many miles of real roads as possible, for now, making these systems truly capable will still require putting a great deal of logic that reflects the decisions made by the engineers who build and test them.

Even if the West Virginia effort proves successful, it is unlikely that mobile blockchain voting will supplant the national patchwork of ballot methods in the immediate future. While blockchain has been used for small voting populations, Nir Kshetri, a professor in the department of management at the University of North Carolina, Greensboro, says it won't easily scale.

—Caitlin Ostroff

Blockchain Gets a Test at the Ballot Box



Not everyone can make it to a polling station. West Virginia plans to expand mobile blockchain voting for all overseas residents if its two-county pilot program proves successful.

When West Virginia's secretary of state assumed office early last year, he set out to solve a problem: Find a way to make voting easier for several thousand West Virginians serving overseas or living abroad.

The traditional method, where service members or expatriates request ballots by mail and submit absentee votes, isn't tamper-proof and relies on sometimes-spotty postal services.

So in a pilot program this May, West Virginia became the first state to let some of its voters cast ballots for a federal election on their phones using blockchain—the technology behind the cryptocurrency boom and a theoretically hack-proof means of logging transactions or, in this case, votes.

For the pilot, West Virginia residents from two counties who are serving overseas or living abroad were given access to their ballot through a mobile app for the May 8 House and Senate primaries, said Sheila Nix, president of Tusk/Montgomery Philanthropies, one of the organizations the state worked with on the trial run. The eligible voters were granted access to vote in March.

The blockchain of votes for those two

counties is currently being audited, a process expected to finish soon, said Donald Kersey, the elections director for West Virginia's secretary of state. If the audit confirms the results as expected, West Virginia would continue the pilot in the November general election, giving all counties the chance to opt in. (The mobile voting would be available only for overseas residents.)

To use the mobile-voting app in the West Virginia primaries, overseas voters needed to take a photo of their ID and a short video of themselves moving their eyes. Once facial recognition was confirmed, those people could vote on their phone by entering their information and using either a personal identification number, facial recognition or their thumbprint.

Even if the West Virginia effort proves successful, it is unlikely that mobile blockchain voting will supplant the national patchwork of ballot methods in the immediate future. While blockchain has been used for small voting populations, Nir Kshetri, a professor in the department of management at the University of North Carolina, Greensboro, says it won't easily scale.

—Caitlin Ostroff

Official Sponsor of The Wall Street Journal's The Future of Everything

accenture

EXCHANGE



Benedict Worsley sat in the back of a tinted-glass Range Rover crawling through Moscow's thick traffic.

ILLUSTRATIONS BY RUTH GWILYML PHOTOS FROM TOP TO BOTTOM: GRAHAM BARCLAY/BLOOMBERG NEWS; ALAMY

The Fixer: Rise and Fall of a 'Nobody'

Continued from page B1

"At that time the use of offshore companies was an everyday reality around the world," he wrote in his online manifesto at the end of 2017. "This is not a 'poor me' story," he went on, "But rather a statement of truth in regard to a terribly messy situation."

IN THE BEGINNING

In the fall of 2009, Benedict Worsley sat in the back of a tinted-glass Range Rover crawling through Moscow's thick traffic. An old contact at Russia's OAO National Bank Trust had called him. The bank's chairman, Ilya Yurov, wanted to discuss secret business in person. Mr. Worsley was intrigued. He had previously helped recruit staff for Mr. Yurov's NBT but this promised to be something different, and hopefully more lucrative.

Mr. Yurov didn't look like your typical retail banker. A thick neck and squat build spoke to the Russian's continued interest in kickboxing. Sporting a shaved head and a neatly trimmed beard, Mr. Yurov wore suits that hid a collection of tattoos. In Moscow, this wasn't unusual, Mr. Worsley told himself. This was Russia, not the genteel English countryside.

Born in Eastbourne, an unremarkable seaside resort on England's south coast, Mr. Worsley grew up in a solidly upper-middle-class British family. His father, a respected barrister, met Mr. Worsley's mother ballroom dancing. The young Mr. Worsley attended an imposing private school and then found himself adrift in London.

A friend suggested Mr. Worsley get into executive recruiting. Since London's finance industry was deregulated in the 1980s, the City's square mile was becoming a global banking hub. As a new class of international rich flooded into the capital, an army of locals was finding gainful employment facilitating their needs. It was in this crowd that Mr. Worsley found his professional calling.

Western banks were piling into Eastern Europe. They needed staff and Mr. Worsley formed a firm called Central Search to help find them.

To his clients, Mr. Worsley came with a calling card: an amped-up brand of Englishness. In winter he headed to the Alps with the Les Avants Bobsleigh and Toboggan Club to descend the icy slopes dressed in plus fours. He dined at London's historic private members clubs, the Travellers and the Garrick, and spoke in a hushed, slightly clipped voice. He owned a secondhand Bentley.

Then the financial crisis hit. Scores of bankers packed their cardboard boxes, and a large chunk of Central Search's revenue evaporated. Mr. Worsley decided he was bored of schmoozing bankers in hotel lobbies. He needed a new challenge—one that paid. So in late 2009 when Mr. Yurov requested a meeting, Mr. Worsley packed his bags and went.

As a young man growing up in the Soviet Union, Mr. Yurov faced a choice between professional boxing and finance. He chose finance. After clambering up the ranks in the treasury department of a Russian bank, he was taken under the wing of Mikhail Khodorkovsky, an oil tycoon who later fell out of favor with President Vladimir Putin. In the early 2000s Mr. Yurov helped orchestrate a buyout of two Russian banks, which had been controlled by Mr. Khodorkovsky, just before the billionaire was arrested on fraud and tax-evasion charges. The resulting venture was called National Bank Trust.

Mr. Yurov ran NBT along with two other major shareholders, Nikolay Fetisov, a derivatives expert, and Sergey Belyaev, a trained biologist. Together they later wooed Russian depositors with an ad campaign featuring "Die Hard" actor Bruce Willis.

and the tagline: "When I need money, I just take it."

NBT's owners had a new assignment in mind for Mr. Worsley.

Like several other Russian banks, NBT skated through the financial crisis by hiding problems from regulators. To dress up bad loans, NBT had a system. It would lend money to a Cypriot shell company which would recycle the funds through a maze of companies before funneling it back into NBT to cover the defaulted borrower's interest payments. This circular flow kept the bank afloat—at least for a time.

NBT's management wanted to create distance between the bank and the offshore network. They needed a fixer, a legitimate middleman, to help administer the shell companies at arm's length. They knew this person shouldn't be Russian. Russians kept getting ripped off by European lawyers who smelled new money and jacked up the fees.

Mr. Worsley ticked the box, Mr. Yurov thought. He was a well-connected businessman with a pleasing whiff of old-world aristocracy. The fact Mr. Worsley knew next to nothing about offshore finance and spoke no Russian wasn't a problem.

The Range Rover pulled up at NBT's yellow-fronted office in east Moscow. Mr. Yurov met him in an office with religious pictures on the wall and pitched Mr. Worsley the job. The Brit felt flattered and after more meetings willingly accepted.

"Is it going to be trouble?" Mr. Yurov recalls thinking upon hiring him. "Not really."

CYPRIOT GAMES

In November 2013, Mr. Worsley watched delivery men haul desks into a squat block in downtown Nicosia, the capital of the Mediterranean island of Cyprus.

Harried yet exhilarated, the Brit sat down in the bare, open-plan space to write to Mr. Yurov in Moscow. Meetings with Deloitte & Touche LLP in Malta and Amsterdam on new tax rules had gone well. Teos Corporate Services Ltd., Mr. Worsley's new company, was close to being licensed by the Cyprus securities regulator. He'd hired a dozen staff to process filings and loan payments for 250 companies.

"In short then, all on track," he signed off.

Asked for comment, Deloitte said it couldn't disclose information relating to clients.

For Mr. Worsley the ascent into the world of offshore finance had been steep and, to his amazement, fairly easy. He called his London accountant for leads. Remembering ads he'd seen in a Moscow airport, he strode into the Mayfair office of a London corporate-services provider. It in turn introduced him to a Cypriot lawyer, Christos Vassiliades, who had many Russian clients and was expert in complex tax setups. Mr. Vassiliades didn't respond to calls and emails seeking comment.

Cyprus was a natural fit. The island dubbed "Moscow on the Mediterranean" was long used by Russians as a back door into the European Union's financial system. The arrival of another facilitator for rich Russians didn't raise eyebrows. Teos was just one of more than 100 service providers in Cyprus.

To his mainly local staff, Mr. Worsley appeared successful, if a little eccentric. He rented a small

house in Nicosia's crammed downtown, unwilling to pay for something airier with a pool, and listed six mobile-phone numbers on his email signoff.

Life was humdrum. Staff sent emails to their colleagues advertising cake in the fridge. The work was largely administrative—mountains and mountains of paperwork.

"It was normal work," said one person Mr. Worsley hired, "setting up bank accounts, company formation."

The aim of the Teos office was to help manage the merry-go-round of cash. Laid out on a piece of paper, the NBT offshore structure is hard to follow, with arrows pointing back and forth between companies making and receiving loans. The goal was simple, though: keep NBT's bad loans from coming to the attention of auditors, regulators or customers.

Each time a major bad loan needed handling, Mr. Worsley would receive instruction from NBT's Moscow headquarters to create a new "silo" of companies to service it.

NBT would make loans to companies set up by Mr. Worsley in Cyprus, with directors supplied by Teos or Mr. Vassiliades's law firm to rubber stamp their business. The proceeds were lent onward to a string of companies in Cyprus and the British Virgin Islands before returning to NBT to service the bad debt. Sometimes the Cyprus company would use the borrowed money to buy Russian bonds or other securities, lending them out for additional cash to plug holes in NBT's balance sheet, according to documents filed in a subsequent case in London high court.

At its peak the network cost around \$4 million a year to run, with each company needing to follow local rules on filing annual returns and audits. Lots of advisers proved willing to help. At least one of the Cyprus borrowers had its accounts audited by KPMG. The Cyprus arm of Greece's Piraeus Bank provided accounts to dozens of companies in the network.

George Appios, chief executive of Piraeus Bank Cyprus, now called AstroBank, said the bank can't comment on clients but follows strict anti-money-laundering rules and is never knowingly involved in any unlawful activities. KPMG declined to comment.

To mask the involvement of NBT's owners, Mr. Worsley flew to the Isle of Man, a rainy island in the Irish Sea. A corporate-service provider there called Boston Ltd. set up trusts for Mr. Yurov and his partners that allowed them to own the offshore network with almost ironclad confidentiality. Boston in a statement says it "rigorously complies with its legal responsibilities."

Mr. Worsley took comfort from how consultants, lawyers and bankers were aware of the structure and didn't seem to have a problem with it.

The fixer went to increasing lengths to keep his clients happy. Once, when canceled flights stranded a restless Mr. Yurov in London, Mr. Worsley rented a car and drove him to visit Stonehenge. Another time, he hired former British special-service operatives to box with Mr. Yurov in a London gym.

In 2011 Mr. Yurov had another task for Mr. Worsley: move his family out of Russia. Mr. Worsley helped Mr. Yurov's wife acquire a



Ilya Yurov, chairman of Russia's NBT, didn't look like your typical retail banker.



Nikolay Fetisov, a derivatives expert, was one of Mr. Yurov's business partners, onshore and off.

To his clients, Mr. Worsley came with a calling card: an amped-up brand of Englishness.



Please turn to page B7

EXCHANGE

Continued from page B6

U.K. investor visa, and helped place the Yurov children at a private school on the grounds of Canterbury Cathedral. He found a bed-and-breakfast that could be rented in its entirety to accommodate the eight-person family. The family paid Mr. Worsley \$50,000 for his efforts.

The family later moved into an 18th-century manor house, paid for by Ms. Yurov with £4.1 million cash. The Yurovs bought property in Cyprus too, securing EU passports under a Cypriot program that lets foreigners who invest at least €2 million become citizens.

By 2014 Mr. Worsley's offshore aspirations were gaining momentum. He began to formulate plans to open up the Teos office to other clients.

While Mr. Worsley crisscrossed Europe and the Middle East cultivating his business, storm clouds were gathering in Moscow. Loan losses at NBT were spiraling as U.S. sanctions weighed on Russian business and oil prices fell. Each month NBT needed to come up with around \$30 million to plug a growing hole on its balance sheet.

In the summer of 2014, the NBT shareholders decided it was time to offload their bank. Mr. Yurov courted potential purchasers including Igor Sechin, the boss of oil giant Rosneft. Mr. Sechin declined to comment.

But the three NBT partners had a problem: what to do with the offshore network?

In November 2014, Mr. Worsley, Mr. Yurov, and an NBT lieutenant gathered in a conference room at a law firm near London's West End theater district. Sitting in the room, Mr. Worsley secretly recorded the ensuing conversation on his phone. Mr. Yurov fretted over how they could discreetly communicate with each other, according to a transcript in a court document.

Mr. Worsley—ever the fixer—came up with a plan. He had read in the press that former Central Intelligence Agency director David Petraeus conducted an extramarital affair by writing drafts in an email account that were never actually sent. His paramour would allegedly log into the account and read the drafts.

His suggestion was ignored and the takeover never materialized. Russia raised interest rates to prop up its fast-devaluating currency. NBT was running out of cash and couldn't make margin calls. On Dec. 22, Mr. Yurov, on vacation in Australia, called Mr. Worsley, saying that NBT would be seized by the Russian central bank in a couple of hours.

The Russian deposit insurance agency appointed Otkritie Holding JSC, a powerful Kremlin-linked lender that had already acquired several weakened banks with loans from Russia's central bank, to manage NBT. Within a week, the central bank said it contacted Russian police about possible criminal activity.

THE RECKONING

A few weeks later a jet-lagged Mr. Yurov flew to Cyprus with his son to collect a Cypriot passport. Mr. Worsley had helped to organize, according to a document filed in London court. The two men caught up for coffee and went for a walk. Then Mr. Worsley slipped in a bombshell. He wanted more money to pay the expenses of maintaining the offshore network—even though it was no longer propping up NBT.

Mr. Yurov's face hardened. The bank had sent over a tranche of cash a few months before. How could it be spent already? Suspicious Mr. Worsley had been pocketing funds from their shell operation for his own use, he demanded to see the office books.

Late that night, Mr. Worsley appeared at the lobby of the Hilton Park Nicosia nervously clutching the paperwork. Thumbing through the accounts, Mr. Yurov said the records showed that some \$300,000 had been transferred to Mr. Worsley's bank account in the United Arab Emirates and another \$45,000 had been used to renovate the old house in the rolling hills of southern France Mr. Worsley had bought.

Flustered by Mr. Yurov's allegations, and increasingly frightened of the banker, Mr. Worsley denied stealing the money, offered to hand back his apartment keys and said if the Russian wanted to end their business relationship that was fine. He warned Mr. Yurov he had a bodyguard waiting for him in a car outside.

Mr. Worsley left. In the car there was no bodyguard. Instead the Brit had persuaded an aging doorman at the Teos office to make sure he made it out of the Hilton safely. The next day Mr. Yurov and Mr. Worsley tried to patch things up. They went on a sightseeing trip around Northern Cyprus, followed by dinner.

As NBT crumbled, so crumbled a very dysfunctional business partnership.

From the beginning colleagues found the rapport between Mr. Yurov and Mr. Worsley odd. Mr. Worsley appeared enthralled by Mr. Yurov's power and wealth. Mr. Yurov meanwhile seemed to treat his British business associate like a true friend.

The two men spent so much time together that Mr. Yurov's wife suggested he should hang out with someone else. The men traveled on vacation. They met each other's parents. Mr. Yurov's children called Mr. Worsley "Uncle Ben." Mr. Worsley converted to the Russian Orthodox Church, with Mr. Yurov standing by his side translating from Russian.

Privately Mr. Worsley viewed himself as a "paid friend" to Mr. Yurov. A teetotaler, Mr. Worsley dreaded having to entertain the Russians. The language barrier created awkward situations. There was the time when Mr. Worsley organized the rental of a 230-foot superyacht to ferry the three NBT owners and their wives on a cruise from Athens. Mr. Worsley was invited. A few days in, Mr. Yurov found his fixer red-faced with rage, shouting that one of the Russians aboard had drunkenly mocked him. Mr. Worsley asked to disembark at the next stop but eventually calmed down.

After the failure of NBT, Mr. Worsley initially clung to his patron. He still needed a job and money. The offshore network still had to be shuttered or transferred to Otkritie.

"I am now one of Europe's leading offshore specialists," Mr. Worsley wrote to ex-NBT shareholders along with a request for a \$750,000 success fee for winding down the network. "In short I gave up my whole show, and changed my life....Some sort of final payment seems very fair."

Mr. Yurov needed his British fixer for something totally different: to prove his innocence. Russian authorities believed the offshore network might be a vehicle for stealing money from NBT. Mr. Worsley had access to paperwork Mr. Yurov could use to argue he was simply trying to keep the bank afloat. Mr. Yurov argued in an affidavit that many Russian

Eager to keep Mr. Yurov happy, Mr. Worsley took him to visit Stonehenge.

Worsley to provide evidence. Russian authorities filed embezzlement charges against the former NBT shareholders. Lawsuits sprouted in Switzerland and Austria as Otkritie tried to claw back some of the money NBT had lost.

Mr. Worsley retreated to his French house and tapped out his online manifesto, though he later scrubbed it of some details. He feared a reprisal by Mr. Yurov. He also worried that Otkritie would refuse to pay his legal bills and ditch him. He cut a forlorn figure, no

longer in contact with old friends. He asked Otkritie for funds to beef up security at his home.

Mr. Worsley needed to build a new life. Working in Russia was out of the question but finding a new career proved challenging. He signed up to become a member of the Masonry Heater Association in North America, a group that shares know-how for building large ovens. A month later Mr. Worsley asked to have his name taken off the association's website and didn't turn up to meetings, an official there said.

Mr. Worsley's turmoil coincided with a hardening of attitudes toward offshore centers and the people who facilitate their use. In 2016 a trove of leaked documents from the Panama law firm Mossack Fonseca & Co. showed how tax havens around the world were used to hide funds from tax authorities.

A political backlash grew and laws changed. U.K. authorities could now ask hyper-wealthy foreigners to reveal the source of their money via a system called "unexplained wealth orders." The government pressured the British Virgin Islands and other offshore centers to keep better track of company owners.

Authorities also targeted fixers. A new British watchdog oversees 22 trade bodies that regulate solicitors, accountants and other "professional enablers." In theory it is harder to quietly fix peoples' problems from London.

After NBT's takeover Mr. Yurov holed up in the Kent countryside in southern England. Despite his business failure, the Russian was no pauper. His family's assets included several London properties, a vast wine collection, and a \$55,000 Turkish carpet. In 2016 Canterbury Cathedral listed him as a major donor.

Mr. Yurov and the other former NBT shareholders say they were victims of a conspiracy: Otkritie had exaggerated the losses at NBT to access a big Russian taxpayer loan, which it used to patch up its own balance sheet, he said. Otkritie lawyers deny this.

In the summer of 2017 Otkritie itself keeled over after customers yanked their deposits. The Russian central bank rescued Otkritie and said the private bank had falsified its accounts. The collapse did little for Mr. Yurov, who is currently fighting extradition to Russia.

For years Mr. Yurov had no direct contact with Mr. Worsley. But that summer, as Otkritie teetered, Mr. Yurov and his fellow former NBT shareholders got an unexpected email. It was from Mr. Worsley proposing they broker a truce with Otkritie. Mr. Worsley also had another suggestion: Maybe he could help.

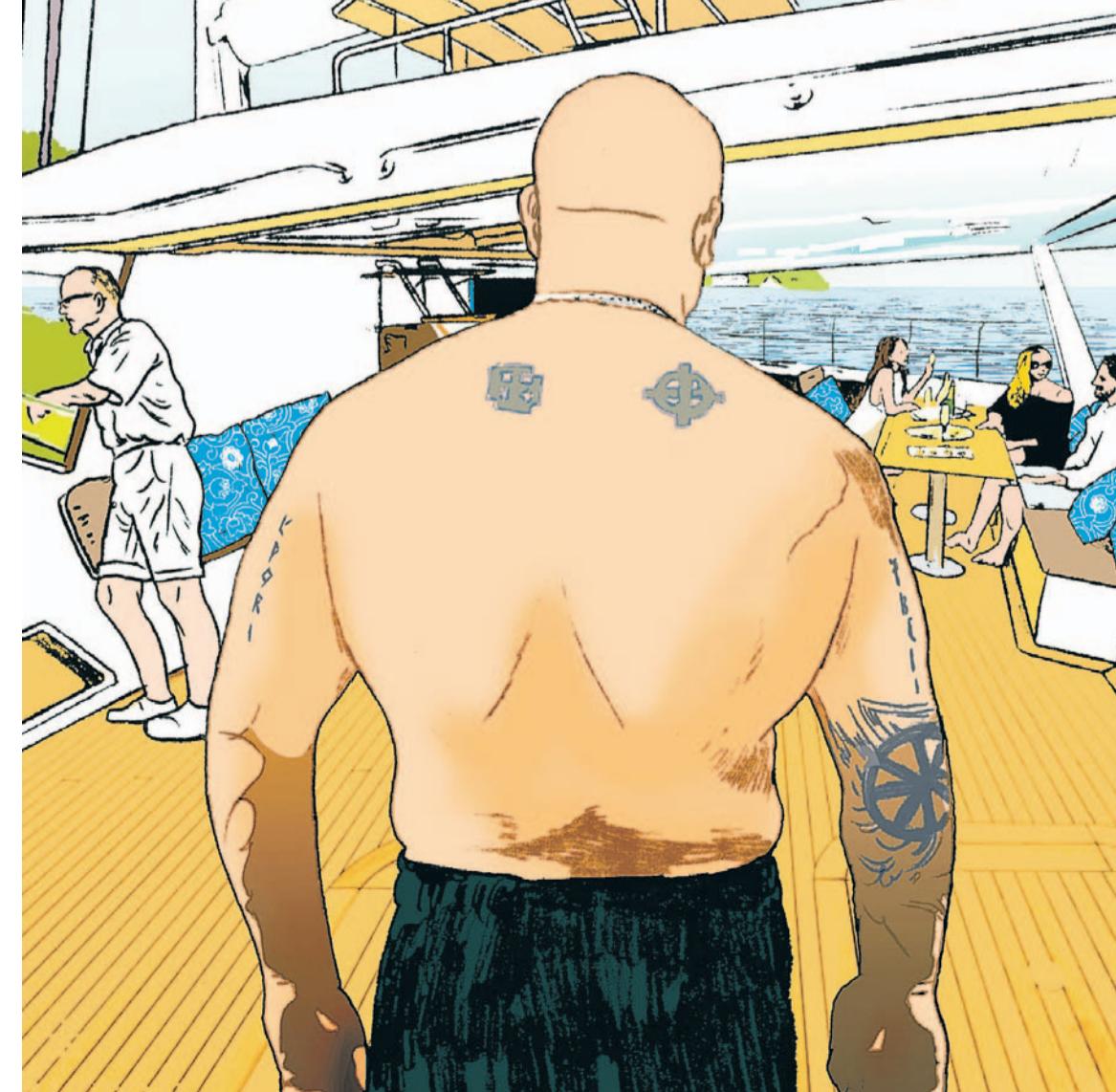
Russian authorities were circling: Why was NBT owed hundreds of millions by seemingly worthless shell companies?



NEW INSTRUCTIONS

Otkritie hashed out an arrangement to pay Mr. Worsley a retainer of \$32,500 a month for a year and up to 4% of the assets recovered from the offshore network. They also agreed not to sue him.

Otkritie sued the three ex-NBT shareholders in London for breach of duties, seeking \$830 million in damages. The three men deny the allegations. In turn, Mr. Yurov, shocked to discover that Mr. Worsley had betrayed him, filed a criminal complaint in Cyprus alleging that Otkritie bribed Mr.



Mr. Worsley, who once organized the rental of a 230-foot superyacht to ferry the three NBT owners and their wives on a cruise from Athens, viewed himself as a 'paid friend' to Mr. Yurov.

FINANCE

Some old-economy billionaires have a new calling: venture capitalist.

Having made their fortunes in industries that are increasingly being upended by technology, many of the world's wealthiest individuals and families are turning to venture investing as a way to bet on the future at a time when fewer startups are going public. Some are backing young companies in hopes of spotting the next potential threat to their core business. Others are lured by the promise of high returns and bragging rights when a startup makes it.

But these rookie venture capitalists aren't rushing to hang up their shingles in Silicon Valley, widely considered the beating heart of venture investing. Instead, they are setting up venture-capital firms in their hometowns, including New York, Detroit, Los Angeles and Chicago. They're enticing entrepreneurs with access to their networks. Since many billionaires have built businesses from scratch, they're hoping that their know-how will be another selling point.

"These investors are saying, 'all great venture returns don't start in Silicon Valley or end there,'" said Michael Kurzweil, managing partner of Participant Capital, which advises families on private equity and venture investing.

Among the new venture capitalists are Wall Street financiers Steven A. Cohen and Michael Novogratz, who are seeding financial-technology and bitcoin companies from New York.

Now that Walt Disney Co. has closed its \$71 billion purchase of 21st Century Fox Assets, James Murdoch is expected to leave the media company his father founded and plans to start a venture-capital fund to invest in digital and international media businesses, The Wall Street Journal has reported. The family of French billionaire Francois Pinault set up a venture firm with an outpost in Los Angeles to invest in emerging luxury and other companies.

The ultrawealthy were among the first venture capitalists. Bessemer Venture Partners, one of the oldest U.S. venture firms, grew out of steel baron Henry Phipps' family holding company more than a century ago. Venrock, an early investor in Apple, started in 1969 to invest on behalf of the Rockefeller family.

More recently, venture investing

'If you're only looking at the public markets, you can't understand the full economy.'

has been driven by hundreds of professionally managed firms, most of them in Silicon Valley. These firms raise money from pension funds and other big investors. The success of top funds and rising valuations of hot startups has made venture attractive to many types of investors.

Investors used to dream of making a wildly profitable investment in a promising company when it was selling shares in an initial public offering. But increasingly, as startups delay going public, investors are vying to back companies much earlier in their development, which has the effect of delaying IPOs even more.

In 1986, Microsoft Corp. went public at \$21 a share, raising about \$60 million. Today, the value of a Microsoft share purchased at the IPO has risen more than 147,000%, including stock splits. By comparison, modern-day venture-backed companies including Uber Technologies Inc. and Airbnb Inc. have raised tens of millions of dollars and are valued at tens of billions without selling a single share in public markets.

"To get the... really, really explosive growth from technology, you have to participate in private markets now," said Garry Tan, co-founder of early-stage venture firm Initialized Capital, which counts wealthy families among its clients.

Family offices, private firms through which billionaires often invest, stand out partly because of the large amount of capital they have available. According to research by Campden Ltd., family offices have more than \$4 trillion in investable assets globally.

There is little data on how much money family offices invest in venture capital, either directly or through outside venture funds, making it difficult to assess their success. Family investors are among the backers of at least 25 unicorns, or those startups valued at \$1 billion or more, according to a Wall Street Journal tally.

The family office of hedge-fund titan William Ackman has invested in Rubicon Global, an Atlanta-based trash-collection startup last valued at \$1 billion. Payments processor Adyen and grocery-delivery company Instacart were among companies that received late-stage

Old-Money Billionaires Are Chasing New Tech Riches

Some big names are turning to venture investing as a way to bet on the future. But they aren't rushing to hang up their shingles in Silicon Valley.

By ANUPREETA DAS AND JULIET CHUNG



Old-school financiers are learning new tricks. Big names in finance, including hedge-fund titan William Ackman, investor Nicholas Pritzker, Wall Street financier Michael Novogratz and investor Steve Cohen, are among those backing young companies.



funding from family offices, according to the National Venture Capital Association.

E-cigarette maker Juul Labs Inc., which in July raised \$650 million from investors at a \$15 billion valuation, counts a family office founded by Nicholas Pritzker and his four adult children among its early backers. Mr. Pritzker, a San Francisco investor whose family wealth includes that from the Hyatt Hotels Corp. empire, is also a director of Juul, according to a recent company filing.

Family offices are typically not lead investors in venture-backed companies, although they sometimes can get in early. Mr. Pritzker's Tao Capital Partners was among the early backers of Tesla Inc., investing in 2006. Mr. Pritzker and his sons Joby and Isaac met Tesla and PayPal Inc. co-founder Elon Musk through venture capitalist Antonio Gracias, an early PayPal backer and family friend.

The Tesla deal, Tao's first, helped draw the Pritzker brothers into venture investing full time

and helped open the door to other sought-after startups. "It becomes part of how you introduce yourself to new entrepreneurs, the list of companies you've been involved with before," said Isaac Pritzker.

Still, many guardians of family capital say they won't invest in early-stage startups because so many of them fail. "You're working with young companies to shape them and their business, and it's certainly not our skill set," said Steven Rattner, chief executive of Willett Advisors LLC, former New York City mayor Michael Bloomberg's firm. It would be a rare family office that has those skills, he said. Willett instead invests directly in late-stage startups and in select venture funds.

Since 2014, AOL Inc. cofounder Steve Case has been traversing the country on a mission called "Rise of the Rest" to spur entrepreneurship in cities like Baltimore, Cincinnati and Pittsburgh. Mr. Case's D.C.-based firm disclosed in 2017 it raised a \$150 million seed fund from wealthy families and individuals, including Henry Kravis of pri-

vate-equity firm KKR and recently departed Starbucks Corp. Chairman Howard Schultz. It has invested in more than 80 startups outside geographies traditional venture capitalists dominate.

Successful tech companies are popping up all around [families], making it impossible not to consider investing, said Jacob Cohen, who oversees venture investments for Dan Gilbert, the billionaire co-founder of mortgage lender Quicken Loans Inc. and owner of the Cleveland Cavaliers basketball team.

While Mr. Cohen is open to investing in deals led by Valley firms, he also focuses on Michigan-area investments and holds out his serial-entrepreneur boss Mr. Gilbert as a resource to young founders.

Steve Cohen, the hedge-fund titan who was barred from managing outside money for a time after his previous company, SAC Capital Advisors LP, pleaded guilty to insider trading in 2013, has made venture investments with his personal money for years, including in data-analytics firm Palantir Tech-

nologies Inc., among the world's most valuable private companies. He has stepped up his presence in venture capital more recently, creating a business separate from his \$12 billion hedge-fund firm dedicated to investing in early-stage fintech and artificial intelligence startups.

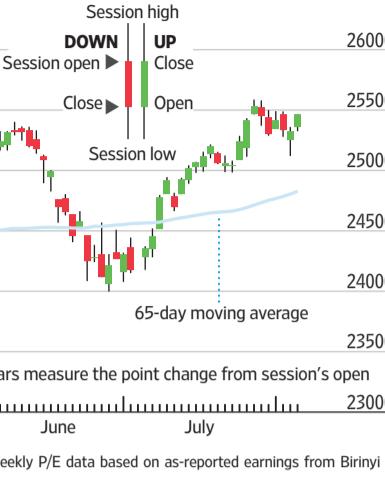
"If you're only looking at the public markets, you can't understand the full economy," said Matthew Granade, who runs Mr. Cohen's Point72 Ventures, citing the work of companies including General Motors Co., Google and Uber on autonomous cars. So far, the business has invested in three dozen startups and plans to expand its areas of interest.

Mr. Cohen hasn't bypassed Silicon Valley completely. While his fintech venture team is based in New York, the artificial intelligence team is based in Palo Alto. Mr. Cohen is also a regular presence at CEO roundtables convened by Valley venture firms and Y Combinator's popular Demo Day, where entrepreneurs who are part of the tech incubator pitch to investors.

MARKETS DIGEST

Dow Jones Industrial Average

25462.58
▲ 136.42
or 0.54%
All-time high
26616.71, 01/26/18



Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

Last 23.05
Trailing P/E ratio 20.01
P/E estimate * 16.47
Dividend yield 2.12

Year ago 18.61
Dividend yield 2.27

All-time high
2872.87, 01/26/18

Current divisor 0.14748071991788

Session high
DOWN UP Close
Close Open
Session low
65-day moving average

26000 25500 25000 24500 24000 23500

23000 22500 22000 21500 21000 20500

20000 19500 19000 18500 18000 17500

17000 16500 16000 15500 15000 14500

14000 13500 13000 12500 12000 11500

11000 10500 10000 9500 9000 8500

8000 7500 7000 6500 6000 5500

5000 4500 4000 3500 3000 2500

2000 1500 1000 500 0

June July

Nasdaq Composite Index

7812.01
▲ 9.33
or 0.12%
All-time high
7932.24, 07/25/18

Last 25.01
Trailing P/E ratio 25.73
P/E estimate * 21.15
Dividend yield 0.96

Year ago 21.43
Dividend yield 1.10

65-day moving average

7900 7725 7550 7375 7200

7025 6850 6675 6500 6325 6150

6000 5825 5650 5475 5300 5125

5000 4825 4650 4475 4300 4125

4000 3825 3650 3475 3300 3125

3000 2825 2650 2475 2300 2125

2000 1825 1650 1475 1300 1125

1000 900 800 700 600 500

0

June July

Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the week.

Stock Index	Currency, vs U.S. dollar	Commodity, traded in U.S.*	ETF
	Wheat	4.85%	
S&P 500 Real Estate		3.31	
Nymex Natural Gas		2.55	
S&P 500 Telecom Svcs		2.22	
Corn		2.14	
S&P 500 Health Care		2.10	
Sao Paulo Bovespa		1.96	
Soybeans		1.81	
S&P 500 Consumer Staples		1.76	
Nasdaq 100		1.35	
Dow Jones Transportation Average		1.28	
S&P MidCap 400		1.26	
S&P 500 Utilities		1.18	
S&P SmallCap 600		1.18	
S&P 500 Information Tech		1.17	
Nasdaq Composite		0.96	
S&P 500		0.76	
Russell 2000		0.60	
S&P BSE Sensex		0.59	
Canada dollar		0.51	
WSJ Dollar Index		0.50	
Mexico peso		0.38	
S&P 500 Consumer Discr		0.17	
Indian Rupee		0.16	
S&P/TSX Comp		0.16	
iShiBoxx\$HYCp		0.05	
Dow Jones Industrial Average		0.05	
	-0.01	Swiss Franc	
	-0.04	Australian dollar	
	-0.04	iShiBoxx\$InvGrdCp	
	-0.05	iSh 7-10 Treasury	
	-0.06	VangTotalBd	
	-0.08	iSh 1-3 Treasury	
	-0.09	S&P 500 Financials Sector	
	-0.17	S&P 500 Materials	
	-0.20	Japan yen	
	-0.20	Comex Silver	
	-0.20	iSh 20+ Treasury	
	-0.21	S&P 500 Industrials	
	-0.24	iShNatlMuniBd	
	-0.25	Chinese Yuan	
	-0.26	VangTotalIntlBd	
	-0.29	Nymex Crude	
	-0.31	iSh TIPS Bond	
	-0.32	Kospi Composite	
	-0.52	Indonesian Rupiah	
	-0.53	South African Rand	
	-0.54	S&P GSCI GFI	
	-0.55	FTSE 100	
	-0.59	CAC-40	
	-0.66	South Korean Won	
	-0.69	IPC All-Share	
	-0.72	Comex Gold	
	-0.74	Stoxx Europe 600	
	-0.76	Euro area euro	
	-0.78	UK pound	
	-0.79	Norwegian Krone	
	-0.83	Nikkei 225	
	-1.04	S&P/ASX 200	
	-1.05	Euro Stoxx	
	-1.15	iShJPMUSEmgBd	
	-1.27	Russian Ruble	
	-1.29	Comex Copper	
	-1.30	IBEX 35	
	-1.31	Nymex ULSD	
	-1.68	FTSE MIB	
	-1.79	S&P 500 Energy	
	-1.90	DAX	
	-3.92	Hang Seng	
	-4.46	Nymex Rbbo Gasoline	
	-4.63	Shanghai Composite	
	-8.09	Lean Hogs	

Total volume*	702,683,209	10,331,189
Adv. volume*	468,806,652	4,136,916
Decl. volume*	227,436,834	5,585,481
Issues traded	3,066	309
Advances	1,739	126
Declines	1,219	159
Unchanged	108	24
New highs	113	6
New lows	31	9
Closing tick	202	34
Closing Arms [†]	0.76	1.26
Block trades*	5,864	106
	Nasdaq	NYSE Arca
Total volume*	2,002,996,809	192,224,932
Adv. volume*	898,769,886	143,952,320
Decl. volume*	1,089,025,442	45,807,428
Issues traded	3,100	1,326
Advances	1,241	918
Declines	1,748	387
Unchanged	111	21
New highs	95	22
New lows	73	18
Closing tick	125	91
Closing Arms [†]	0.86	0.85
Block trades*	9,690	1,236

*Primary market NYSE, NYSE American, NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

Company	Symbol	Latest Session	52-Week
		Close	High Low
Arlo Technologies	ARLO	22.10 6.10	38.13 22.45
Natural Grocers	NGVC	17.35 3.90	29.00 17.95
Pixelworks	PXLW	4.21 0.95	28.99 7.05
Universal Electronics	UEIC	44.95 9.35	26.26 67.44
Cardtronics CIA	CATM	30.20 6.24	26.04 32.33
Hanwha Q CELLS ADR	HQCL	8.27 1.67	25.30 9.25
Medifast	MED	213.19 38.18	21.82 229.20
Control4	CTRL	31.67 5.41	20.60 35.99
Benefitfocus	BNFT	37.60 6.20	19.75 40.00
Energy Recovery	ERII	9.17 1.49	19.40 11.30
Sierra Wireless	SWIR	19.30 3.10	19.14 26.10
MDC Partners CIA	MDCA	5.40 0.85	18.68 12.26
Blink Charging	BLNK	3.40 0.53	18.47 33.70
Wingstop	WING	59.22 8.91	17.71 62.19
GoPro Inc.	GPRO	7.05 1.06	17.70 11.89

^{*}Continuous front-month contracts
Sources: SIX Financial Information (stock indexes), Tullett Prebon (currencies), Dow Jones Market Data (bond ETFs, commodities).

THE WALL STREET JOURNAL

See an expanded daily list of selected global stock indexes, bond ETFs, currencies and commodities at WSJ.com/TrackTheMarkets

Speed-Read the Markets

With 30-plus charts and concise analysis, The Daily Shot morning newsletter delivers an overview of the trends impacting global markets.

Sign up now at WSJ.com/DailyShot

© 2018 Dow Jones & Co., Inc. All rights reserved. 2DJ6399

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

MARKET DATA

Futures Contracts

Metal & Petroleum Futures

	Contract						Open	High	Low	Settle	Chg	Open interest
	Open	High	lo	Low	Settle	Chg	Open					
Copper-High (CMX) -25,000 lbs.;\$ per lb.	2,7000	2,7252		2,7000	2,7535	0.0265	2,258					
Aug	2,7065	2,7840		2,7090	2,7635	0.0260	157,735					
Gold (CMX) -100 troy oz.;\$ per troy oz.	1206.50	1218.60	▼	1205.10	1214.20	3.60	3,325					
Sept	1211.80	1223.30	▼	1207.40	1218.10	3.20	55,162					
Dec	1216.00	1228.50	▼	1212.50	1223.20	3.10	344,349					
Feb'19	1220.00	1233.60	▼	1220.00	1229.00	3.20	31,657					
June	1241.70	1242.50		1240.00	1240.60	3.20	7,123					
Dec	1249.50	1264.50	▼	1249.50	1259.70	3.20	3,725					
Palladium (NYM) -50 troy oz.;\$ per troy oz.	909.60	918.80		904.30	907.90	-7.60	17,730					
Sept	906.60	915.50		903.50	905.10	-7.70	4,496					
Platinum (NYM) -50 troy oz.;\$ per troy oz.	823.30	833.00		823.30	834.90	8.70	27					
Oct	826.00	843.90		822.90	836.90	8.70	74,951					
Silver (CMX) -5,000 troy oz.;\$ per troy oz.	15.455	15.455		15.455	15.406	0.077	323					
Sept	15.510	15.575		15.250	15.462	0.077	156,051					
Crude Oil, Light Sweet (NYM) -1,000 bbls.;\$ per bbl.	68.98	69.24		67.87	68.49	-0.47	403,537					
Oct	67.69	67.94		66.68	67.35	-0.31	262,673					
Dec	66.86	67.05		65.93	66.59	-0.20	289,265					
Jan'19	66.32	66.65		65.67	66.29	-0.16	172,913					
June	64.61	64.84		63.95	64.54	-0.10	165,513					
Dec	62.81	62.93		62.17	62.72	-0.06	213,500					
NY Harbor USLD (NYM) -42,000 gal.;\$ per gal.	2,1278	2,1444		2,1130	2,1269	-0.049	119,535					
Sept	2,1385	2,1541		2,1244	2,1395	-0.025	58,853					
Gasoline-NY RBOB (NYM) -42,000 gal.;\$ per gal.	2,0643	2,0906		2,0547	2,0655	-0.026	159,292					
Oct	1,9445	1,9636		1,9304	1,9451	-0.036	98,038					
Natural Gas (NYM) -10,000 MMBtu;\$ per MMBtu.	2,816	2,862		2,814	2,853	.037	294,075					
Sept	2,822	2,870		2,821	2,862	.040	177,035					
Nov	2,859	2,906		2,858	2,898	.041	148,118					
Jan'19	3,045	3,089		3,044	3,082	.039	166,377					
March	2,904	2,947		2,901	2,941	.038	144,070					
April	2,606	2,628		2,604	2,626	.021	136,673					

Agriculture Futures

	Contract						Open	High	lo	Low	Settle	Chg	Open interest
	Open	High	lo	Low	Settle	Chg	Open						
Corn (CBT) -5,000 bu.;cents per bu.	366.75	371.25		364.75	369.75	3.00	523,940						
Sept	381.25	385.75		379.00	384.25	3.00	808,689						
Oats (CBT) -5,000 bu.;cents per bu.	244.00	250.00		243.50	249.75	6.75	1,314						
Dec	251.25	257.55		251.00	257.00	6.25	3,492						
Soybeans (CBT) -5,000 bu.;cents per bu.	28.20	28.37		28.03	28.35	.23	1,653						
Aug	28.26	28.90		28.48	28.86	.25	249,927						
Rough Rice (CBT) -2,000 cwt.;\$ per cwt.	116.00	117.50		114.50	114.50	-13.50	6,711						
Sept	114.75	116.45		114.00	114.00	-9.50	1,845						
Wheat (CBT) -5,000 bu.;cents per bu.	563.25	567.75		554.00	556.25	-4.25	169,582						
Dec	585.00	590.25		576.50	579.75	-3.00	185,812						
Wheat (KC) -5,000 bu.;cents per bu.	571.75	577.25		564.25	567.25	-2.00	113,318						
Dec	600.00	604.75		592.00	595.25	-1.50	114,456						
Wheat (MPLS) -5,000 bu.;cents per bu.	611.00	619.25		608.00	612.75	2.25	26,434						
Dec	629.75	637.00		625.50	629.75	2.00	24,964						
Cattle-Feeder (CME) -50,000 lbs.;cents per lb.	150.75	152.95		150.35	152.80	1.650	8,282						
Sept	151.025	153.175		150.57	153.025	1.675	15,250						
Cattle-Live (CME) -40,000 lbs.;cents per lb.	108.525	110.950		108.275	110.675	2.075	28,496						

	Contract						Open	High	lo	Low	Settle	Chg	Open interest
	Open	High	lo	Low	Settle	Chg	Open						
Corn (CBT) -5,000 bu.;cents per bu.	366.75	371.25		364.75	369.75	3.00	523,940						
Sept	381.25	385.75		379.00	384.25	3.00	808,689						
Oats (CBT) -5,000 bu.;cents per bu.	244.00	250.00		243.50	249.75	6.75	1,314						
Dec	251.25	257.55		251.00	257.00								

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.

Footnotes:

¹New 52-week high.
²New 52-week low.

^{dd}Indicates loss in the most recent four quarters.

^{FD}First day of trading.

^tNYSE bankruptcy

Stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Friday, August 3, 2018

YTD 52-Week Ytd Net % Chg Hi Lo Stock Sym % PE Last Chg

A B C

1.94 96.39 78.19 CamdenProperties 3.73 45 93.88 1.37

-11.22 54.37 52.63 CampbellSoup 3.45 32 47.26 1.05

81.88 87.85 81.66 CapitalGlobe 3.05 45 85.75 0.99

-5.61 100.00 97.00 CBRE 3.50 45 95.00 0.99

8.70 90.57 70.59 CanNatRivW 2.90 25 36.53 0.06

10.38 20.60 19.60 CapnRlwv 1.00 16 20.73 0.13

-13.66 40.67 31.23 Canopy 1.45 32 52.24 0.18

9.21 106.50 74.98 Capital 1.75 19 56.66 0.08

1.94 97.50 75.75 CardinalHealth 0.80 17 50.30 0.32

1.79 70.50 48.14 CardinHealth 0.32 17 49.00 0.20

1.94 97.50 75.75 CardinHealth 0.32 17 49.00 0.20

BANKING & FINANCE NEWS

Elliott Hedge Fund: We're Not Secretive

In letter to investors, firm run by billionaire Paul Singer skewers label as 'bothersome'

By RACHAEL LEVY

One of the world's largest hedge funds, Elliott Management Corp., doesn't want to be called "secretive." It made the argument this week in an investor letter stamped "confidential."

"This bothersome word is usually appended, like some chrome automobile hood ornament, to the words 'hedge

fund,'" the \$35 billion fund firm said in the July 31 letter reviewed by The Wall Street Journal. "It is rarely appended to 'government,' 'tech company,' 'central bank,' 'president' or 'board of directors.'"

Hedge funds like Elliott are privately held vehicles that bet on and against stocks and bonds while charging fees that are typically higher than other managers. They typically disclose little beyond quarterly reports of equities holdings and a Securities and Exchange Commission document that lists corporate officers, vendors and potential conflicts of interest.

Most funds also don't release publicly the letters they send to clients, and that includes Elliott. Its letter included a warning not to share the contents, which Elliott called "confidential and proprietary." A spokesman for Elliott declined to comment.

Elliott, run by billionaire Paul Singer, has taken steps in the past to keep the information in its letters private. In 2015, Elliott warned clients that it would take action against people who shared client letters with outsiders. Five years earlier, in 2010, Elliott filed court papers to get a trade publication to identify

the source who supplied a copy of its investor letter. The publication, Absolute Return + Alpha, published the letter anyway, and Elliott dropped its case.

Elliott typically uses its quarterly client letters to delve into its views on subjects affecting markets, central banks and public policy. The commentary tends to be opinionated, making it of interest to Wall Street investors who will sometimes share it with each other.

The most recent letter, reviewed by The Wall Street Journal, offered views on everything from trade policy and

to inflation. It also disclosed that Elliott Associates, L.P., the firm's oldest fund, gained 4.1% in the first half the year.

On page 15 of the 22-page letter, Elliott turned its attention to language in the financial world. "We think it will be a public service to illuminate (or skewer) several of the most grating, perhaps overused, buzzwords," the letter said.

These words or phrases, according to Elliott, include "correction," "bubble," "bear market," "short-termism" and "alpha." The last is a term commonly used by hedge-fund managers and marketers to

describe outperformance above a certain benchmark.

And then there was that word, "secretive."

"We have no clue what it actually means, as all organizations, private and public agencies and people have secrets," the letter said. "Hedge funds have no greater or fewer number of secrets, and their secrets are no more or less consequential to their results, than does anyone else."

"In fact," the letter said, "regulation mandates so many disclosures of position-level information that hedge funds, we believe, have fewer secrets than many other businesses."

Tesla Shorts Lose \$1.7 Billion but Hold Firm

By AKANE OTANI

Short sellers taking aim at Tesla Inc. are holding on to bets that the electric-car maker is on borrowed time, undeterred by the stock's biggest one-week rally in years.

Heading into the electric-car maker's earnings report late Wednesday, investors who had placed wagers on Tesla shares falling had racked up about \$10.5 billion in short interest—making Tesla the most shorted stock in the U.S. on a dollar basis, according to financial-analytics firm S3 Partners.

Short sellers borrow shares and then sell them, hoping to buy back the shares at lower prices and then pocket the difference.

Those bets turned into a \$1.7 billion loss Thursday after Tesla's results showed it burned through less cash than investors expected. Tesla shares jumped 16% to \$349.54, part of a weekly gain that was Tesla's biggest since 2013 and one that wiped out all of short sellers' profits for the year. The shares fell \$1.37 Friday.

Despite the whiplash, there were few signs of naysayers rushing to dump their positions. As of Thursday morning, Tesla remained the most heavily shorted stock in the U.S., attracting \$4 billion more short interest than the second-most-shorted stock on the list, Apple Inc., according to Ihor Dusaniwsky, head of predictive analytics at S3 Partners.

After the rally at the end of trading Thursday, Tesla short interest had increased to about \$12.6 billion, S3 Partners added.

For longtime Tesla skeptics, the reason was simple: Betting against Tesla has long been a volatile and money-losing trade, with the company's shares up more than 1,900% from its 2010 initial public offering price of \$17. One post-

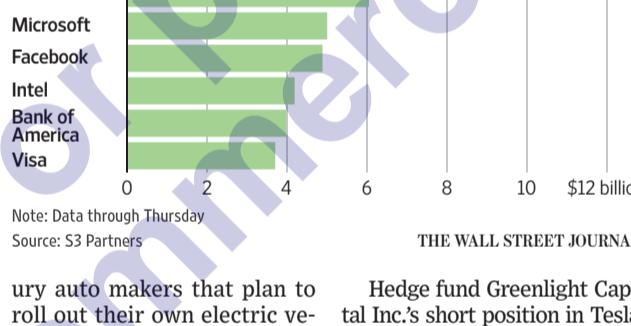


Short sellers were punished when Tesla shares rallied after the electric-car maker's earnings report late Wednesday.

Betting Against Tesla

Investors have wagered billions of dollars on Tesla's share price falling, making it the most heavily shorted stock in the U.S.

10 largest wagers that shares will fall



THE WALL STREET JOURNAL.

earnings rally isn't enough to shake their conviction that the company, whose electric cars have upended the conventional automobile industry, is running through cash at an unsustainable pace.

"It's pounded my fund's performance over the last 18 months...but I don't let the stock price change how I feel about the company," said Mark Spiegel, who says his hedge fund, Stanphyl Capital, has been shorting Tesla for years and would continue to do so for the foreseeable future.

Mr. Spiegel said he first began shorting Tesla around 2013, when its share price was trading in the high \$90s. Once it got to around \$200, "I thought, this is beyond ridiculous, and that's when I got a lot shorter," he said.

Wednesday's earnings report did little to impress Mr. Spiegel, who said he is troubled by competition from lux-

ury auto makers that plan to roll out their own electric vehicles and issues with product delays, along with the pace at which the company has plowed through its cash.

Other investors with short positions in Tesla have cited skepticism over whether the company would be able to contend with challenges including product delays, layoffs and competition for the firm's Models S and X vehicles.

Hedge fund Greenlight Capital Inc.'s short position in Tesla, whose shares jumped 29% last quarter, was its second-biggest loser throughout that period, according to a letter the firm's president, David Einhorn, distributed to investors this past week. Still, in his letter, Mr. Einhorn maintained that 2019 would likely be "a very challenging year" for Tesla.

Tesla shorts still face a long road to profitability after the

latest rally. Investors who had bet on shares sliding are down \$1.4 billion year to date, data from S3 Partners show.

Going back to 2016, Tesla shorts are down \$6.4 billion, making it the third-worst-performing short over that time behind Nvidia and Amazon.com, according to S3 Partners.

Tesla isn't the only high-profile tech stock investors are betting against. The eight most-shorted U.S. stocks are all in the technology industry, with Apple, Amazon.com Inc., Alphabet Inc. and Netflix Inc. rounding out the list of the top five most-shorted U.S. companies, according to S3 Partners.

The bets reflect broad skepticism that technology companies, which have dominated the latest leg of the bull market, can continue meeting investors' lofty expectations. Disappointing results from Netflix sent the stock last month on its biggest one-day slide in years, while Facebook Inc. notched the worst-ever one-day loss in market cap for a publicly traded U.S. firm following its latest quarterly earnings report.

Wells Fargo Tax Credits Are Under Scrutiny

By MICAH MAIDENBERG

Federal agencies are scrutinizing how Wells Fargo & Co. purchased tax credits meant to fund housing for low-income people.

San Francisco-based Wells Fargo disclosed in a securities filing Friday that federal agencies have "undertaken formal or informal inquiries or investigations" about how the bank purchased and negotiated to purchase "certain federal low income housing tax credits in connection with the financing of low income housing developments."

The filing didn't specify which agencies were looking into the matter. A spokesman for Wells Fargo declined to comment on the matter Friday.

Investors and companies purchase the tax credits to lower their federal income-tax bills. Developers who sell them use the proceeds to help finance the construction of housing that is considered affordably priced.

Wells Fargo also said in the filing it incorrectly denied around 625 customers modifications of their mortgage loans between April 2010 and October 2015. The bank said it has designated \$8 million to pay those affected by the error.

In the filing, Wells Fargo said during an internal review it discovered an underwriting tool contained an error that miscalculated attorneys' fees. The bank included the erroneous fees when determining whether customers qualified for a modification under federal initiatives.

Customers weren't charged the incorrect fees, according to the filing. But in approximately 400 cases, the bank foreclosed on the home, Wells Fargo said.

"We're very sorry that this error occurred and are providing remediation," another Wells Fargo spokesman said.

ADVERTISEMENT

The Marketplace

To advertise: 800-366-3975 or WSJ.com/classifieds

ANNOUNCEMENTS

€200,000 reward

On behalf of a client who is filing a lawsuit in a German court, we are bringing claims for compensation against Deutsche Bank on the grounds that it collaborated with other banks to manipulate the price of silver in 2012 and 2013 by means of price fixing. During this time, the plaintiff was invested in the silver market. The price manipulation is alleged to have caused the significant losses of the plaintiff. We are searching for evidence (witnesses and documents) to support this allegation.

Due to the alleged manipulation of the price of silver, Deutsche Bank agreed to pay a settlement of \$38,000,000 in the case 14-MD-02573-VEC, In re: London Silver Fixing, Ltd. Antitrust Litigation, United States District Court for the Southern District of New York. On behalf of our client, a reward of €200,000 will be paid to anyone who provides the crucial evidence that leads to the full, legally effective winning of the lawsuit.

Closing date: 31 August 2018.
Please send all information to
rechtsanwalt@heinerkausch.de
Rechtsanwalt Heiner Kausch
Kaiserstr. 16
6611 Saarbrücken, Germany

BUSINESS OPPORTUNITIES

KW COMMERCIAL
Palmsprings, CA
Resort & Spa, 8.7% CAP RATE, Gorgeous mountain views, 11+ Revenue Sources, Absentee Owner, & ADR continues to Rise! Offered at \$9,800,000.

Call: Ken Williams 760-413-4376
Dick DeCarlo 760-578-1466

Minney's Yacht Surplus is FOR SALE

A recession proof marine hardware, surplus sail & nautical decor business! Hugely popular. Valuable liquidation resource for national boat builders. Strong internet sales with five star reviews. Huge inventory of surplus sails, hardware, and boating gear. Selling price includes the Minney's name and over 50 years of goodwill. \$2 million.

minneysyachtsurplus.com
capernie1@aol.com • 949-394-5198

BUSINESS OPPORTUNITIES

Investor/Partner/Buyer Wanted

For well-respected established 50 year old successful, privately owned outdoor recreation business located in affluent Bucks County, Pennsylvania. Extremely popular activities for the 16 to 50 demographic range, activities are also marketed to Families, without age limits. Truly stunning location. Seeking \$3.5 to \$7 million expansion capital or negotiable turnkey purchase expected ROI of 2 to 4 years depending on investment.

33daysofrotation@gmail.com
or (302) 219.4277

TRAVEL

Save Up To 60%

First & Business INTERNATIONAL

Major Airlines, Corporate Travel

Never Fly Coach Again!

www.cooktravel.net

(800) 435-8776

Get More Customers

add my high-end custom phone prospecting to your sales & marketing process. Personalized relationship building warm & cold calling intro calls to high-level execs you want contacted. 619-692-3110 ask for my video booklet

ADVERTISEMENT

Showroom

To advertise: 800-366-3975 or WSJ.com/classifieds

FERRARI

OFFICIAL DEALER
ferrari
BY MANCUSO
THE FERRARI SPECIALISTS

19 Portofino
17 Cali TDF 1k
17 488 Spider Blk/Blk 350 mi.
16 FF Blk/Blk 1k
16 488 Coupe Red/Blk 1k
15 488 Spider Red/Blk 1k
15 488 Spider Blk/Blk 1k
15 Cali TDF Blk/Blk 3k
15 F12 Blk/Blk 7k
15 458 Challenge
14 458 Spider Red/Tan 9k
14 FIA GTE GT3
13 Aston GT4 Prodrive
12 ZR1 Anniv. Cpe 4k
12 Cali Red/Blk 5k
12 Cali Gry/Blk Blk 12k
11 458 Coupe Red/Blk 6k
11 458 Coupe Si/Blk 11k
11 Cali Blk/Blk 7k
11 Cali Gry/Blk 9k
11 GTO Blk/Blk 2k
10 599 HCTE Blk/Blk 19k
07 430 Spider Red/Tan 6k
06 430 Coupe Red/Blk 25k
05 430 Coupe Yel/Blk 8k
04 360 Spider Grigio/Cuoio 4k
04 575M Blk/Blu
01 360 Coupe Red/Blk 27k
93 512TR Yel/Blk 3k
89 Mondial T Cpe Red/Beige
89 328 GTS Whl/Red 20k
89 TR Azuro Blk/Blk 1 Owner
84 BB512i Red/Bge
71 365 GTB/4 Daytona

Order Now
DUE
\$309K
\$197K
\$279K
DUE
\$169K
\$249K
\$179K
\$244K
\$375K
\$119K
\$79K
\$129K
\$179K
\$189K
\$172K
\$122K
\$122K
DEPOSIT
\$179K
\$135K
\$99K
\$117K
\$99K
DEPOSIT
\$179K
\$229K
\$59K
DEPOSIT
\$289K
DUE

THE WALL STREET JOURNAL.

SHOW ROOM

ADVERTISE TODAY

(800) 366-3975
sales.showroom
@wsj.com

For more information visit:

wsj.com/classifieds

www.LFSC.com

© 2018 Dow Jones & Company, Inc.
All Rights Reserved.

NYSE Owner Putting Muscle Behind Bitcoin

By INYOUNG HWANG

The owner of the New York Stock Exchange said it

MARKETS NEWS

China Fights Back After Yuan Slide

By SAUMYA VAISHAMPAYAN

Beijing moved to resist the sliding yuan on Friday, suggesting the currency had depreciated too fast.

The move, late on Friday in China, came after the yuan had sunk toward a boundary of 7 yuan per dollar that held even during severe capital outflows two years ago.

The People's Bank of China said it will reimpose a requirement that makes it more expensive to bet the yuan will weaken against the dollar. From Aug. 6, banks buying and selling what are called currency forwards denominated in U.S. dollars for clients will be asked to deposit 20% of their sales at the central bank.

Beijing's move came after the currency sunk toward 7 yuan per dollar.

The move aims to prevent "macro financial risks," the central bank said, pledging to keep the yuan largely stable.

In recent action, the yuan rebounded to 6.84 offshore after weakening beyond 6.9 per dollar earlier. Before that, the yuan had lost roughly 7% in less than two months, in both on and offshore trading. It had also approached a record low against a basket of currencies of its trading partners, a system introduced in 2015.

Beijing had been managing a balancing act. Depreciation makes Chinese exports cheaper globally, offsetting the pain caused by U.S. tariffs, but also risks spooking citizens and companies into sending money abroad—possibly worsening the decline.

Acrimony between the world's two largest economies had earlier sent the yuan to more than 14-month lows against the dollar. The long-running U.S.-China spat esca-

lated this week when the Trump administration threatened to more than double proposed tariffs on Chinese imports, and Beijing warned of retaliation. On Friday it countered by outlining levies on \$60 billion of U.S. products.

The slide had prompted market participants to question whether the yuan would weaken beyond 7 to the dollar, which it hasn't breached in a decade. This week, economists at Deutsche Bank cut their yuan forecasts to 6.95 to the dollar by the end of this year and 7.4 by the end of 2019.

It wasn't clear if authorities were reacting primarily to the speed of the decline, or the absolute exchange rate. Analysts and advisers to the Chinese government have said it isn't employing currency weakness as a trade weapon, but rather allowing a market-led softening at an orderly pace. Diverging monetary policy between the U.S. and China is also weighing on the currency.

Moves in China's currency have global implications because of the country's heft in global trade and the size of its economy, which is the second-largest in the world. After its central bank devalued the yuan in August 2015, stocks around the world swooned and commodity prices tumbled as investors took the move as evidence of an economic slowdown.

"The reason why folks like me sit up and take note is that we remember how important Chinese currency policy has been not just for China but for global markets," said Simon Derrick, chief currency strategist at BNY Mellon in London, before China announced its move Friday.

Deutsche Bank estimates that capital outflows increased to \$34 billion in June—the most since November, though still far from the levels of late 2016, when outflows reached \$90 billion a month.

—Lingling Wei contributed to this article.



A digital display in Rome tracked the size of Italy's public debt in February. The country's government bonds sold off in the past week.

Italian Bonds Fall on Budget Woes

By GEORGI KANTCHEV AND JOE WALLACE

A selloff of government bonds in Italy has highlighted renewed investor concern over the politics and banks of a country that routinely sparks regional jitters.

The selling started on Thursday after local media reported tensions in the government over a preliminary budget meeting. Italian banks have also reported results this week that show a fall in the value of their government-bond holdings, which investors fear will hit their capital ratios.

In May, concern over Italy's antiestablishment government sparked a selloff in the country's sovereign debt that rattled markets worldwide. Then, the country's two-year bonds posted their worst trading day on record.

On Friday, the yield on the 10-year note rose above 3% before falling back to 2.942%. That was up from 2.797% on Wednesday. The two-year bond yield rose to 1.119%, trading near its highest level since June before falling back down to 1.032%. Bond yields move inversely to prices.

Italy has one of the world's largest debt piles and a coalition government that has talked of lowering taxes and

Summer Worries

Yields on Italy's benchmark government bonds



Source: Tullett Prebon Information

increasing spending.

"The market is still very nervous about Italy," said Lyn Graham-Taylor, rates strategist at Rabobank. "The budget developments caught people unaware."

James Athey, senior investment manager at Aberdeen Standard Investments, pointed out that the European Central Bank is also winding down its bond-buying program. That bond buying has been credited with propping up debt markets for Europe's weaker southern economies.

"All that is a pretty toxic mix," said Mr. Athey, who has been short Italian debt since February.

measure of its capital buffers.

Poste Italiane, a postal service that has a large insurance business, also sold off after solvency ratios dropped.

"Banks are unveiling in their last earnings reports the negative effect of the political tensions at the end of May," said Vincenzo Longo, a Milan-based strategist at IG Markets.

Investors have long worried about a so-called doom loop, in which Italian banks laden with their government's debt are sucked into a downward spiral as their home economy deteriorates, which then further weighs on the country's outlook.

The Italian jitters lifted demand for Treasurys. The yield on the 10-year note fell to 2.952% from 2.986% on Thursday.

Still, some observers remain upbeat about Italy.

Laurence Mutkin, global head of G-10 rates strategy at BNP Paribas, said that while the country's debt load is high, the cost of servicing that debt hasn't been lower since monetary union in 1999. That's because borrowing costs have been historically low across Europe for several years.

"And the average maturity of the debt has been lengthening," he said.

—Giovanni Legorano contributed to this article.

Stocks Tick Higher With Focus on Earnings

By AKANE OTANI AND BEN ST. CLAIR

U.S. stocks rose Friday, lifting the S&P 500 to its fifth consecutive weekly gain, after a string of upbeat earnings helped reassure investors that the market is on solid footing.

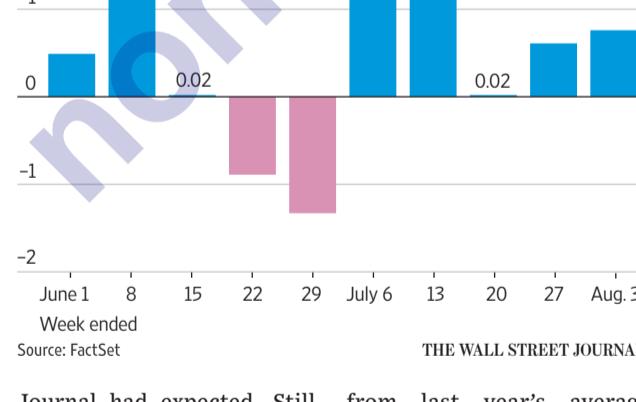
The Dow Jones Industrial Average added 136.42 points, or 0.5%, to 25462.58. The S&P 500 was up 13.13 points, or 0.5%, to 2840.35 while the Nasdaq Composite edged up 9.33 points, or 0.1%, to 7812.01.

For the week, the Dow industrials rose less than 0.1%, the S&P 500 rose 0.8% and the Nasdaq advanced 1%.

Stocks were steady after Labor Department data Friday showed U.S. nonfarm payrolls rose a seasonally adjusted 157,000 in July, less than the 190,000 that economists surveyed by The Wall Street

Winning Streak

Strong earnings and economic data helped the S&P 500 notch its fifth consecutive weekly gain.



Journal had expected. Still, over a broader period, job growth looks strong, analysts said—with the pace of hiring through the first seven months of this year rising

from last year's average through July.

Robust economic data and corporate earnings have helped keep investors relatively optimistic in recent

months, even as global trade tensions have ratcheted higher. After reporting solid revenue and profit gains this week, **Apple** became the first U.S. company to surpass \$1 trillion in market value.

On Friday, **Kellogg** shares jumped \$2.27, or 3.2%, to \$72.15 after the cereal maker raised its full-year guidance Thursday, and **Dish Network** soared 4.34, or 15%, to 34.20 after posting better-than-expected results.

"What we can trade on is earnings, and it's been a good earnings season," said JJ Kinnahan, chief market strategist at TD Ameritrade. "Until we have proof that something else is happening, I think you have to continue on with that thought."

Stocks elsewhere mostly rose, with the Stoxx Europe 600 up 0.7%. Major indexes in Asia struggled for traction, though, as trade tensions continued to weigh on investors'

minds.

Chinese officials said Friday they would impose tariffs on \$60 billion of U.S. products if Washington moves ahead with threats to raise the rate of planned duties on \$200 billion of Chinese goods to 25% from 10%.

The Shanghai Composite Index fell 1%, suffering its largest one-week percentage decline since February. Hong Kong's Hang Seng was down 0.1%, while Japan's Nikkei Stock Average edged 0.1% higher.

"A common theme in recent weeks is for Asia and Europe to struggle on trade war headlines, but for the U.S. to break the shackles and shrug off any weakness and recover," strategists at Deutsche Bank said in a note Friday.

Trade fears have also weakened the Chinese yuan, sending it to 14-month lows against the dollar.

Oil Prices Edge Lower Amid Supply Signals

By CHRISTOPHER ALESSI AND AMRITH RAMKUMAR

Oil prices swung between small gains and losses before closing slightly lower Friday and posting a small drop for the week as traders weigh conflicting supply signals.

Light, sweet crude for September delivery closed down 47 cents, or 0.7%, at \$68.49 a barrel on the New York Mercantile Exchange. Brent crude declined 24 cents, or 0.3%, to \$73.21.

U.S. prices had tumbled to a six-week low on the back of data from the Energy Information Administration on Wednesday showing an unexpected rise in U.S. crude oil inventories, before rebounding Thursday.

In addition to a rise in U.S. inventories, prices have come under pressure due to an uptick in production from the Organization of Petroleum Exporting Countries—led by Saudi Arabia—and Russia.

Analysts are now debating whether U.S. crude has settled in a new trading range, with some suggesting the supply shortage fears that propelled a months-long rally have eased.

"Last month's price reversal bore all the hallmarks of a sharp reversal in sentiment," said Stephen Brennock, analyst at brokerage PVM Oil Asociates Ltd.

Russian crude and condensate production "increased sharply" in July by 150,000 barrels a day month-on-month, according to analysts at consultancy JBC Energy, while OPEC output rose by around 300,000 barrels a day last month.

By DANIEL KRUGER

Treasurys advanced Friday after the Labor Department said that the pace of hiring slowed in July and China said it would impose new tariffs on imports from the U.S.

The yield on the benchmark 10-year Treasury note fell the most in one month to 2.952% from 2.986% Thursday.

Yields fell after data showed the economy added 157,000 jobs last month, compared with a 190,000 estimate in a Wall Street Journal survey of economists. The unemployment rate fell to 3.9% from 4%, matching forecasts, while aver-

age hourly earnings rose 2.7% from the year before.

Many investors and analysts had expected faster gains in wages this year following passage of \$1.5 trillion in tax cuts in December, with fiscal policy makers predicting companies would use some proceeds from the tax cuts to lift workers' wages.

Investors expected higher pay would spur consumption and lift inflation. Inflation poses a threat to the purchasing power of a bond's fixed interest and principal payments.

The slower pace of growth was "a slight disappointment," said George Goncalves, head of fixed-income strategy at Nomura Securities International. A more pressing concern, he said, is the slow pace of wage increases.

Increases amid what appears to be a tight labor market. Hourly earnings "are going up, but they're not going up faster."

Friday's data is unlikely to alter the direction of Federal

Fed funds futures, which investors use to bet on the direction of central bank policy, early Friday suggested a 69% probability that the Fed will raise rates at least two more times this year, down from 71% a week ago.

While the labor data didn't change broad expectations about the economy, continued tensions between the U.S. and China, the world's two largest economies, could prove more disruptive, investors said.

Yields continued lower Friday after China said it would slap levies on \$60 billion of U.S. products if Washington moves ahead with its tariff threats against Beijing.

China also moved Friday to rein in the yuan's rapid depreciation as investors bid down

the tightly controlled currency to its weakest level in more than a year amid growing worries over a bruising trade battle with the U.S.

"We're more worried about what the next trade headline is going to be," said Thomas Roth, managing director in the rates trading group at MUFG Securities Americas Inc.

"That's unfortunately going to be with us," Mr. Roth said.

The Treasury will auction \$78 billion in securities with maturities in three-, 10- and 30-years next week. That is up from \$62 billion for the same series of offerings last year. Total borrowing is forecast to rise 63% in the final six months of the year, as the U.S. ramps up debt sales to fund \$1.5 trillion in tax cuts through 2028.

EXCHANGE

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Food Giants Bet On Small Upstarts

General Mills funds an almond-milk yogurt maker; Kraft Heinz aims to bring ideas 'back to the mothership'

BY AARON BACK

Normally dull packaged-food companies are developing a more exciting sideline business—venture-capital investing. Their results have been mixed, but when paired smartly with a company's core strengths, it can be a powerful tool to stay on top of fast-moving trends.

Industry giants like Kraft Heinz and General Mills are under pressure from challenger brands, driven by shifting consumer tastes and e-commerce growth that makes it easier for upstarts to reach households directly.

Established companies frequently buy emerging competitors once they have reached a certain scale. That strategy is yielding diminishing returns, though, and there have been some spectacular flops. Valuations for fast-growing brands are sky-high, and companies like Campbell Soup and General Mills have taken on a lot of debt to fund their acquisitions.

"The venture-capital experiments are really the next step. They are trying to find fairly low-risk ways to seed growth potential over the long term," says Alexia Howard, a food-industry analyst at Alliance-Bernstein.

Among the major packaged-food companies, General Mills was among the first to dip its toes in venture investing, participating in a funding round for Beyond Meat, a plant-based meat substitute, in 2013. Nielsen scanner data show Beyond Meat's annual sales have risen from around \$2 million in 2014 to \$20 million over the 52 weeks through April 2018, according to Ms. Howard, who adds this could underestimate the scope of

sales at natural and organic grocers.

In 2015 General Mills turned 301 Inc., which was an innovation center within the company, into a full-fledged venture-capital operation. It takes stakes in young companies and lends them expertise in areas like logistics, marketing and packaging.

To date, 301 Inc. has invested in 10 companies. It was the lead investor in two funding rounds totaling \$9 million for Rhythm Superfoods, which makes kale and vegetable

Startups can help legacy players learn about emerging trends and social-media marketing.

chips, according to Crunchbase, and in an \$18 million funding round for Kite Hill, which makes almond-milk yogurts and cream cheeses.

Others have followed suit. Campbell, Kellogg and Tyson Foods all started venture-capital operations in 2016. Earlier this year Kraft Heinz opened up an "incubator" called Springboard that works with startups, though it isn't yet taking stakes in them.

A pioneer of this approach was Coca-Cola, which launched a venture-capital arm in 2007 when it realized that it had to diversify away from sugary sodas. Coca-Cola eventually bought outright some beverage companies it invested in, including Zico coconut water and Honest Tea.

John Haugen, a General Mills vice president and general manager of 301 Inc., says Coca-Cola was a

model for his VC operation and that he consulted with the beverage giant. "They were really generous in providing some guidance and insight," he says.

Big companies can benefit in multiple ways from the investments even if they don't become the ultimate owners. Aside from financial returns they bring, startups can also help legacy players learn about emerging trends and observe how entrepreneurs excel in areas like social-media marketing.

"We learn some of those practices and bring those back to the mothership," says Eduardo Luz, chief marketing officer in the U.S. for Kraft Heinz.

Approaches differ. General Mills probably has had the most success, says Bernstein's Ms. Howard, by investing in categories it knows well like yogurt and snacks.

And on the other end of the spectrum, she adds, "you compare that with Campbell where they are investing in a lot of very, very different businesses."

For Campbell's \$125 million fund, Acre Venture Partners, this has included investments in Back to the Roots, a maker of home mushroom growing kits, and Juicero, which famously went out of business last year after people realized they could squeeze its bagged juices by hand instead of buying a dedicated \$400 juicer.

A Campbell spokesman said the fund is intended "to more fully participate in growth opportunities aimed at disrupting the food ecosystem," and to explore "new models of innovation."

By contrast, General Mills's approach of investing in what it knows has also positioned it to work closely with portfolio companies and help them grow.

For instance, Kite Hill Chief Executive Rob Leibowitz says General Mills's experience as owner of the Yoplait brand was instrumental in helping Kite Hill introduce new yogurt tubes for children, a fast-growing category.

"Without them we wouldn't have the idea, and it wouldn't make it into our factory," Mr. Leibowitz says. "Our manufacturing facility was swarmed by General Mills 301 Inc. professionals" who helped set

up machinery for producing the yogurt tubes, he adds.

At the moment there is no shortage of private-equity and venture-capital funding available to entrepreneurs, so being able to lend this kind of expertise can help investors land deals, says Mr. Leibowitz, who was previously an executive at private-equity firm TSG Consumer Partners.

"Founders' expectations are increasing every day," Mr. Leibowitz says. "Other than the check, what else do you bring to the party?"



General Mills' 301 Inc. funded Kite Hill, which makes almond-milk products.

PHOTO ILLUSTRATION BY F. MARTIN RAMIN/THE WALL STREET JOURNAL

Hungry for Deals

Venture funding rounds that included General Mills' 301 Inc.

Announced	Target Company	Amount raised	Description
Jan. 2016	Rhythm Superfoods	\$3.0 million	Kale and vegetable snacks
March 2016	Good Culture	2.1	Cottage cheese snacks
March 2016	Tio Gazpacho	1.3	Chilled soup
May 2016	Kite Hill	18.0	Plant-based yogurt and cheese
Sept. 2016	Good Culture	3.0	Cottage cheese snacks
Jan. 2017	Rhythm Superfoods	6.0	Kale and vegetable snacks
March 2017	Farmhouse Culture	6.5	Sauerkraut and kimchi
April 2017	Purely Elizabeth	3.0	Granola and oatmeal
Jan. 2018	Urban Remedy	17.0	Ready-to-eat plant based meals

Sources: Crunchbase (deal amounts); Bernstein analysts (descriptions)

THE WALL STREET JOURNAL.

BY DAN GALLAGHER

Does Big Tech have too much sway in the market? That could soon be a \$4 trillion question.

Apple Inc. became the first U.S. company ever to hit \$1 trillion in market value on Thursday. The milestone was notable, if seemingly inevitable. Apple has been the world's most valuable public company since 2012, when it was worth about half as much. It is also now nearly 14 times its value compared with when the first iPhone was introduced in early 2007. The S&P 500 has merely doubled in value over that time.

At \$1 trillion, Apple accounts for just under 4% of the S&P 500's total market value. But, while heavy, that sort of weight isn't unheard of. Exxon Mobil accounted for 5% of the index's value 10 years ago, when it ranked as the world's most valuable company, according to senior S&P analyst Howard Silverblatt.

Apple's representation isn't even tops for tech. Microsoft was once the world's most valuable public company and accounted for 4.9% of the index at the height of the first tech bubble in 1999. And when IBM was at the peak of its power in the mid-1980s, Big Blue represented more than 6% of the S&P 500's total value.

But the fact that Apple has company gives Big Tech an unprecedented amount of sway.

Tech firms now make up five of the 10 most valuable American companies. Three not named Apple now have market values exceeding \$800 million. Amazon.com, Alphabet Inc. and Microsoft—along with Apple and Facebook—together make up about 16% of the S&P's total value. The last time tech companies made up half of the S&P's top 10 was 1999, when they accounted for just 13% of the index's value.



Big Tech's Path To \$4 Trillion

Apple's \$1 trillion milestone is a harbinger for Amazon, Alphabet and Microsoft

That is also when America Online was the country's 10th most valuable business, which naturally leads to the question of just how sustainable Big Tech's current market dominance really is. Past isn't always prologue, but the technology landscape tends to shift rapidly and humble even the most powerful players. IBM can attest to that.

Big market corrections also tend to wreak havoc on richly valued tech stocks. The Nasdaq Composite plunged 41% in 2008 at the height of the financial crisis. By the end of that year, Microsoft was the only tech company ranked among the S&P 500's top 10.

One important difference now is that the business of today's technology giants stretches well beyond tech. Amazon, whose market value is now less than 12% away from the \$1 trillion threshold, now sells everything from washing machines to cutting-edge corporate computing services.

Google, less than 16% away, powers much of the world's internet use in a way AOL could only have imagined. And people all over the world now rely on Facebook to remember who their friends and relatives are.

Market values rise and fall quickly, but scale tends to stick around longer.

OVERHEARD

Hong Kong investors got a taste this week of what has been a decidedly American phenomenon: plunging biotech stock prices.

Asclexis Pharma, a Chinese company focused on developing antiviral drugs, became the first biotech company to list its shares in Hong Kong since the local stock exchange relaxed its listing rules earlier this year.

Asclexis went public at HK\$14 a share on

Wednesday, but it was the shareholders who may have needed medical attention. Asclexis barely closed above HK\$10 on Friday according to FactSet, meaning some early adopters are already facing losses of nearly 30% on their investment after three days of trading.

Speculators down on their luck for now will have other chances to score gains soon. Much to the delight, or perhaps chagrin, of day traders, those rule changes pave the way for unprofitable biotech companies to follow in Asclexis's wake.

The Jobs-Market Math Won't Keep Adding Up

The not-too-hot, not-too-cold jobs climate seems unsustainable without a demographic shift

BY SPENCER JAKAB

It almost seems like old times following Friday's jobs report, but how old exactly?

The somewhat light U.S. non-farm payrolls growth of 157,000, even as unemployment dipped back below 4%, is a return to the not-too-hot and not-too-cold pace of recent years. Wage growth, a concern recently given so much anecdotal evidence of a tight labor market, cooled off a bit, too. That at least shouldn't make Federal Reserve rate setters any more aggressive in their rate-raising cycle.

But the continuation of this happy stasis depends on something that is very hard to predict: How many more people are waiting to reappear in the labor force? Participation had dropped from 66.2% in early 2008 to a generational low of 62.3% in mid-2016. Since then it has stabilized a little below 63%, helping the economy add jobs without too much in the way of wage pressure or alarmingly low unemployment.

The stabilization in the share of people willing and able to work is a matter of demographics on the

one hand and the best labor market in a generation on the other.

But even if participation stays at the same level for the next 12 months, a calculator from the Federal Reserve Bank of Atlanta shows that the current pace of payroll growth—it has averaged 211,000 year-to-date—would bring the unemployment rate to 3.3%, a level not seen since the early 1950s.

That was a time of American industrial supremacy.

While the Trump administration is using the threat of tariffs to bring back some of that swagger, along with plenty of nostalgia about that time, things are different now. The 1950s ended with labor-force participation far lower than today, still below 60%. The entry of women into the workforce, baby boomers reaching adulthood and, of course, immigration all fed labor-force growth in the ensuing decades. Three times as many people work today as in 1953.

Without some sort of unexpected demographic shift or economic slowdown, present trends look unsustainable. Either payroll growth will slow or wage growth will accelerate, and possibly both.

Those Were the Days

U.S. civilian labor-force participation rate



Source: Bureau of Labor Statistics

THE WALL STREET JOURNAL.



Confession's Limits

Priests face tough choices under new disclosure laws **C4**

REVIEW

THE WALL STREET JOURNAL.

The Tick-Tock Club

Surgeons, designers and the quest to create an artificial heart **Books C7**



CULTURE | SCIENCE | POLITICS | HUMOR

SATURDAY/SUNDAY, AUGUST 4 - 5, 2018 | **C1**



By ADAM KIRSCH

WHEN THE NOVELIST PHILIP ROTH died in May, the obituaries and tributes agreed that he was (to quote a few choice descriptions) "towering," "pre-eminent" and a "giant of the American novel." In the opinion of those who create the official narrative of American literature—the critics who write about it, the professors who teach it, the publishers who sell it—there was no one bigger than Roth. The one question few stopped to ask—and maybe an obituary was not the place to ask it—is whether the reading public agreed. Is Philip Roth in fact one of America's favorite novelists? Can such a thing even be measured?

As it turns out, it can—and he isn't. We know this thanks to "The Great American Read," a new initiative from PBS, which set out to produce a list of America's 100 favorite works of fiction. The alphabetical list (the books aren't ranked) was released this spring, based on a poll of more than 7,000 American readers. The results of the poll were winnowed down by an advisory panel of "literary industry professionals" using a few rules: The books had to be published (though not necessarily written) in English, with a series like "Harry Potter" counted as one title, and there could be no more than one book per author.

This month, a companion volume called "The Book of Books" will be published, with pithy one-page essays discussing the background and significance of each of the chosen hundred. Starting in September, PBS will broadcast a Great American Read series, hosted by Meredith Vieira and featuring interviews with celebrities, literary and otherwise. All of this will culminate in October with the announcement of America's favorite novel, as determined by online voting.

Whatever book turns out to win that honor, it won't be "Portnoy's Complaint" or "American Pastoral"—Roth novels that would feature on many experts' lists of the greatest American fic-

tion. That's because not a single book by Roth made it onto the Great American Read's top 100. But then, he is in good company. Among the American novelists missing from the list are Nobel Prize winners like Sinclair Lewis, William Faulkner, and Saul Bellow; legendary names like Flannery O'Connor and Edith Wharton; and living greats such as Joyce Carol Oates and Jonathan Franzen, whose 2001 novel "The Corrections" sold around three million copies.

If Americans don't love the books that are usually supposed to constitute American literature, then what do we love? One answer the Great American Read list provides is that we love the books we read as children or teenagers. A few venerable children's classics retain a stubborn foothold in the memory of readers: "Tom Sawyer," "The Call of the Wild." But these are

Please turn to the next page

Mr. Kirsch, an editor at Review, is a poet and critic and the author of, most recently, "The Global Novel: Writing the World in the 21st Century."

“

If Americans don't love the books that are supposed to constitute American literature, what do we love?

Inside

TABLE TALK

When the breadsticks outshine the fancy meal: Bee Wilson wants to see more classic dishes restored to glory. **C5**



Vox Populi

'Deliberative polling' shows how ordinary citizens can work through complex issues. **C3**

LATIN AMERICA

Besieged dictators once gave up power for exile; they've largely lost that option. **C3**

WEEKEND CONFIDENTIAL

Comedic Turn
Actress Rose Byrne on her move to the lighter side. **C6**



REVIEW

The Power of Great Stories

Continued from the prior page

not the books most of us actually grow up reading today. We are more likely to cut our teeth on children's fantasy titles, which make a strong showing on the list, especially when they come from Britain: "Harry Potter," of course, but also the Narnia books, "The Lord of the Rings" and the founder of the genre, "Alice's Adventures in Wonderland."

Alongside these early favorites are the accessible literary works that feature on many a middle school syllabus, often as the first "grown-up" books we read: Harper Lee's courtroom drama "To Kill a Mockingbird," John Knowles's boarding-school story "A Separate Peace," John Steinbeck's Depression-era saga "The Grapes of Wrath." Perhaps there is a similar touch of nostalgia involved in the choice of more challenging classics like "Moby-Dick" and "Heart of Darkness," which are often read in high school or college and then not opened again.

But other categories stand out that have nothing to do with school. The Great American Read list is heavy on genre writing: science fiction ("Jurassic Park," "Ready Player One"), mysteries and thrillers ("The Da Vinci Code," "Gone Girl"), and other best sellers ("Lonesome Dove," "The Help," "The Clan of the Cave Bear"). Such books get little respect from critics and are seldom taught in classrooms, but they are the ones that people remember and love. Certainly, they far outweigh contemporary literary fiction on the top 100 list, though a few such titles do make an appearance—Toni Morrison's "Beloved," Junot Díaz's "The Brief Wondrous Life of Oscar Wao."

In every genre, the Great American Read list is very much a snapshot of a moment in time. Thirty years ago, or 30 years from now, a similar poll would find other titles to take pride of place. You can see this happening in the absence from the list of books that were once enormously popular, like the Sherlock Holmes stories of Arthur Conan Doyle and the pioneering science fiction of H.G. Wells. (Mary Shelley's "Frankenstein," however, does make the cut.) By my count, of the 100 titles on the list, 23 were published in the 21st century—that is, in less than the last 20 years—and another 60 were published in the 20th century. That leaves just 17 titles to represent the previous 3,000 years of world literature.

By the same token, literature in translation makes a poor showing among America's favorites. Sixty-seven of the top 100 titles were written in the U.S. and another 19 in Britain, leaving just 14 to represent the rest of the world (and that includes English-language writing from Canada, Nigeria and elsewhere). "War and Peace" and "Crime and Punishment" take care of Russian literature; "The Count of Monte Cristo" and "The Little Prince" represent France. The foreign language with the highest representation on the list is Spanish, with books by Gabriel García Márquez and Rómulo Gallegos joining Cervantes' masterpiece, "Don Quixote," which is the oldest book chosen (it was originally published in 1605).

Beyond statistics, however, there are also literary insights that can be deduced from the Great American Read list. For one thing, it seems clear that American readers don't care very much about good prose. "The Da Vinci Code" and "Fifty Shades of Grey" are regularly cited as examples of terrible writing, but both were mega-best sellers, and both find a place among the top 100. This is not simply a matter of readers preferring genre writing to literary writing. Rather, it appears that, in any genre, readers prefer strictly functional prose to stylistic elegance or idiosyncrasy. Isaac Asimov is on the top 100 list, but not Philip K. Dick; James Patterson's Alex Cross mysteries and Agatha Christie's "And Then There Were None," but not Elmore Leonard or Raymond Chandler.

Another way of putting it is that when Americans read, we mostly read for story, not for style. We want to know what happens next, and not to be slowed down

by writing that calls attention to itself. According to one familiar indictment of modern literature, today's literary writers are unpopular precisely because they have lost interest in telling stories and become obsessed with technique. In the 20th century, this argument goes, literature became esoteric, self-regarding and difficult, losing both the storytelling power and the mass readership that writers like Balzac, Dickens and Twain had enjoyed.

One classic expression of this complaint was made by the journalist-turned-novelist Tom Wolfe, in his 1989 essay "Stalking the Billion-Footed Beast." After about 1960, Wolfe argued, the novel was no longer about "tak[ing] real life and spread[ing] it across the pages of a book"; instead, it had degenerated into "a sublime literary game." One of his particular targets of criticism was none other than Philip Roth, whom Wolfe attacked for turning away from the realistic style of his early work. Wolfe's own novels, like "The Bonfire of the Vanities," were a deliberate attempt to reverse this trend, to restore accessible re-



ILLUSTRATIONS BY RUTH GWILY

alism to its place at the center of fiction.

Yet the truth revealed by the Great American Read list is that realism does not seem any more beloved by American readers than postmodernism. Neither Wolfe's novels nor other classics of American realism—the "Rabbit" books of John Updike, the terse stories of Raymond Carver—make the top 100. On the contrary, most of our favorite books offer stories that are larger than life. It is no coincidence that many of the recent books on the list were made into popular films or TV shows. In addition to "The Da Vinci Code" and "Fifty Shades of Grey," we find "Jurassic Park," "The Hunt for Red October," and "A Song of Ice and Fire," the series that became "Game of Thrones." These are all high-concept stories, in which exciting adventures take place in fantastic or specialized worlds. They were movies in prose even before they were translated to the screen.

Perhaps, for many readers, it does not make much difference whether a story is told in print on a page or images on a screen. The narrative itself is what matters. In fact, the Great American Read list confirms that there is a great hunger in our culture for grand, mythic narratives. The adoration of the Harry Potter books, like the nearly scriptural status of the Star Wars movies, involves more than just fandom. These are comprehensive universes, complete with their own laws and histories, heroes and villains, morals and meanings. They serve the purpose that was once served by epic poems like "The Iliad" or "The Odyssey," or even by biblical stories: They dramatize the spiritual truths and longings that shape our world.

Indeed, while there are some books on the top 100 list that could be categorized as strictly escapist entertainment, what's striking is how many of them have a serious, didactic purpose. Americans are a moralistic people—that's one reason why we argue so bitterly about politics—and our books reflect our love of sermons. "Atlas Shrugged" is a sermon on individualism and capitalism, just as "The Handmaid's Tale" is a sermon on feminism and patriarchy. "The Catcher in the Rye" and "Siddhartha" are books that help young people, in particular, formulate a whole philosophy of life.

Then there are tales of good fighting against evil, whether they take the form of teen fantasies like "The Hunger Games" and "Twilight" or use an explicitly Christian vocabulary, such as

Frank E. Peretti's "This Present Darkness" and the "Left Behind" series, which is set in a post-Rapture world. In a sense, you could say that the most influential book on the list is John Bunyan's "The Pilgrim's Progress," from 1678, which helped to pioneer the combination of religious moralizing and fantastic adventure.

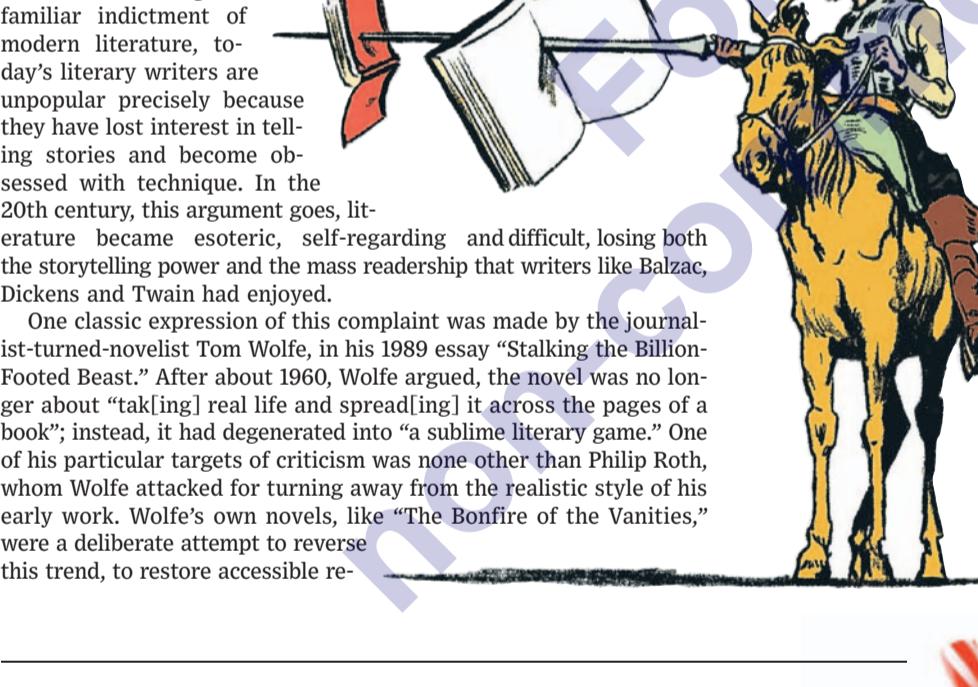
The need for such epic stories predates printed or even written literature and will survive even if books disappear, as many writers



and readers now fear. In fact, the most interesting thing about the Great American Read list is the way it reminds us that stories are something separate from, and more fundamental than, what we call fiction, which is a fairly recent category, historically speaking. After all, it wasn't until the 18th century that the novel became a dominant literary form, first in Europe and then around the world.

In his classic 1936 essay "The Storyteller," the German literary critic Walter Benjamin argued that the novel was in some ways actually the opposite of traditional storytelling. "What distinguishes the novel from the story," he wrote, "is its essential dependence on the book."

Books can be well or badly written, and it is a taste for the art of writing that makes people interested in literature, where the "how" of the tale matters as much as, or more than, the "what" and "why." That is why literary taste, like taste in food or music, can be educated: We learn to enjoy things more, and to enjoy more things, as we accumulate experience in reading. But before taste comes the need for sustenance, and that is what America's favorite books provide: the stories that we need to make sense of our lives.



What to Call That Stuff Made With Soy Or Nuts

WORD ON THE STREET

BEN ZIMMER

WHEN IS MILK NOT MILK? It might sound like a Zen koan, but that's the terminological quandary that FDA Commissioner Scott Gottlieb waded into recently.

Milk

At a forum sponsored by Politico last month, Mr. Gottlieb signaled that the Food and Drug Administration may be taking steps to crack down on nondairy beverages that market themselves as "milk," such as "almond milk" or "soy milk."

Saying that federal rules require milk to come from a lactating animal, he joked, "An almond doesn't lactate, I will confess."

Mr. Gottlieb may be willing to enforce a stricter definition of "milk" favored by the dairy industry. The National Milk Producers Federation has lobbied the government to act against labeling it deems inaccurate. In a letter to the FDA commissioner last year, the group argued that "the manufacturers of plant-based imitation dairy products use nomenclature associated with standardized dairy products" in an attempt to "mislead consumers."

If the FDA did decide to tighten rules, it would first have to go through a period of review, seeking public input. "Invariably we're going to get sued," Mr. Gottlieb said at the forum, "because you open up a dictionary and it talks about milk coming from a lactating animal, or a nut."

Dictionary definitions of "milk" are indeed more expansive than the FDA's "standard of identity" delineating



it in a legalistic fashion. As early as the 14th century, according to the Oxford English Dictionary, "almond milk," the creamy extract of blanched almonds, was known as "almande mylk" or "mylk of almaundes," modeled on the French expression, "lait d'amandes."

Other milk substitutes are of a more recent vintage. In August 1907, the Literary Digest published an item translated from French extolling a vegetable substitute for milk made from Chinese soybeans. "As for the food-value of soy-milk, it is sensibly equal to that of cow's milk," it read. As Bee Wilson noted in a Wall Street Journal essay about the "reinvention of milk" in May, "in the supermarkets, soy milk has been joined by rice milk and pea milk and coconut milk and flax milk and a baffling array of other almost-milks."

But should the dairy lobby get its way and not let these "almost-milks" use the word "milk" on their labels? In the Denver-based newspaper Westword, Mark Antonation argues that "common sense

and precedent make it clear that soy milk, coconut milk and almond milk are recognized and established products." Dictionaries support that idea.

It might seem illogical that a compound phrase with the word "milk" in it could be something other than canonical dairy milk. But English is full of such compounds, where "XY" is not actually a kind of "Y." Consider Pluto, which in 2006 was demoted by the International Astronomical Union from "planet" to the lesser status of "dwarf planet." Stanford University linguist Arnold Zwicky has called such compounds "resemblid composites": for instance, "peanut butter" only resembles butter, and a "jellyfish" distantly resembles a fish.

If the FDA thinks it needs to straighten out the language by banning the use of such terms, the agency could find itself on a slippery slope. If "soy milk" has to be relabeled as "soy drink," what's next? Will "peanut butter" need to find a new name, since it isn't actually butter? Come to think of it, the "peanut" isn't technically a nut either. English is nuts that way.

REVIEW



INTI OCON/AP/GTET IMAGES

For Dictators, Exile Is No Longer an Escape Option

Emboldened strongmen could once take refuge abroad, but a global crackdown on past crimes now makes it harder for them to surrender power

BY JOSÉ DE CÓRDOBA

Decades ago, Latin American dictators losing their grip on power had a reliable exit strategy: exile in some hospitable foreign locale. In 1958, the Venezuelan强man Marcos Pérez Jiménez fled from a military coup and civilian general strike after eight years in power. He flew first to the Dominican Republic and then to Miami, where he spent five years before his successors managed to extradite him. Even then, after serving five years in prison, he lived out the rest of his life comfortably in Spain.

In 1979, Nicaragua's ruler Anastasio Somoza also found temporary refuge in Miami, fleeing the Sandinista guerrillas who overthrew his government and taking much of the country's national treasure with him. When he had overstayed his welcome in the U.S., he moved on to Paraguay, hosted by his fellow dictator, Gen. Alfredo Stroessner.

For the beleaguered strongmen who now rule these countries, however, such escapes are hard to imagine. President Nicolás Maduro of Venezuela and President Daniel Ortega of Nicaragua both face restive populations and opposition forces determined to drive them from power. But going abroad will not help them to escape accountability for their years in office. Since the days of Pérez Jiménez and Somoza, the international community has established far-reaching mechanisms for adjudicating human-rights abuses and tracking the ill-gotten gains of corruption. Former dictators can no longer expect to find refuge abroad, which makes them even more unlikely to surrender power.

"It's a conundrum," says Elliott Abrams, who was the State Department's top diplomat for Latin America dur-

ing the Reagan administration, when the U.S. assisted in arranging exits for Haiti's Jean Claude Duvalier, who lived for years in a French château, and for the Philippines' Ferdinand Marcos, who ended his days in Hawaii. "We were able to say, if you leave you will be OK, but if you stay who knows what will happen to you. Now, you don't have that option."

The options for former dictators began to narrow in 1998, when the Spanish judge Baltasar Garzón caused shock waves by issuing an international arrest warrant for former Chilean strongman Gen. Augusto Pinochet, who was then visiting London, for human-rights violations against Spanish nationals. British police detained Mr. Pinochet for 18 months before releasing him because of his failing health. He returned to Chile, where he was eventually placed under house arrest as he faced multiple criminal charges, from kidnapping and murder to embezzlement and tax fraud.

Then, in 2002, the International Criminal Court at The Hague began to prosecute crimes against humanity. The ICC has since indicted 41 warlords, presidents and officials, though only four have been incarcerated. All of those indicted so far are from African countries, but the court recently opened a preliminary investigation of the Maduro government. Venezuela is one of 123 countries that have agreed to be subject to the court's jurisdiction. In Managua, the idea of ICC charges against Mr. Ortega has been discussed by regional politicians, but Nicaragua isn't a signatory.

"Third World dictators always knew in the past that they would end up their days in Europe," says Moisés Naim, a distinguished fellow at the Carnegie Endowment for International Peace. "But now instead of having a house on the Costa Azul, they might end up in The Hague in the International Criminal Court." That's appropriate from a moral point of view, says Mr. Naim, but

Nicaraguan President Daniel Ortega speaks in April after facing mass protests over his policies. Clashes killed at least 300.

REVIEW

EVERYDAY PHYSICS

HELEN CZERSKI

Ventilation Tips From the Animal Kingdom



HERE IN LONDON, it's been hot. The usual background hum of cheerful grumbling about the weather has been replaced by a shocked silence, as the sunny warm days just keep coming. The unusual heat has even prompted discussions about adopting air-conditioning, which is relatively rare in the U.K.

To a physicist, air-conditioning is a very mixed blessing. It can cool down a small space, but shunting that heat somewhere else requires additional energy—which ends up as heat. If you walk down a city street in the U.S. on a hot day, you'll feel the searing air coming out of the buildings, which actually warms the streets (especially at night when the additional heat stays close to the ground). Overall, air-conditioning makes things even hotter. So are there other methods for cooling a structure?

The animal kingdom offers several ingenious methods of passive cooling, and human engineers have figured out ways to use the same principles.

The first is to use the wind—but not in the way you might think. It actually works best when the wind goes across an opening rather than directly into it. As wind curves around a building and across a window, there is a drop in air pressure close to the window, altering the airflow on the inside.

The cutest animal practitioner of this method is undoubtedly the prairie dog, which connects its long burrows with entrances at two heights. One tunnel entrance is at ground level, where the wind speed is close to zero. The other is at the top of a mound, where the wind whooshes by, so there's an area of low pressure at that end of the tunnel. The pressure difference pushes air into the ground-level entrance, through the tunnel and out the raised entrance.

Humans have been using the breeze to cool their buildings for millennia, especially in hot climates. But at the moment it's rare to find large-scale buildings that really exploit the full potential of this principle. As engineers get better at predicting the complex fluid dynamics involved, however, we can expect to see innovative designs making the transition from the drawing board to reality.

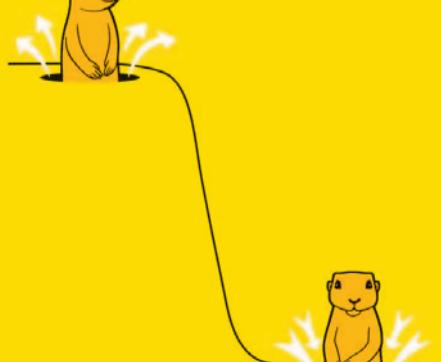
Another approach to passive cooling relies on the buoyancy of air: Warm and humid air is less dense than cool dry air and therefore more buoyant.

Some termite species in Africa and Asia are famous for constructing towers of clay that can be 30 feet tall, right atop the underground nests where they live. As scientists have discovered in recent years, these mounds comprise a beautifully elegant system of natural ventilation.

Each one is full of interconnected vertical tunnels that stretch down toward the nest. During the day, the outside of the mound warms up, along with the air in the outer tunnels. As that warm air rises, it draws air from the underground nest, so the cooler air in the central tunnels sinks. At nighttime, the outer tunnels cool more quickly than the inside, so the flow reverses.

The most famous example of this in the human world is probably the dome of the Reichstag building in Berlin, the home of the German parliament, which was rebuilt in the 1990s. The new glass dome has a mirrored inverted cone at its center, which guides light into the building and acts as a conduit for the warmed air to escape. The Tower at PNC Plaza in Pittsburgh also uses the principle but with a very different design surrounding it.

In the hottest places, there may never be a substitute for air-conditioning, but for the rest of us a bit of clever design could go a long way. For now, I'll content myself with sitting in the sunshine, looking out at the London skyline and imagining what it could look like in 50 years, when the sun and the wind are part of the architecture, instead of an enemy to be kept out.



A Catholic confessional in London. The church has traditionally taught that the seal of confession is inviolable under all circumstances.

BY ROB TAYLOR AND FRANCIS X. ROCCA

The continuing international scandal over sexual abuse in the Catholic Church brought down two more high-ranking clerics in recent weeks. Amid allegations of decades of abuse by Cardinal Theodore E. McCarrick, the former archbishop of Washington, D.C., Pope Francis accepted his resignation on July 28, and just days later, Archbishop Philip Wilson of Adelaide, in Australia, also stepped down. Archbishop Wilson was convicted in May of failing to tell police about another priest who molested altar boys in the 1970s.

Archbishop Wilson's downfall comes after the publication last year of a five-year-long Australian judicial inquiry that documented widespread abuse of children in the country's Catholic institutions, sometimes stretching back decades. Among the report's recommendations was one especially controversial measure: the removal in such cases of the church's "seal of confession," which requires priests to keep secret anything that they learn while administering the sacrament.

Since then, several Australian jurisdictions have passed laws that will soon require Catholic priests to break that seal.

"Make no mistake, priests who have knowledge or suspicion of child sex abuse should report that to police, and failure to do so must be treated as a crime," said Simone McGurk, minister for child protection in the state of Western Australia.

The Catholic Church has traditionally taught that the seal of confession is absolutely inviolable under all circumstances.

Breaking it for any reason is a grave sin punishable by excommunication.

"Confession is a privileged encounter between penitent and God," Archbishop Anthony Fisher of Sydney said in a speech in April.

"No earthly authority may enter there. Priests will, we know, suffer punishment, even martyrdom, rather than break the seal of confession."

An oft-cited example of such martyrdom is the 14th-century St. John of Nepomuk in Bohemia.

According to some accounts, he refused to reveal the confessions of Queen Johanna to her jealous husband, King Wenceslaus IV,

who ordered the priest thrown from the Charles Bridge in Prague into the Vltava River, where he drowned.

Alfred Hitchcock offered a modern update of the theme in "I Confess" (1953), in which Montgomery Clift plays a priest who, though unjustly accused of murder, refuses to exonerate himself by revealing information confessed to him by the actual culprit.

Australia is not alone in testing the traditional boundaries of the confessional.

In 2015, Ireland's president signed laws to require priests and other "mandated persons"

to report child abuse, though the laws have yet to go into effect because of concerns about the danger of inaccurate allegations.

In the U.S., a victim of sexual abuse sued a priest in Louisiana for failing to report what she had recounted in confession as a minor.

But in 2016, the state's Supreme Court ruled that "any communication made to a priest privately in the sacrament of confession for the purpose of confession, repentance and absolution is a confidential communication."

The state government of South Australia argues that its law, which imposes fines of up to US\$7,500 for the failure to report abuse, will bring priests into line with teachers, doctors and child-care workers,

The Limits Of Confession

New disclosure laws in Australia, prompted by child sex-abuse scandals, have sparked a fight with the Catholic Church over the duties of priests.



The resignation of Archbishop Philip Wilson—photographed in Newcastle, Australia, in May—was announced July 30.

who have professional rather than pastoral authority over children. But leaders of the Australian Catholic Bishops Conference argue that mandatory reporting is counterproductive and will make children less safe by discouraging offenders from admitting their crimes.

"Perpetrators of this terrible sin very rarely seek out confession, and if mandatory reporting of confessions were required, they would certainly not confess," wrote Archbishop Mark Coleridge of Brisbane and

Archbishop Fisher of Sydney, president and vice president of the conference, in a letter to lawmakers in June.

Others argue that the new laws will be impractical, if not impossible, to enforce.

"If, for example, the penitent confesses from behind a screen, how can the confessor know for certain who is confessing? The information would be too vague to incriminate anyone in any case," said the Rev. Scott Anthony Armstrong, chairman of the Australian Confraternity of Catholic Clergy, a conservative group.

Not all clergy in Australia agree on how

broadly to construe what is covered by the seal. The Rev. Ian Waters, a theologian and canon lawyer at the Catholic Theological College in Melbourne, argues that, while sins confessed through the priest to God must remain confidential, other information—such as revelations by an abused child of crimes perpetrated against him by an adult—can be properly divulged.

"The average Catholic knows that people confessing their sins to the priest is supposed to be held to be confidential. They still expect that," Father Waters said. "But do they think that conversations that go on in that space about other matters are on the same level? I think they instinctively know they are not."

Archbishop Wilson has agreed that not all the contents of a confession are necessarily covered by the seal. "If a child told you this was happening to them, they're not confessing a sin," he told the royal commission inquiry in February 2017. Archbishop Fisher, however, has argued that church law and teaching require absolute secrecy for all the contents of a sacramental confession. The point, he wrote, is to encourage penitents to share freely "whatever weighs upon their hearts, whether sins or not," in what the church teaches is actually an encounter with Christ.

Ironically, the sacrament of confession is under scrutiny at a time when ever fewer Catholics are making use of it. The proportion of Australians attending confession at least monthly has been falling steadily, according to church data, from around 49% in the 1970s to 5% in the most recent survey (conducted in 2006). According to a 2015 study by the Pew Research Center, less than half of U.S. Catholics (43%) go to confession at least once a year.

The Vatican recognized the problem of waning interest in confession as early as 1983, when Pope John Paul II convened an international meeting of bishops on the issue. The pope attributed the contemporary "loss of the sense of sin" to several factors, including rising secularism, moral relativism and the tendency of modern psychology and sociology to play down personal guilt and responsibility.

Pope John Paul II and his successors have encouraged Catholics to return to the sacrament. Pope Francis has taken the characteristic tack of stressing confession's merciful aspect as the way to achieve forgiveness, rather than its punitive dimension.

He has urged priests not to turn the confessional into a "torture chamber" by interrogating penitents, and he has given

all confessors the power to lift the excommunications that are automatically incurred by anyone involved in an abortion.

Perhaps Pope Francis's most eloquent gesture to promote the sacrament came in 2014, when he shocked those watching during a service in St. Peter's Basilica by suddenly kneeling at one of the confessionals and recounting his own sins to another priest.

The current struggle over the laws in Australia might seem like a low point in the history of confession. But it could also serve as an occasion to enhance the sacrament's diminished prestige—assuming that clergy choose their religious duties over their obligations under secular law. As the Rev. Roger Landry, an official at the Vatican's mission to the United Nations, wrote in June: "If a priest loves [Catholics] enough to go to jail and die for them and to protect what they confess to God, might they take the sacrament more seriously and receive it more frequently?"

REVIEW

TABLE TALK | BEE WILSON

Less ‘Reinvention,’ More Classic Dishes

Innovative food has its place, but version 2.0 is seldom as satisfying as the original done right



I RECENTLY HAD DINNER at the world's best restaurant—and my favorite thing there was the breadsticks. In June, the Osteria Francescana, a three-Michelin-star restaurant in Modena in northern Italy, won the top spot at the World's 50 Best Restaurants Awards. A couple of weeks later, on a warm July evening, I was lucky enough to eat there with a group of food writers and chefs.

One of the courses of the 10-course tasting menu was called “Burnt.” It consisted of a pool of intensely charred-tasting black squid-ink broth, served with an equally black savory cookie filled with raw sardine. Massimo Bottura, the restaurant's 55-year-old creator, originally conceived of the dish as a tribute to jazz legend Thelonious Monk.

As the evening went on, the food became ever more experimental. Another of the dishes was “Tribute to the Amalfi Coast.” It was a hybrid of tomatoes on toast and a rum baba. Depending on how you looked at it, this was either dessert pretending to be lunch or lunch pretending to be dessert.

Mr. Bottura is a remarkable chef, and the high-concept dishes that he serves in Modena are sublime—the kind of food you are talking about for days afterward. So why were the breadsticks placed on the table at the start of the meal the dish that I loved most?

These were much skinnier than your average grissini (as they're called in Italy) and came wrapped in a white napkin. They tasted so rich and savory, none of us at the table could guess what the secret ingredient in them could be. The answer: olive oil. These were not breadsticks reinvented but regular breadsticks done to unimprovable standards. Every other bite at this incredible restaurant was new wave, but these were old wave.

Call me middle-aged (I am), but the older I get, the more I appreciate eating a dish that isn't experimental but is just the original version, done better. Generally speaking, I don't want version 2.0 if I can have a more carefully made classic instead.

When I hear that something is cooked “with a difference,” my heart sinks, because in the hands of anyone less skilled than Mr. Bottura, “with a difference” often means “worse.” After eating too many strange ice-cream flavors—with pine needles, with turmeric, with goat cheese—I'm increasingly convinced that the best of all ice-cream flavors is actually vanilla.

I once went to a very pretentious English restaurant that had something called “minestrone,” in quote marks, on the menu. I asked the waiter what it was, hoping for an explanation of the quote marks. “It's a kind of Italian soup, madam,” he replied. When it arrived, it was no such thing. Instead of the loveliness of classic minestrone—long-simmered beans and vegeta-



bles, savory with pasta and parmesan—here was a meager bowl containing a few strands of greens topped with foam.

Nor are restaurants the worst culprits when it comes to reinvention. Our supermarkets are now full of gussied-up versions of products that needed no messing around with. Consider hummus. There are now dozens of versions of this creamy chickpea dip in the average American supermarket. There is red pepper hummus and eggplant hummus and elaborate three-layer hummus with cilantro.

But all these fancy varieties often disguise the fact that the underlying hummus isn't very good, padded as it is with soybean or canola oil. Classic hummus has no oil; it's made only with chickpeas, garlic,

Top, Massimo Bottura created this dish of ‘Spin-painted Veal.’ Above, Mr. Bottura last year. Left, a traditional bowl of minestrone.

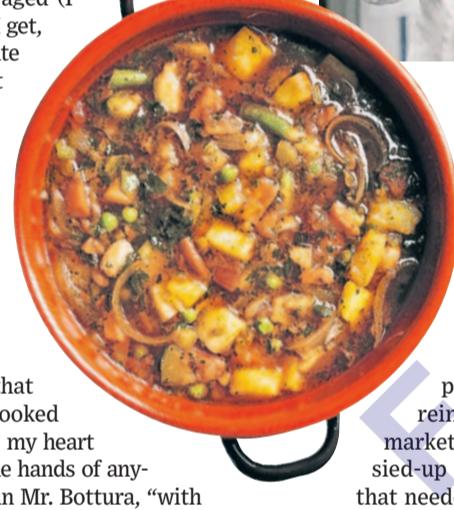
lemon, tahini and salt, with perhaps a little water to adjust the texture. It needs no adornment except for flatbreads and pickles on the side. The same goes for yogurt. The supermarket shelves are packed with crazy fat-free flavors—Key lime pie, apple cinnamon, peanut butter—when all you really want is the plain, tart whole-milk stuff.

It's not that we should always stick to the same boring ingredients. It's the nature of cuisine to evolve. If our ancestors had never dared to experiment by putting new foods in their mouths, the human race would have died out long ago. I'm all in favor of staying open to unexplored foods and ways of cooking. Ten years ago, I'd never heard of sumac—a deliciously sour Middle Eastern spice—and now it is one of my favorite seasonings. In a future of scarce resources, as agriculture takes a hit from climate change, we may need to be flexible in our tastes and learn to enjoy consuming new crops.

But many foods don't need reinventing; they just need restoring to a better quality. As the cookery writer Nigella Lawson once wrote, “A green salad needn't comprise anything other than lettuce.”

I'd suggest that the endless restaurant versions of flavored mashed potatoes are no improvement on straight butter and salt, so long as the potatoes are well mashed, without a single lump. A lame sun-dried tomato pesto cannot compete with a freshly made basil pesto that perfumes the whole kitchen with its glorious green scent.

Like those breadsticks in Modena, the greatest joy any food can give is familiarity plus a jolt of surprise—because you had no idea that this old thing could taste so good.



ASK ARIELY

DAN ARIELY

When a Lost Wallet Comes Back Empty



Dear Dan, I recently lost my wallet while shopping at the mall. Once I got it back, I realized that the person who returned it had stolen all the money and returned only my driver's license and credit card. Here's what I don't get: How could a person doing such a kind act also do something so immoral? —Jessie

The basic principle operating here is what psychologists call “moral licensing.” Sometimes when we do a good deed, we feel an immediate boost to our self-image. Sadly, that also makes us less concerned with the moral implications of our next actions. After all, if we are such good, moral people, don't we deserve to act a bit selfishly?

Moral licensing operates across many areas of life. After we recycle our trash from lunch, we're more likely to buy non-green products. After we go to the gym, we're more likely to order a double cheeseburger. This is probably why the person who found your wallet and decided to return it felt justified in taking your cash.

**Dear Dan,**

A thought occurred to me during recent coverage of the rescue of the Thai soccer team trapped in a cave. It seemed that no expense was spared in bringing out the 12 boys and their coach alive. But there are plenty of ways that, for a fraction of the cost, we as a society could save and improve the lives of far more people—for example, by spending more on public health measures.

I'm not criticizing the rescue of the soccer players. But what makes us care so much about these episodes and so little about other issues? —Stanley

You are correct in your observation. We're much more motivated to take drastic measures to help others when we see suffering on a specific human face, rather than in abstract numbers. This is what's known as the “identifiable victim effect.”

Consider, for example, the recent stories about immigrant children separated from their parents at the border. Most of us were aware of immigration problems before, but when the harm became more individual and visible, it seemed intolerable. We should be aware of this effect and, as you say, shouldn't necessarily let it dictate where we focus our effort and resources.

Hi, Dan.

I recently decided to remodel my bathroom myself instead of hiring a contractor to do it. It took up my weekends for nine months, time that I otherwise would have spent in advancing my career. I enjoy the hands-on work, but would I have been better off focusing on my job and trying to earn more money? —Will

While it's certainly more time-efficient to hire a contractor, and you could have used the time to further your career, it sounds like you got a lot of satisfaction out of remodeling the bathroom yourself. Several colleagues and I conducted research a few years ago on what we called the “IKEA effect.” It turns out that when we assemble something ourselves, we end up taking a lot of pride in it, and for a long time. So I wouldn't just think about money and time. Think also about the pleasure of taking pride in your craftsmanship.

Have a question for Dan? Email AskAriely@WSJ.com

EXHIBIT In the Swim of Things

BEFORE SWIMMING in pools was a pastime, it served practical purposes: bathing and exercise. A new book, “The Swimming Pool in Photography” (Hatje Cantz, \$55), by Francis Hodgson, chronicles the history of the pool from its health-minded origins in the late 1800s through its emergence as a status symbol to photograph, as in images of a glamorous sunbather (below) and the lively scene at the Deligny pool in Paris (left), both from the 1950s. “As soon as people were by pools or in them, cameras came out,” says Mr. Hodgson. —Alexandra Wolfe



REVIEW



BRAD TRENT FOR THE WALL STREET JOURNAL

WEEKEND CONFIDENTIAL | ALEXANDRA WOLFE

Rose Byrne

The actress sharpens her comedy skills

While going through their lines on the set of the 2011 comedy "Bridesmaids," actress Rose Byrne and costar Kristen Wiig started making fun of snooty vacation-goers who name-drop expensive destinations and use phrases from languages they've encountered only briefly.

The riff became the basis of the movie's engagement-party scene, in which Ms. Byrne's character, the wealthy, haughty rival to Ms. Wiig's protagonist, quotes a Thai saying and also recites a poem for the engaged couple that "I penned while sitting on a swing at an exclusive resort."

"We were all laughing," says Ms. Byrne, a 39-year-old Australia native. "It was one of those nights that felt like something kind of

cool had happened."

"Bridesmaids" firmly established Ms. Byrne's comic credentials, after a career mostly spent playing dramatic roles, including in the romantic drama "Wicker Park" (2004), the war epic "Troy" (2004) and the legal thriller television series "Damages" (2007-2012). Her turn to comedy was deliberate and took many auditions before she won a role in "Get Him to the Greek" (2010), with Jonah Hill and Russell Brand. "I had that burning desire to do something different," she says. "I think it's very hard. I wanted to see if I could do it."

Ms. Byrne's latest film is a literary comedy, "Ju-

I had that burning desire to do something different," says the 39-year-old actress of her turn to comedy.

liet, Naked," based on the Nick Hornby novel. She plays a reserved, uptight British woman in her late 30s. She is in a relationship with a music-obsessed bachelor who can't grow up and has no interest in having children. Eventually she realizes that she wants more out of life, including kids.

"She has a creeping horrible desire that she needs and wants more," she says. Ms. Byrne has two young sons with her fiancé, actor Bobby Cannavale, but the character reminded her of friends who realized later in life that they wanted children. "The character really did feel familiar to me," she says.

Growing up in a working-class neighborhood of Sydney as the daughter of a statistician father and school administrator mother, she enjoyed sharp, funny shows like "Fawlty Towers" and "Seinfeld" and admired comedians such as John Cleese and Julia Louis-Dreyfus. Her father performed as a clown at parties, but she never thought of herself as a particularly funny person.

She remembers being quiet as a child. (Today, sitting in the lobby of a downtown Los Angeles hotel, Ms. Byrne is still self-effacing. She wears a loose-fitting, long and demure dress, and goes seemingly unrecognized by waiters and patrons.) Ms. Byrne was more extroverted in acting class, where she was scouted at age 12 to audition for a small Australian movie called "Dallas Doll" (1994). That role led to parts in a handful of Australian television shows.

She enrolled at the University of Sydney, but as she started to get more roles, she decided to drop out, "which is a shame," she says. A 1999 crime caper, "Two Hands," that she starred in with Heath Ledger, made it to the Sundance Film Festival, and she soon moved to the U.S.

Ms. Byrne went on to perform a number of small roles in big films, such as "Troy" and "Marie Antoinette" (2006). Her parts were quiet, often pensive characters that served as foils or companions of major characters. She credits Nicholas Stoller, the director of "Forgetting Sarah Marshall" (2008) and "Neighbors" (2014), with her break into comedy by casting her in "Get Him to the Greek." "The stakes are higher in comedy," she says. "It's a drama, but on top of that you have to get a laugh."

She has also gotten into the production side of the business. In 2015 she co-founded The Dollhouse, an Australia-based company through which she tries to bring female-driven projects to the screen, such as the 2016 drama "Eaglehawk," a short film that made it into film festivals. She has also spoken out about the gender pay gap in show business. She thinks the #MeToo movement has helped bring more women directors and producers to prominence but believes that Hollywood has a long way to go. Recently, she was struck by a study that found nearly 80% of film critics are men. "How can you get a diverse group of opinions," she asks, if most critics are men?

As a woman who has often been cast in the part of a beautiful young female, she hopes to see less ageism in the industry. She notes that Marlon Brando got roles well into his later years and hopes the same happens for women, too. Still, she says, "I'm as vain as the next person, and I'm insecure as the next person," she says. "The key for me is not to try to take any of it too seriously."

She says her two young sons, ages 9 months and 2½ years, have helped keep her grounded. "If you saw me right now...I'm in PJ's with mascara running down my face, all covered with bruises, scratches and spit-up," she says in a follow-up phone conversation.

She met Mr. Cannavale, known for roles in films such as "Blue Jasmine" (2013), "Vinyl" (2016), and "I, Tonya" (2017), through a mutual friend in 2012. They live in New York but spent the past year in Los Angeles while he works on a film. Though they're both actors, Ms. Byrne says they feel no rivalry. "To quote Chris Rock...His success is my success, and my success is his success," she says.

Ms. Byrne says that her days revolve around "kids, one, and organization, two." She says she and Mr. Cannavale always feel scattered and disorganized. "When I walk into people's houses and there's no papers and or boxes or bags, I'm like, 'Where is everything? Where's your mail? Where are your dishes?'" she wonders. She sighs and says, "I guess we're all just stumbling around."



workplace. Lunch is seen as a time-suck: frivolous, unnecessary, old-fashioned.

On the rare occasion you can persuade someone into doing lunch (do people still say "doing lunch," or do I sound like a pair of Guess jeans from 1985?) be prepared for the disapproving looks when you get back to the office. Co-workers treat you like you just took a month off in Hawaii:

Oh, how was big fancy luuuuuuuuuuunch?

Also, heaven forbid you drink at lunch. Someone may call the police.

The Journal has already done a deep dive on the Lunch-Is-Dead phenomenon, interviewing restaurant-industry execs—some of whom



aren't going out for lunch themselves. Lunch has gone the way of the corner office, the Friday bar cart and actually going from Friday to Monday without responding to 29 urgent emails from the boss.

I want to be clear: I empathize with those tech employees who love and want to keep their in-house cafeterias, especially if the cafeteria is inexpensive and has a build-your-own sundae station. There's even a case to be made that in-house cafeterias are not just a perk but a way of promoting employee wellness.

(Well, maybe not the build-your-own sundae station.)

But what if a consequence of the San Francisco plans is to restore the ritual of lunch? I

don't mean the sad, pathetic "Hey do you want to go downstairs to get a salad?" kind of lunch, where the most exciting thing that happens is your co-worker gets cranberries and walnut toppings. I mean lunch-lunch: Sit down, put away the phone, full service, nice cutlery, appetizers, gossip about work, talk about the kids, the works.

Maybe even a drink?

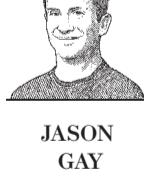
I'll have a glass of sparkl...you know what? I think I'll have a glass of wine.

Me too!

We're having lunch! This is awesome!

Of course, there are drawbacks. Who is going to pay for this lunch? I'm not paying for it. You're not paying for it? We can't expense it—can we? What is taking so long, anyway?

We've been here for an hour already. We should have gone to the salad place. The burger truck. I've got to get back to my desk. I'm missing calls and emails. Who has time for this? This is horrible. Lunch is a bad idea. I'm going to see what's in the office refrigerator.



JASON

GAY

Real Lunches? Only if Someone Makes Us Do It

Full service, nice cutlery, maybe even a drink. But then there's the tab.

YOU MAY HAVE HEARD that San Francisco has declared war on the office lunch. Specifically, the workplace canteen. City leaders are frustrated by tech companies moving into the city and building lavish, perk-filled fortresses ("Free cereal! Free chicken wraps! Merciless hours!") from which employees seldom venture out to patronize local restaurants and stores.

Two city supervisors have proposed banning new corporate construction from installing employee cafeterias, with

the hope that the hungry, deprived workers will hit the bricks and kick off a neighborhood culinary renaissance. Or something like that.

The confrontation is yet another example of the tension between the tech world and the broader San Francisco community. But it misses a key point:

Lunch is dead.

Seriously, who lunches anymore? Have you asked anyone to go out for lunch recently? It's like asking someone to help you carry a king-size mattress across Pennsylvania.

Lunch? they ask, ash-faced.

Then the responses: *How about...coffee somewhere? Or coffee inside? Or how about we think about coffee? How about we just trade excuses over email and call the whole thing off?*

The War On Lunch is not new. Slick-haired raider Gordon Gekko declared, "Lunch is for wimps" in "Wall Street" more than 30 years ago. Still, that curt dismissal is standard practice in the 21st-century



Teddy Roosevelt, Author
The 26th president was first and foremost a 'bully' man of letters. C10

READ ONLINE AT WSJ.COM/BOOKSHELF

BOOKS

THE WALL STREET JOURNAL.

New World, Inc.
The making of America by London's merchant adventurers. C9



SATURDAY/SUNDAY, AUGUST 4 - 5, 2018 | C7

The Race to Reinvent the Heart

The decadeslong effort to create a safe and efficient artificial heart has been anything but steady

Ticker

By Mimi Swartz

Crown, 317 pages, \$27

By HENRY PETROSKI

THE HUMAN BODY is not a machine, but it is analogous to one. Its parts wear out and, if they are not replaced, the whole organism can cease to function, at least at the same level as in youth. Thus the quest for methods and means to restore the body to an earlier, healthier state has become big business.

Joint replacements, for example, are now common: In the United States each year, more than 600,000 knees are replaced with artificial ones, and the annual demand for this surgical procedure is expected to surpass three million by 2030, according to the American Academy of Orthopaedic Surgeons.

The heart is, of course, a much more complex component of the human system than a joint. Indeed, it might be said to be the body's core component. And, unlike so many parts of the human anatomy that are bilaterally redundant—knees, hips, eyes, ears, lungs, kidneys—the heart stands alone. It has no backup in performing its nonstop task of beating 70 or so times a minute, or about 115,000 times a day, which amounts to more than 2.5 billion times in an average lifetime. No wonder hearts get tired and wear out, with deficient ones needing to be repaired, or even replaced, if life is to go on.

The first human heart transplant was performed in 1967 by Christiaan Barnard, operating in South Africa. Half a century later, the number of organ transplants still pales in comparison to artificial joint-replacement procedures. And the number of heart transplants is comparably tiny: According to the United Network for Organ Sharing, in the past three decades there have been a total of some 70,000 performed. Currently, almost 4,000 people are on a waiting list for a heart transplant: The only candidates who will receive one are those lucky enough to be matched with a compatible donor before their own heart gives up the ghost.

This scarcity is why doctors and researchers have long recognized the need for an artificial organ, or at least a machine of some kind that can assist a diseased heart until a transplant candidate can be found. The holy grail is a device that would make transplants altogether unnecessary.

The search for that grail has been, as Mimi Swartz shows in her fascinating book, as complicated as the essential organ itself. "Ticker: The Quest to Create an Artificial Heart" tells a story as big as Texas—which should not be surprising, given that Houston has, since at least the 1960s, been considered the "place to go" for heart surgery. Ms. Swartz is the executive editor of Texas Monthly magazine and a co-author of "Power Failure," about the collapse of the Houston-based energy company Enron. "Ticker" introduces readers to a dizzying array of hospitals, medical centers, institutes, laboratories and garage workshops where investors, inventors and innovators have been hard at work. In part because of the local focus of Ms. Swartz's reporting and

writing, the most well-developed characters are native or adopted Texans.

Among Ms. Swartz's main characters is Michael DeBakey, a Tulane-educated Louisianian who in 1948 ended up in Houston, where he eventually came to lead the Baylor College of Medicine at the Texas Medical Center. DeBakey, a persuasive physician who knew how to extract gushers of donations from rich oilmen, also became a staunch advocate of federally funding medical research—not only to develop an artificial heart but also to create and promote related ma-

chines that help keep the heart beating, such as the left ventricular assist device. After his team inserted an LVAD into a 37-year-old woman in 1966, Ms. Swartz writes, his Houston waiting room quickly began to be "packed with the rich and famous—from out of town."

Among DeBakey's students was Denton Cooley, born and educated in

Texas and reputed to be the fastest open-heart surgeon in the West—or anywhere in the world. Cooley established himself at the competing Texas Heart Institute in Houston, becoming his former mentor's archrival. And he had a very ambitious goal: Nothing short of a totally self-contained artificial heart. The DeBakey-Cooley divergence provided a paradigm for the whole field of heart surgery: A key question became whether an artificial heart was in fact an overly ambitious goal. At many times over the years, it has seemed so.

Ms. Swartz opens and closes her book with another native Texan: Bud Frazier.

Also a student of DeBakey, Dr. Frazier proves to be perhaps the most unforgettable character in the narrative, not only for the way he doggedly has pursued an artificial heart but also for having an outsize heart of his own, as the author shows by introducing us to some of his patients. In 1981, Cooley hired Dr. Frazier to take over running artificial-heart research at the Texas Heart Institute, but Ms. Swartz follows his successes and failures from the 1970s through to the present day.

Dr. Frazier played a key role in turning the use of LVADs from an experimental procedure into a relatively common one. For years, he was the doctor that both patients and device makers turned to most frequently when seeking new or experimental approaches. Ms. Swartz also tells the story of a young female patient, "one of Bud's favorites," who is currently walking around with an LVAD called the HeartMate II in her chest—and is hoping that a new artificial heart, called Bivacor, will be ready for implantation in humans by the time she needs it.

But no doctor, no matter how distinguished or dedicated, could by himself do all the research, experimentation and development necessary to create a truly mechanical heart. This is where the tinkerers, engineers and entrepreneurs come in. Starting as early as the 1960s, when heart-surgeon pioneers suddenly grew in renown, an endless parade of hopeful partners beat a path to operating-room doors with their own ideas, models, prototypes and dreams for artificial hearts.

The wild early days of heart research had coincided with the period when NASA was trying to put a man on the moon, and Houston became the linchpin of both engineering efforts. The importance of engineers working alongside doctors and physical scientists turns out to be a leitmotif of Ms. Swartz's book. While physicians like DeBakey and Cooley became household names in their time, the engineers (working in windowless basement laboratories amid the barnyard noises and smells of the sheep and calves into which they sewed their prototype hearts) did not.

With the patience of systematic experimenters, the engineers improved their machines deliberately and incrementally over the years. According to Ms. Swartz, doctors anxious to move ahead with procedures on human subjects rather than on livestock accused the engineers of being perfectionists and became impatient. But that feeling of urgency

Please turn to page C8



TERRY VINE/TEXAS HEART INSTITUTE

FOUR-CHAMBERED ENGINE

Dr. Bud Frazier holds an artificial heart.

Taking Things Personally

Why Honor Matters

By Tamler Sommers

Basic, 262 pages, \$27

By JOSEPH EPSTEIN

ALWAYS A mistake to give a book a title that allows, if it doesn't outright call for, a smart-aleck response. An academic bookstore I used to frequent had for some months on its philosophy table a book with the title "Clarity Is Not Enough." I could never pass it without thinking, "Perhaps, but it's a start." So with Tamler Sommers's book "Why Honor Matters": One wants to reply, "Who the hell ever said it didn't?"

Honor is, of course, a great many things, from a condition or position

of esteem to a religious injunction (the honor owed to one's father and mother) to the synonym for an unmarried woman's chastity and her suitor's intentions. Aristotle, in the "Nicomachean Ethics," holds that there are certain words that do not admit of tight definitions, and Mr. Sommers avers that honor is one of them. But "undefinable," as he notes, isn't at all the same as "unreal," and he believes that the rejection of honor in contemporary life "has come at great cost and that reclaiming it can improve our lives and our society." His book, he writes, "is my attempt to explain why."

A philosophy professor at the University of Houston, Mr. Sommers argues that honor is "a thoroughly non-ideal form of value, which allows it to operate with a more accurate understanding of human psychology." He distinguishes between horizontal honor (that distributed evenly to all who belong in a select honor group) and vertical honor (belonging to those who distinguish themselves within the honor group). He takes up "honor norms," which are the rules and principles that function among honor groups, in-

cluding hospitality, managing conflict and revenge, along with the maintenance of reputation and the intolerance of insult. Honor is not, in Mr. Sommers's view, without its opprobrious aspects, not least its association with violence. The French theorist Pierre Bourdieu, whom Mr. Sommers quotes, has written that "the ethos of honor is fundamentally opposed to a universal and formal morality which affirms the equality in dignity of all men and consequently the equality of their rights and duties."

"Why Honor Matters" positions a culture centered in honor against one that its author calls a dignity culture. The latter, deriving from liberal Enlightenment morality, understands conflicts in a radically different way than a culture centered in honor does. A dignity culture concentrates, in Mr. Sommers's words, "more on wrongdoing than promoting virtue." In a dignity culture, a crime is quite as much an act against a collectivity, the state, as it is against a victim or individual, and the state, not the victim, generally adjudicates it. A dignity culture, Mr. Sommers believes, is now regnant in much of what he

refers to as the WEIRD (Western, Educated, Industrialized, Rich and Democratic) world. In his view, this culture is largely responsible for the loss of adventurous spirit in contemporary life. He also believes it is responsible for our unusually large prison population.

'Honor' cultures preach personal virtue. 'Dignity' cultures see crimes against the individual as crimes against the state.

Most people, of course, associate honor with dueling and revenge and, as Mr. Sommers notes, "with violent propensities and a heightened sensitivity to insult." He attempts to flick away these notions, sometimes with arguments, sometimes with anecdotes, not always successfully with either means. Not easy, in our day, to set out a defense for dueling, nor even to make an argument, as he glancingly does, against wearing a bicycle helmet. "Hyper risk-averse attitudes are

possible only in a society that has rejected honor," he writes. "And this risk aversion is one of the biggest and most neglected costs of casting honor aside as a core value."

The loss of honor, Mr. Sommers holds, shrivels and diminishes us all. "When we reject honor," he writes, "we become more like the isolated, scared, selfish individuals that philosophers like Hobbes imagined us to be." Yet for all his strong advocacy of honor, he does not find it easy to portray a successful honor culture. He puts forth as fleeting examples Corsica, Albania and the Sparta of ancient Greece. Sports is another of his models. He sets out the honor code effectively at work, he feels, in the National Hockey League; suggests that the no-fighting rule in professional basketball is a mistake; and reminds us that in baseball, when your pitcher beans my batter, you can count on my pitcher beaning yours.

"Why Honor Matters" briefly investigates how the culture of honor works in the Mafia, in urban street gangs, among rappers and in other honor groups. Strangely, Mr. Sommers does not take up the histori-

Please turn to page C8

BOOKS

'In a chaotic world without reason, your instinct is to become a performer and control the circumstances around you.' —JOHN LE CARRÉ

The Continuing Quest for an Artificial Heart

Continued from page C7

worked against the greater good, since those brave pioneers given early artificial hearts did not fare well—most notably Barney Clark, into whom the Jarvik-7 artificial heart, developed at the University of Utah, was implanted in 1982.

Clark lived for 112 days, but he suffered so many complications that his case seemed to cast doubt on the whole artificial-heart enterprise. "Barney Clark's story became one of dashed hope," Ms. Swartz writes, "as it became painfully clear that American know-how couldn't do for the human body what it had

done for space exploration."

Indeed, funding for artificial-heart and transplant research and experimentation had already begun to slow back in the 1970s, coinciding with a rise in regulation of all kinds. The Wild West of Houston and its custom-cowboy-boot-clad surgeons was reined in. But the doctors and engineers who had made the quest for an artificial heart their lives' work were not deterred. They just

faced a greater challenge to get it right.

It was around this time that Bud Frazier made what was perhaps his most significant (and at the time controversial) contribution to the history of the artificial heart. He changed his mind on the basic question—an almost philosophical one—of whether an artificial heart should produce a steady flow of blood or a periodic sequence. The latter is what a natural heart does, of course, gently pushing the blood along, and that periodicity is what results in a person's familiar pulse.

Among the technical obstacles to developing a reliable artificial heart, however, is the very blood that it moves. Blood can produce life-threatening clots if it is not kept flowing at the right rate, and its cells can be damaged by mechanical impellers or other unforgiving components of the machine. An embedded steady-flow heart might seem unsettling to some patients, since they would lack a heartbeat. Yet from a mechanical point of view, continuous flow is simpler to produce, and many artificial-heart inventors have thus pursued that option.

The debate continues, as does the quest to create hearts that could not only save lives but even be fully tailored to each patient—"a perfect fit," as Ms. Swartz puts it. Just like custom-made cowboy boots.

Mr. Petroski, a professor of engineering and of history at Duke, is working on a book presenting an engineer's take on health care.



FIVE BEST BOOKS ON SPYCRAFT

Scott Miller

The author, most recently, of 'Agent 110: An American Spymaster and the German Resistance in WWII'

The Labyrinth

By Walter Schellenberg (1956)

1 One of the rare Nazi intelligence officers to have left a memoir, Walter Schellenberg tells of a journey that began with his decision to join the SS for its smart-looking black uniforms, and culminated in his becoming Hitler's chief of foreign intelligence. Schellenberg maintains that he had always been a realist, dubious about Germany's chances of winning the war. In 1942 he urged Heinrich Himmler to consider ending the war before America's economic might could be fully turned to war production. When it became clear that Germany would lose, he pushed Himmler to depose Hitler, engaging in "an almost daily struggle" in which Schellenberg wrestled Himmler "for his soul." Still Himmler refused, citing his oath of loyalty to Hitler. So Schellenberg arranged for the Swedish diplomat Folke Bernadotte to meet with Himmler, who agreed to release some of the prisoners in the concentration camps. Missing from Schellenberg's story, for all his soul wrestling, is any serious mention of the Holocaust and the crimes that sent him to prison for two years after the war.

Double Agent

By Peter Duffy (2014)

2 A naturalized American born and raised in Germany, William G. Sebold considered his 1936 oath to his new homeland a "sacred thing." When the Germans tried to recruit him as a Nazi spy, he went straight to the FBI and became a double agent. The bureau helped Sebold establish a means of communicating with Hamburg via a refrigerator-size radio in a two-room cottage near Long Island Sound—an operation that yielded invaluable information about German spy operations. Aided by a young



THE LIFE IMAGES COLLECTION/GETTY IMAGES

LISTENING IN William 'Wild Bill' Donovan on a short-wave radio.

FBI director named J. Edgar Hoover, Sebold lured German operatives to an office in Times Square, where FBI cameras were trained on them. Thanks to Sebold, the FBI eventually arrested 33 German spies. Mr. Duffy calls Sebold a "particularly American kind of hero." It's hard to disagree.

Target Tokyo: The Story of the Sorge Spy Ring

By Gordon W. Prange (1984)

3 Prior to the Japanese attack on Pearl Harbor, Moscow's man in Tokyo was Richard Sorge, who is vividly evoked in this compellingly detailed history.

"The Russian river ran deep in Sorge; the very soul of Russia . . . looked out from behind his eyes." Posing as a reporter, he was an expert at winning the confidence of sources. He thoroughly duped the German ambassador; Sorge was so trusted by the Germans that he was able to steal messages meant for Berlin while he was sitting at an office at the German embassy. He also developed a wide-ranging

network of Japanese friends and learned not to discount the gossip they shared. "Like robins chirping the advent of spring," Prange writes, "a flock of rumors preceded every important event in Japan." Sorge was able to confirm that Japan would not attack the Soviet Union—intelligence vital to the Russians. He also learned of Japan's plan to go to war with the U.S. Sorge would be arrested and executed by the Japanese, thus ensuring his place in history. In 1964, the Soviets honored him posthumously as a Hero of the Soviet Union.

Wild Bill Donovan

By Douglas Waller (2011)

4 Espionage was not a priority for the U.S. in the 1930s, when fascist governments were coming to power. Secretary of State Henry Stimson's declaration that "gentlemen do not read each other's mail" had helped nurture an official aversion to spycraft. It took the outbreak of World War II and the leadership of President

Franklin D. Roosevelt—a realist if ever there was one—to create in 1942 the Office of Strategic Services, headed by William "Wild Bill" Donovan. Donovan assembled a spy team that was nothing if not varied—Ivy League lawyers shoulder to shoulder with safe-crackers with criminal records. Douglas Waller reports that agents had little supervision and bottomless bank accounts.

Some \$5,000 was spent to send nature filmmaker Armand Denis to Africa to spy on the Germans under the cover of making a movie about primates.

Throughout his tenure, Donovan came under fire from the FBI, the State Department and the military. When FDR died in April 1945, Donovan lost his chief supporter. His OSS would be torn apart barely three years after its creation.

Avenue of Spies

By Alex Kershaw (2015)

5 When Germany declared war on the United States on Dec. 11, 1941, 2,000 Americans were living in German-occupied Paris. Among them was Sumner Jackson, a doctor at the American Hospital. Jackson—who detested the German military and their "little regard for human life," as Mr. Kershaw writes—decided he had a duty to fulfill. He began making false reports of the deaths of POWs under his care so that they could escape. His house, near Gestapo headquarters on the leafy Avenue Foch, became a hiding place for Resistance members. All the while he was haunted by the fear that Helmut Knochen, a brutal SS intelligence officer, might send agents posing as patients to expose him. In the spring of 1944, Jackson's operation was discovered, though by what means is unclear. His entire family was arrested and imprisoned by the Germans—an experience the book chronicles in harrowing detail, and one that the heroic American doctor did not survive.

Whatever Happened To Honor?

Continued from page C7

cally most successful of honor cultures, that operating in the military and played out dramatically on the battlefield. Under the dignity culture, he argues, honor, shame and manliness are on the wane. "Shame's disappearance from our emotional vocabulary," he claims, "has had plenty of harmful effects," though he doesn't pause to explain what these might be.

Missing from Mr. Sommers's lengthy bibliography is James Bowman's excellent "Honor: A History" (2006). In Mr. Bowman's book, pacifism, feminism and psychotherapy are all featured as obstacles to honor. A strong argument can be made—and has been made by the social scientist Philip Rieff in his "The Triumph of the Therapeutic" (1966)—that we are living in neither an honor nor a dignity culture but instead in a therapeutic culture, which, alas, is neither honorable nor dignified. The goal of a therapeutic culture is to cultivate self-esteem and promote self-gratification; its enemy is repression and its chief means of expression is confession, which, outside the confession box, is rarely honorable.

For a writer so keen on honor and the drama of the individual, Tamler Sommers has an odd penchant for social programs. In a soft final chapter, he describes a few of them. These are programs formed to call a halt to the violence in inner cities that a misguided honor code

has helped bring about. They go by such names as "Cure Violence," "Operation Ceasefire" and "Group Violence Intervention." As he describes them, they call for "outreach," "widespread implementation" and "harnessing . . . motivational resources," as well as other clanging words and phrases that would put Mr. Sommers in the penalty box, if not in the NHL, then among writers whose own penchant is for precision in language. But then, in this same chapter, Mr. Sommers, defender of the honor culture, a would-be American samurai, asks, "What do people have against hugs anyway?" Better perhaps not to answer.

In some ways the core of Mr. Sommers's book comes in the section of his penultimate chapter that carries the rubric "Honorable Punishment: Restorative Justice." Here we learn that restorative justice "is a recent movement that takes direct aim at the depersonalized, excessively rationalistic nature of the current legal system." Leaving aside the question of whether rationalism can ever be excessive, under restorative justice crimes are "viewed as conflicts between individuals and only secondarily as violations against the state."

What this means in practice is that, in a mediation proceeding, the victim faces his offender, and together, with the aid of a judge, they work out the details of a just punishment. "Restorative justice," Mr. Sommers writes, "treats offenders as people rather than cases, as members of the moral community." He cites a study in Canada that shows that "89 percent of violent crime victims wanted to meet [their] offenders." (Always a minority man, I find myself in the remaining 11% here.) In some magical way that Mr. Sommers does not eluci-

date, such "encounters help victims recover their self-respect—not just in theory but in practice."

Mr. Sommers recounts an actual case of restorative justice in New Zealand. In this instance a man stabbed another man six times, inflicting a collapsed lung and facial scarring. In a restorative-justice hearing, offender and victim worked out an arrangement whereby the offender would pay the victim \$15,000 for cosmetic surgery and put in 200 hours of community service, at the successful conclusion of which his two-year prison sentence could be suspended. The courts of New Zealand, however, overruled the decision, and the offender was made to serve a four-year prison term. The victim, Mr.

Sommers points out, did not get his money for surgery nor moral credit for his mercifulness. Who, the unasked question is, really wins? Nobody, my answer would be, but then stabbing is a vicious crime, not an opportunity for a therapeutic meet and greet.

"Having honor," writes the philosopher Kwame Anthony Appiah in his book "The Honor Code" (2010), "means being entitled to respect." Which leads to the question of what it takes to be respected in contemporary America. Whom do we Americans currently respect? Medal of Honor winners? Scientists? A small number of professional athletes? Professions once respected in our country—politicians, university professors, physicians—no longer are respected, at least nowhere near

so unambiguously as once they were. Honor has been leached from many of the prizes and awards that once conferred it, as they have been given to undeserving recipients: The Nobel Prize in literature was nicely finished off when awarded to Bob

Appiah, a man who has subsequently worked to shield other Pakistani women from similarly brutal treatment. In a fine formulation, Mr. Appiah writes: "Honor takes integrity public."

Few of us, thanks be, are given the occasion to react honorably to such dramatic events. Yet none of us lives outside the wide net of honor. Coleridge, in a quotation from his "Biographia Literaria" that serves as the epigraph of "The Honor Code," remarks that there is no "established and reputable profession or employ-

ment, in which a man may not continue to act with honesty and honor; and doubtless there is likewise none which may not at times present temptations to the contrary."

Each of us, in other words, must do what he or she

can,

no matter what it is we do,

to achieve the honorable life.

My father, who was alert to the world in all its wiles, felt under the obligation from time to time to fill his son in on what a shady, indeed treacherous proposition life could be. "Nobody's asking you to be an angel," he said to me more than once after such instruction, "but that doesn't give you a warrant to be an S.O.B. either." He, a good father and husband, an honest businessman, kind and charitable, was himself never less than an honorable man.

Mr. Epstein is the author, most recently, of "The Ideal of Culture." His book "Charm: The Elusive Enchantment" will be published in October.



Dylan; Tom Lehrer claimed that after the Nobel Peace Prize was given to Henry Kissinger, nothing was funny any more.

Where, then, is honor to be found? In "The Honor Code," Mr. Appiah singles out two convincing instances of thoroughly honorable conduct in our day. The first is the behavior of Capt. Ian Fishback, who blew the whistle on torture being conducted by his own fellow American soldiers at Abu Ghraib, thereby abandoning one honor code for the higher one of human decency. The second is Mukhtaran Bibi, an illiterate farmer's daughter from Pakistan who, in a horrendous act of false honor, was gang-raped, after which she stood up to her tormentors and

BOOKS

'Tho you are but journey men Artisans here, / You'll all become Masters as soon as you're there.' —A TRIP TO THE NEW FOUND OUT LAND' (17TH CENTURY)

New World, New Markets

London's Triumph

By Stephen Alford
Bloomsbury, 316 pages, \$28

New World, Inc.

By John Butman & Simon Targett
Little, Brown, 405 pages, \$29

BY PETER C. MANCALL

AT THE DAWN of the 16th century, approximately 50,000 people were living in London. Given that it was an era of plagues and other calamities, burials would often outnumber baptisms. Yet by the early 17th century, the city had quadrupled its population, to about 200,000, and was on its way to becoming Western Europe's second-largest city, after Paris.

Where deaths exceed births, a population grows only through immigration. But most migrants do not leave their homes just to wander about. The tens of thousands of newcomers arriving in London from across England and all over Europe were seeking new opportunities, drawn to the city in the hope of finding work or perhaps boarding a ship bound for a distant clime. Some moved

there because the city had become a thriving cultural center; still others hoped to start or join a new economic venture where a booming merchant class was on the ascent.

London's expansionary impulses lie at the heart of two very different books about the city during the 16th and early 17th centuries. In "New World, Inc.: The Making of America by England's Merchant Adventurers," John Butman and Simon Targett explain the origins of America's colonies by examining London's businesses—especially those that attracted investors eager to explore opportunities abroad. Much of what happened in London, the authors claim, propelled English settlements in the Western Hemisphere. "Even the Pilgrims, those paragons of virtue," the authors tell us, "were funded by merchants, entrepreneurs, business leaders—both great and modest—and were organized as a commercial enterprise."

To Stephen Alford in "London's Triumph: Merchants, Adventurers, and Money in Shakespeare's City," it is the people of the city that matter. Colonial schemes played a role, but for Mr. Alford the establishment of the American colonies was a product of London's development and makes sense only through an investigation of how the city's ambitious merchants and workers lived. London, he writes, "in its concentration of families, capital and experience, was ideally placed to enter brave new worlds of discovery and trade."

Much of the territory in both books has been covered before. The familiarity is not surprising, given the central role that commerce played in the emergence of the

The rise of London's merchant culture propelled English settlements in the Western Hemisphere.

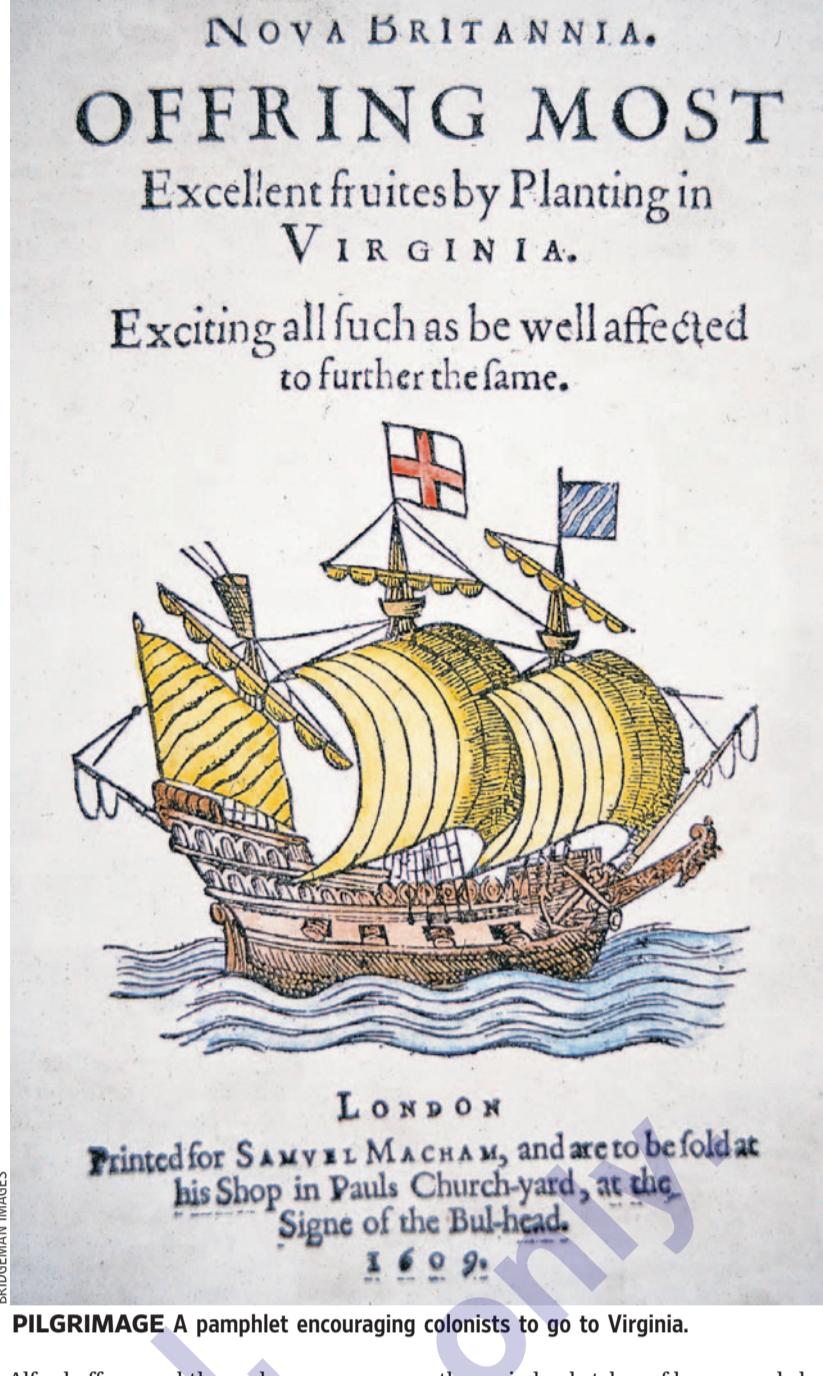
metropolis and in the organization of England's overseas ventures. But while some of the characters may be the same, the stories are unique.

To Messrs. Butman and Targett, America arose from a number of commercial enterprises with origins in London—ventures with names such as the Muscovy Co., whose investors sought opportunities in Russia and hoped to find a passage north of the Asian continent to the Pacific; and the East India Co., aimed at extracting resources from South and Southeast Asia.

In the mid-16th century, Antwerp was the most important mercantile center in Western Europe. English investors believed the time was ripe to shift business to London. They supported the construction of the Royal Exchange, which, once it opened in the latter half of the 16th century, quickly became the focal point for merchant companies. Messrs. Butman and Targett parse the kind of financial details that get lost in many similar histories, such as how a merchant might raise capital for a ship and crew to explore a distant locale, perhaps by advertising for new investors. They describe the rise of joint-stock companies, which allowed individuals and families to pool their assets and distribute risk. "This made investment highly attractive to courtiers," they write, "because they could invest and potentially reap profits without having to get involved in the tedious business of management themselves." Such efforts, which sounded good and often led to investment, did not always succeed.

In fact, according to the authors, it was not until the accession of King James I in 1603 that England finally discovered a successful model for colonizing America. Under James's reign, it became easier for investors to establish trading companies, the most famous of which—for the American colonies, at least—was the Virginia Co., which received its charter in 1606 and for the next 15 or so years organized English migration to Chesapeake Bay. The realization by the English that they could make strong profits by importing tobacco from Virginia propelled the company and its supporters and made Jamestown, Va., different from the realm's earlier colonial efforts in the Western Hemisphere. Until a major war with the local Powhatans in 1622, English investors maintained enough excitement to keep ships heading toward the Chesapeake filled with young migrants, most of them headed toward a period of indentured servitude that would be followed by, each hoped, a chance for economic success. The colony, thus established, survived the demise of the company in 1624.

But Virginia, so crucial to the American experience, was atypical. The Muscovy Co. and the East India Co. focused more on trade than on colonization. The organizers of these enterprises understood that profits came from extracting wealth produced by residents of distant places rather than from inextricably linking colonization and commerce.



PILGRIMAGE A pamphlet encouraging colonists to go to Virginia.

Mr. Alford offers a subtler and more convincing interpretation of the relationship between commerce and opportunity. In engaging prose, he provides detailed views of people such as the members of the mercantile Gresham family, who were responsible for the creation of the Royal Exchange. He reminds us that at one of the many churches celebrating the accession of James I there "was barely a slip in the rhythm of daily life. At St. Bartholomew's there were still locks to be mended, pews to be repaired, the parish pump to see to, dead cats and dogs and other rubbish to be carried out of the churchyard." Such details evoke not only a place but also grand earlier histories (such as Thomas Babington Macaulay's monumental history) that were attuned not just to the discussions among elites but to what happened for most people every day.

In Mr. Alford's view, there was much more going on in London than the effort to harness capital for overseas enterprises. He offers a nuanced portrait of a metropolis where religion mattered as much as commerce. His is a city of young to middle-aged widows and widowers watching loved ones lowered into graves, and of printers and translators making news available to the literate minority. Most crucially, Mr. Alford's London contains a teeming swarm of people whose existence can be glimpsed, but not captured, in drawings of

the period—sketches of houses and churches clustered so close together that one can't even detect the maze of streets that snaked through them. Those who organized the ships bound for Virginia needed to persuade these lesser-known residents of London, many of them barely literate, to take a chance. They succeeded because they knew that many who walked the streets of the city dreamed of a better life than the one they had. London was vibrant, but not everyone shared in its glories.

Mr. Alford, an archival sleuth, presents a view of history through coins, architecture, jewelry, engravings and portraits. He does not avoid textual evidence—William Shakespeare is here, as is the writer Richard Hakluyt, who produced the "grand providential narrative" of the explorers to the colonies. It is to Mr. Alford's immense credit that he has composed a captivating biography of London as it grew from second-tier status to its renaissance. In 1666, the Great Fire destroyed much of the physical city but not its soul or its magnetic appeal for those with ambition. London continued to thrive because it had become the place to be—not only for the merchants but also for the thousands of tenacious individuals without whom the metropolis might have fallen into decay.

Mr. Mancall is a professor of history and anthropology at the University of Southern California.

The Id Of the Royal Family

Ninety-Nine Glimpses of Princess Margaret

By Craig Brown
FSG, 423 pages, \$28

BY ANNA MUNDOW

TROUBLESOME royals have, throughout British history, met a variety of fates. Beheading, for example, took care of Anne Boleyn, Catherine Howard, Mary Stuart and lesser irritants, until the chop gave way to the cold shoulder (Edward who?). Then wayward Diana appeared, shielded by stardom and sanctified by early death. But before Diana, there was Margaret—Her Royal Highness the Princess Margaret, as she always insisted—Queen Elizabeth's little sister, who lost her heart but kept her tiara; who married a commoner but remained obnoxiously imperious; the tireless smoker, drinker, partygoer, celebrity mascot and scandal mill, for whose 5-foot-tall existence we give thanks. For without Margaret there would be no Craig Brown biography. And that would be a royal shame. Because "Ninety-Nine Glimpses of Princess Margaret" is a brilliant, eccentric treat, the literary equivalent of being buttonholed by one of the most entertaining people you will ever meet.

Mr. Brown has since 1989 written a satirical diary for *Private Eye* magazine and his wit is unmistakably English. When, for example, he imagines meeting the Queen to be "the dizzying experience of talking to a stranger . . . the back of whose miniaturised face you have licked countless times" or describes the celebrity hideaway of Tangier as "a city which for decades had pulsed with the hullabaloo of people making themselves scarce," he could be P.G. Wodehouse or Alan Bennett at his driest. When he reflects on Margaret's suitor Peter Townsend in exile—"life has its consolations, even in Belgium"—he recalls Oscar Wilde (ahem, an Irishman). And a riff on biographer William Shawcross's incessant use of "radiant" and "delighted" to describe the Queen Mother prompts the Goon-like warning that "if you shut his book too abruptly, you'll notice delight oozing out of its sides." There is faultless mimicry here too: of Margaret ("Buckingham Palace is a velvety cosy house"), of cliché-pocked Hello! magazine ("Theirs was the fairy-tale wedding that captured the heart of a nation"), of the Telegraph and the Guardian, of anyone or anything that enters the picture.

And practically everyone does. "Everyone seems to have met her at least once or twice," Mr. Brown notes, "even those who did their best to avoid her." Indeed, here comes Peter Sellers (insanely besotted), Pablo Picasso (sexually obsessed), John Lennon (blushing), Marlon Brando (tongue-tied), Gore Vidal (toadying), Elizabeth Taylor (unfazed), Boy George (unimpressed) and a myriad other notables and royal feeder-fish. The list of Margaret-linked names seems endless, but Mr. Brown is un-daubed. Confronting this embarrassment of riches (and wonderfully embarrassing much of it is), he sidesteps

tedium by presenting his subject in a variety of sketches—some real, some imagined, all inspired—to produce a faceted, even sympathetic, portrait of idleness incarnate and ego run amok.

The biography opens with eight news bulletins—the earliest announcing Margaret's birth in 1930, the latest reporting her death in 2002 and the sale of her valuables four years later—and closes with a photograph of a tiny child, upright and solemn in a state carriage, perched between a mournful father, George VI, and a stony-faced mother. "Hard as nails" is one intimate's description of the Queen Mother, as she later became. Certainly, restraint bordering on dull-wittedness was the dominant family trait. Here, for example, is Margaret's grandfather, George V, addressing his diary on June 28, 1914: "The poor archduke and his wife were assassinated this morning in Serbia . . . Terrible shock for the Emperor." Then it's back to his 325 stamp albums. "Stamps after lunch, bed at 11.30."

Born into stultifying privilege "in an age of deference," the Princess was to die "in an age of egalitarianism." Straddling eras, she was also reminded with each royal birth of her precarious ranking in the succession sweepstakes; originally fourth in line to the throne, she died in eleventh place. Might insecurity, then, explain her wearisome insolence? She arrived late for everything and stayed too long, exhausted guests who were forbidden to leave until she did, and became more vola-

tile with every sip. Only "after a succession of drinks," Mr. Brown remarks, was she "able to enter a stiffer, grander, more subservient world." And her outbursts prompt him to wonder if, "early in life, she had contracted a peculiarly royal form of Tourette's Syndrome."

She dismissed a host's afternoon feast with "I HATE tea"; commented of a chicken dish, "This looks like

HER HIGHNESS

'The common touch she had not.'



sick"; boasted of her son, "My boy's first word was chandelier."

Was Her Highness's shortness also to blame? Or was it the Towns-

end affair? Ah, yes, the Group Captain. It is hard to imagine, in this Camilla/Kate/Meghan era, the uproar caused in the 1950s by Margaret's desire to marry a divorcé, albeit a war hero and a palace aide. Both Church and Crown swiveled their canons in her direction, and so she famously capitulated while the Group Captain fell not on his sword but into the arms of a Belgian teenager.

Here, as throughout his biography, Mr. Brown flits between reportage and fancy ("Mrs. Peter Townsend, the former HRH the Princess Margaret . . . died yesterday at

her modest farmhouse outside Paris"), artfully illuminating a changing Britain—the '60s are coming!—and the woman who, in many ways, embodied that upheaval. A princess whose birth in a gloomy Scottish castle was witnessed by the Home Secretary (what a sublime comic episode) will grow up to be offered cocaine by movie stars and to entertain the likes of John "Biffo" Bindon, a thug-actor-exhibitionist "now probably best remembered for his party piece with his penis." Once upon a time, indeed.

From awful Tony, her erstwhile husband, to wastrel Roddy ("I couldn't have afforded him much longer"); from Kensington to Mustique; morphing from royal disgrace into tarnished national treasure, Margaret barges her way through Mr. Brown's pages while he keeps his ironic distance, a sharpshooter's distance, picking off posers and toadies, the pompous and the vile. "The authors of royal books divide into fawners and psychos," he concludes. Yet even as he draws on such sources, from magisterial biographies to tell-all memoirs, Mr. Brown gloriously transcends any conventional form. An incorrigible trickster, he has fashioned a royal chronicle that resembles an elaborate pop-up book, cunningly constructed to astonish and amuse, even when the picture is far from charming. "She was such a capricious, arrogant and thoughtless woman," an old friend remarked as mourners filed out of Westminster Abbey. "The common touch she had not." To which Margaret's sister, Elizabeth the imperturbable, would doubtless reply as she has for decades, "Oh, really?"

Ms. Mundow is a freelance book critic living in central Massachusetts.

BOOKS

'The tragedy of Roosevelt [lies] in this: That he was a man of remarkable literary talent who is known chiefly for his politics.' —CHARLES W. FERGUSON



ONE-MAN PARTY Theodore Roosevelt 'riding' a moose, from a 1912 collage titled 'Race for the White House,' created by the firm of Underwood & Underwood.

Speak Softly, but Carry a Big Pen

Theodore Roosevelt: A Literary Life

By Thomas Bailey & Katherine Joslin
ForeEdge, 353 pages, \$35

By GERALD J. RUSSELLO

THEODORE ROOSEVELT spent much of his writing life focused on two topics that have since proved unpalatable to most modern literary audiences—hunting and nationalist politics. Roosevelt was an amateur naturalist, but his trips to Africa and South America were almost always about the hunt. In his 1885 book "Hunting Trips of a Ranchman," the future president notes that he had killed "every kind of game to be found on the plains." As for politics, his favorable assessment of the displacement of "primitive" cultures by Western pioneers and "civilization" has little appeal today, and his pro-war, expansionist rhetoric sounds too violent for present-day ears.

His writing shouldn't be so easily dismissed. In "Theodore Roosevelt: A Literary Life," Thomas Bailey and Katherine Joslin make the case for Roosevelt as a writer, one who took the craft seriously and saw his career in letters to be as important as the one he had in politics. For Roosevelt, writing was more than a gentleman's hobby: Though born affluent and bearing a prominent family name, Roosevelt lost much of his fortune after his Western ranching operation went under; upon his return to New York in 1886, and for most of the rest of his life, he was

keen to support himself by writing, a drive that didn't stop even when he was holding public office.

The volume of his writing is staggering, especially since Roosevelt was serving in prominent positions for long periods of his adult life—including New York City police commissioner, assistant secretary of the Navy and president of the United States. He churned out hunting books, biographies, memoirs and essays of all kinds in an unending stream that mimicked his habit of extemporaneous speaking for hours at a time. Mr. Bailey and Ms. Joslin count 48 separate volumes authored by Roosevelt, with many pieces still uncollected at Roosevelt's death. As president, he not only oversaw the publication of a book of his essays but also wrote several new essays and another hunting book, "Outdoor Pastimes of an American Hunter" (1905). There were also his numerous letters, numbering 150,000 by some counts, to admirers (such as Walt Whitman) and critics (Henry Adams, for example) alike.

Roosevelt thought deeply about the environment, creating millions of acres of forest reserves as president, in addition to helping found the Bronx Zoo. Today his naturalist writings still resonate, his hunting tales undercut by a current of melancholy for ways of life, both Native American and European, that were already disappearing. He recognized that the "free, open-air life of the ranchman, that pleasantest and healthiest life in America, is from its very nature ephemeral." His courage and willingness to

expose himself to danger—he almost died while on expedition in the Brazilian rain forests, for example—complicate the simple picture of an aristocrat with a gun.

As for his politics, Roosevelt had his excesses, but his calls for "American-Americans"—those who left their other allegiances behind upon immigrating to the U.S.—may be a good place to look for an

TR's naturalist writings still resonate, his hunting tales tinged with melancholy for ways of life that were already disappearing.

antidote to current identity politics. The combination of his "Americanism" with his support for muckrakers like Upton Sinclair indicate a politics that confounds expectations. Even his enthusiasm for war must be balanced by the real grief he experienced upon losing a beloved son to World War I.

Roosevelt aimed to achieve a writing style that was "vivid and graphic, though simple [in] description"—and he hit that mark often enough. In writing and in speech, he was frenetic and always on the move. A strong proponent of the bully pulpit, as a private citizen he believed a writing desk could serve just as well.

Given his voluminous output, it isn't surprising that only a few of his works

achieve a compact lyrical expression worth revisiting. Roosevelt's serviceable biographies of Gouverneur Morris and Oliver Cromwell, and his history of New York City, may be better left aside in favor of his nature works, where his skill at combining perspective with experience is most clearly expressed.

Mr. Bailey and Ms. Joslin have done extensive work in reconstructing Roosevelt's writing career, especially his correspondence with his publishers and booksellers, and give a thorough account of the man as a writer. The book can be repetitive—we are reminded several times, sometimes within a few pages, that Roosevelt liked to package his essays into books so as to sell them twice. And there could have been more about Roosevelt's library. Prior to his African safari, his sister had several dozen of his favorite volumes specially bound for the trip; there are pictures of Roosevelt reading from this famous "Pigskin Library" in his tent after a day's hunting and exploring. He was a voracious reader of both new books and old favorites—Dickens, Macaulay and Trollope in particular—that he took with him on his travels, but we get little sense of how his tastes may have changed over time.

"We ourselves," Roosevelt wrote, "and the life that we lead, will shortly pass away from the plains as completely as the red and white hunters who have vanished." At his best, his writing keeps the disappearance at bay for a little while longer.

Mr. Russello is the editor of the University Bookman.

The Search for Self in an Ideological Age



FICTION

SAM SACKS

Three works trace the lives of lovers, artists and dreamers destroyed by the modern history of Korea.

WHAT AMERICANS call the Korean War is known in South Korea as the 6-2-5 War, reflecting the date—June 25, 1950—that communist forces from the North crossed the 38th parallel en route to capturing Seoul and occupying all but a corner of the peninsula. Refugees flooded south to the port city of Busan, and it's there, in the summer of 1951, that Crystal Hana Kim begins her melancholy historical romance "*If You Leave Me*" (*Morrow*, 417 pages, \$26.99).

Ms. Kim centers on the 16-year-old Haemi, who is surviving in the makeshift camps with her mother and consumptive younger brother. Haemi has two suitors: Kyunghwan, the man she loves, and his well-off cousin Jisoo, who has money for food and medicine. At the mercy of "an uncertain world, one without rules," Haemi makes the prudent choice—one that she will bitterly regard as an act of cowardice.

Jisoo enlists in the Army and after the armistice moves with Haemi to the countryside to start a family. Kyunghwan lives as a vagrant in Seoul, taking stray jobs and furiously vowing to make a success of himself and win Haemi back. "*If You Leave Me*" gestures toward being a kind of national epic—the novel advances to 1967 and sporadically integrates other political events, notably the 1964 student demonstrations against Park

Chung-hee. But in its essence this is a more straightforward—and these days more commonplace—story of trauma and aftermath.

In alternating first-person chapters, Ms. Kim chronicles her characters' discontent. Haemi tries to settle into her marriage and find consolation in her four daughters, but her family acts as a living reminder of her distance from Kyunghwan and, as Jisoo puts it, "If the smallest thread in her happiness loosened, she followed it without reason."

Kyunghwan becomes an eternal bachelor, living only for the few tortured and short-lived reunions Haemi allows him. Late in the novel, Jisoo springs for a beach vacation in Busan, but the return to the place of Haemi's decision to marry him triggers a psychological collapse that shoves the story to its painful ending.

Ms. Kim possesses a pleasantly clear and fluid style of writing, and in the opening chapters she deftly intertwines personal and political conflicts. But trauma tends to have a steamrolling effect, flattening textured, setting-specific stories into monotonous landscapes of suffering. Like its characters, this sensitive but rather grueling novel becomes trapped inside a moment in the past, fated to relive the same mistake to the exclusion of anything else.

R.O. Kwon's first novel, "*The Incendiaries*" (*River-*

head, 214 pages, \$26), takes place in California in the near-present, yet in many ways its similarities to Ms. Kim's debut are striking. It too concerns a tragic love triangle with a charismatic but psychologically wounded young woman as its base. The woman is Phoebe Lin, a dissipated student at a posh private college who secretly shoulders a metric ton of guilt for her mother's death in a traffic accident.

THIS WEEK'S BOOKS

If You Leave Me

By Crystal Hana Kim

The Incendiaries

By R.O. Kwon

Dust and Other Stories

By Yi Taejun

She finds stability in her boyfriend, Will Kendall, a shy, hardworking scholarship student who falls deeply in love with her. But Phoebe also gravitates toward an outwardly amiable religious guru named John Leal, who leads a radical Christian sect he calls Jejah (the word means "disciple" in Korean). Leal is reputed to have survived a North Korean gulag, and Ms. Kwon suggests that he's modeled his personality cult, based on a sort of purifying masochism, on that of the Kim dynasty. Will, a lapsed born-again Christian, frantically tries to free Phoebe

from his influence, but the terrorist bombing foreshadowed in the prologue points to the novel's direction.

The main attraction and reward of this book is Ms. Kwon's prose. Spiky, restless and nervously perceptive, it exhales spiritual unease. Losing his faith, Will reflects, also meant losing the ability to unquestioningly love others: "If hatred cuts both ways, to forgive can be a balm, and I often missed, as I would a friend, the more tranquil person I now had no reason to be."

There's something crucial missing from the novel, however. Phoebe evolves from being a vulnerable college kid to perpetrating "the biggest attack on U.S. soil since 9/11" with unbelievable speed. How does it happen? What exactly makes Leal so compelling? Who are the other members of Jejah? Why have they, unlike most fringe groups, turned to terrorism? Ms. Kwon largely elides these questions, focusing on the overly familiar subject of Phoebe and Will's relationship troubles. Her writing is stylish and risk-taking; her story, despite its explosive premise, plays it safe.

"*Dust and Other Stories*" (*Columbia*, 264 pages, \$25), translated by Janet Poole, is a collection of short fiction by Yi Taejun, a leading writer in colonial Korea who died in obscurity in North Korea's purges sometime in the 1950s. Reminiscent of comic natural-

ists like Gogol and Guy de Maupassant, Yi excelled at portraiture. "*Omongnyō*" and "*The Broker's Office*" are funny, rather grotesque sketches of country rustics, whereas "*The Rainy Season*" follows the bemused contemplations of a sophisticated urban flaneur. A writer named Hyōn—Yi's alter ego—features in a number of stories, usually struggling to provide for his family. In "*A Tale of Rabbits*" his scheme of breeding rabbits goes disastrously awry, as it costs too much to feed the animals and he's too squeamish to kill them for their fur.

This lack of ruthless practicality takes on a heartbreaking aspect as the collection progresses. Yi wanted only to be left alone to refine his art, but he lived in a violently ideological age. Japanese officials are always intruding on his stories to enforce humiliating concessions to the empire. In "*Before and After Liberation*," Hyōn considers quitting his trade rather than "produce propaganda or write in Japanese." After Liberation, Yi unwittingly signed his death warrant by defecting to North Korea, aiming to escape American occupation. "Is there any such thing as Left or Right any more?" asks an idealistic character in "*Dust*." "Anyone here with any sense is against all politics right now." The story—Yi's last—was published in February 1950. The 6-2-5 War began four months later.

BOOKS

'Conductor's lament! It should be an art, but it is an exhibition, a spectacle.' —WILHELM FURTWÄNGLER

Apostle of Inwardness

Wilhelm Furtwängler: Art and the Politics of the Unpolitical

By Roger Allen

Boyden, 286 pages, \$39.95

By JOSEPH HOROWITZ

ONE OF THE most thrilling documents of symphonic music in performance—readily accessible on YouTube—is a clip of Wilhelm Furtwängler leading the Berlin Philharmonic in the closing five minutes of Brahms's Symphony No. 4. Furtwängler is not commanding a performing army. Rather he is channeling a trembling state of heightened emotional awareness so irresistible as to obliterate, in the moment, all previous encounters with the music at hand. This experience is both empowering and—upon reflection—a little scary. And it occurred some three years after the implosion of Hitler's Third Reich—a regime for which Furtwängler, though not exactly an advocate, was a potent cultural symbol.

In 20th-century classical music, the iconic embodiment of the fight for democratic freedoms was the Italian conductor Arturo Toscanini, who fled Europe and galvanized opposition to Hitler and Mussolini. Furtwängler (1886-1954), who remained behind, was Toscanini's iconic antipode, eschewing the objective clarity of Toscanini's literalism in favor of Teutonic ideals of lofty subjective spirituality.

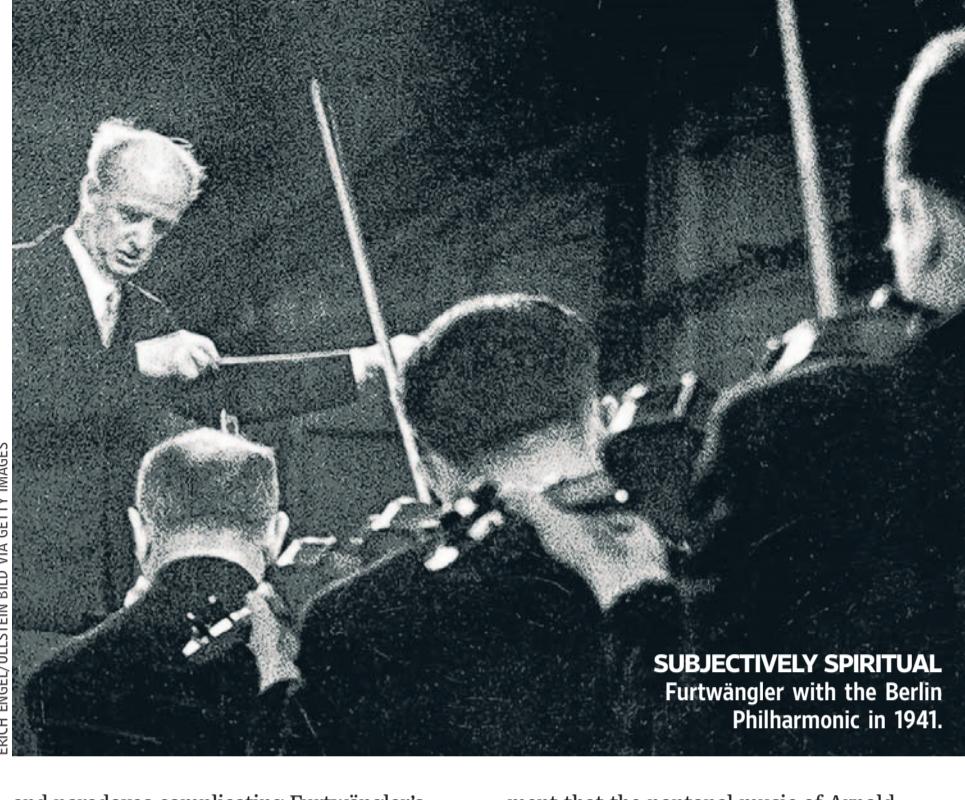
Furtwängler was inaccurately denounced in America as a Nazi. His de-Nazification proceedings were misreported in the New York Times. Afterward, he was prevented by a blacklist from conducting the Chicago Symphony or the Metropolitan Opera, both of which wanted him.

Furtwängler was no Nazi. Behind the scenes, he helped Jewish musicians. Before the war ended, he fled Germany for Switzerland. Even so, his insistence on being "nonpolitical" was naive and self-deluded. As a tool of Hitler and Goebbels, he potently abetted the German war effort. In effect, he lent his prestige to the Third Reich whenever he performed, whether in Berlin or abroad. He was also famously photographed shaking hands with Goebbels from the stage.

In "Wilhelm Furtwängler: Art and the Politics of the Unpolitical," Roger Allen, a fellow at St. Peter's College, Oxford, doesn't dwell on any of this. Rather he undertakes a deeper inquiry and asks: Did Furtwängler espouse a characteristically German cultural-philosophical mind-set that in effect embedded Hitler? He answers yes. But the answer is glib.

Mr. Allen's method is to cull a mountain of Furtwängler writings. That Furtwängler at all times embodied what Thomas Mann in 1945 called "the German-Romantic counter-revolution in intellectual history" is documented beyond question. He was an apostle of Germanic inwardness. He endorsed the philosophical precepts of Hegel and the musical analyses of Heinrich Schenker, for whom German composers mattered most. All this, Mr. Allen shows, propagated notions of "organic" authenticity recapitulated by Nazi ideologues.

Furtwängler's writings as sampled here (others are better) are repetitious—and so, alas, is Mr. Allen's commentary. The tensions



ERICH ENGEL/VULSTEEN BILD VIA GETTY IMAGES

SUBJECTIVELY SPIRITUAL
Furtwängler with the Berlin
Philharmonic in 1941.

Furtwängler was no Nazi but was a tool of Hitler and Goebbels. His insistence on being 'non-political' was naive—and yet also, it seems, sincere.

and paradoxes complicating Furtwängler's devil's pact, his surrender to communal ecstasies ennobling or perilous, are reduced to simplistic presumption. Furtwängler's murky Germanic thinking remains murky and uncontextualized. One would never know, from Mr. Allen's exegesis, that Hegel formulated a sophisticated "holistic" alternative to the Enlightenment philosophies undergirding Anglo-American understandings of free will. One

would never suspect that Schenkerian analysis, extrapolating the fundamental harmonic subcurrents upon which Furtwängler's art feasted, is today alive and well.

Here's an example. Furtwängler writes: "Bruckner is one of the few geniuses . . . whose appointed task was to express the transcendental in human terms, to weave the power of God into the fabric of human life. Be it in struggles against demonic forces, or in music of blissful transfiguration, his whole mind and spirit were infused with thoughts of the divine." Mr. Allen comments:

"It is this idea, with its anti-intellectual subtext, which

associates Furtwängler so strongly with aspects of Nazi ideology. . . . That Bruckner's music represents the power of God at work in the fabric of human existence, can be seen as an extension of the Nazi . . . belief in God as a mystical creative power." But many who revere Brucknerian "divine bliss" are neither anti-intellectual nor religiously inclined.

A much more compelling section of Mr. Allen's narrative comes at the end, when he observes that Furtwängler blithely maintained his musical ideology after World War II, with no evident pause for reflection. One can agree that this says something unpleasant about the Furtwängler persona, suggesting a nearly atavistic truculence. But it is reductionist to analogize Furtwängler's unrelenting postwar hostility to nontonal music to "the non-rational censure of 'degenerate' art by the Nazis." Far more interesting is Furtwängler's own argu-

ment that the nontonal music of Arnold Schoenberg and his followers lacks an "overview." A calibrated long-range trajectory of musical thought was an essential ingredient of Furtwängler's interpretive art. Absent the tension-and-release dynamic of tonal harmony, he had little to work with.

The political dangers inherent in German Romantic music are a familiar concern, beginning with Nietzsche's skewerings of Wagner. The best writer on this topic remains Thomas Mann, who lived it. Here he is in "Reflections of a Non-Political Man" (1918): "Art will never be moral or virtuous in any political sense; and progress will never be able to put its trust in art. It has a fundamental tendency to unreliability and treachery; its . . . predilection for the 'barbarism' that begets beauty [is] indestructible; and although some may call this predilection . . . immoral to the point of endangering the world, yet it is an imperishable fact of life, and if one wanted to eradicate this aspect of art . . . then one might well have freed the world from a serious danger; but in the process one would almost certainly have freed it from art itself."

With the coming of Hitler, Mann changed his tune and moved to California. The most impressive pages of Mr. Allen's book come in an appendix: Mann's lecture "Germany and the Germans," delivered at the Library of Congress in 1945. Mann here becomes a proud American: "Everything else would have meant too narrow and specific an alienation of my existence. As an American I am a citizen of the world."

It is pertinent to remember that seven years later, having witnessed the Cold War and the Red Scare, Mann deserted the U.S. for Switzerland; as early as 1951 he wrote to a friend: "I have no desire to rest my bones in this soulless soil to which I owe nothing, and which knows nothing of me."

Wilhelm Furtwängler's refusal to emigrate, however else construed, is not irrelevant here. He processed much differently the stresses that drove Thomas Mann into permanent exile.

Mr. Horowitz is the author of "Understanding Toscanini," among many other books.

Clickety-Clackety Abracadabra!

**CHILDREN'S BOOKS**

MEGHAN COX GURDON

GRETA IS A tidy white goat with an amazing talent: She can knit so skillfully that live creatures spring from the tips of her needles and caper around, trailing strands of wool. "What fun!" we read, as the smiling Greta knits a frisky flock of little dark brown goats (see below) in the early pages of Annemarie van Haeringen's *"How to Knit a Monster"* (Clarion, 32 pages, \$17.99). Yet even an excellent knitter has to watch what she's about, lest a moment of distraction lead to a dropped stitch or, in Greta's case, something much worse.

Provoked by boastful Mrs. Sheep ("What on earth are you knitting now? What a mess!"), Greta throws herself into furious competitive clickety-clacking . . . "and a wolf jumps off the needle!" Well, that's

it for Mrs. Sheep, who disappears into the toothy maw of the hand-crafted predator as Greta springs to the safety of a nearby closet. Alone in the dark with her needles and skeins, Greta acts fast—too fast, alas, because she unleashes an even bigger

predator. "I smell a succulent goatie," says a homespun tiger from the other side of the door. Now what's a clever, terrified artisan to do?

In Ms. van Haeringen's illustrations in watercolor, India ink and colored pencil, we see Greta conjure a truly monstrous solution to the immediate problem before she sets in motion a great and cathartic unraveling in this engaging picture book for children ages 3-7.

Folklore abounds with people and creatures who, when snared, promise to grant favors if their captors will release them. Bill Richardson borrows this tradition for *"The Bunny Band"* (Groundwood, 30 pages, \$16.95), a rhyming story of theft, mercy and enchantment illustrated with quirky good humor by Roxanna Bikadoroff.

Lavinia the badger has a problem: A burglar is plundering her vegetable garden. "Who dares to come and nibble here? / Who gnaws each tender leaf?" she wonders, angry, as she sets a trap. A shriek at midnight reveals the identity of the malefactor, a "white and frightened" rabbit, now helpless and eager to negotiate: "I'm not your basic bunny. / I've got

magic up my sleeve. / And I will help your garden grow, / if you'll just let me leave."

Wise Lavinia agrees, and soon the rabbit is back with friends, all clutching musical instruments. In the light of the moon, from that night

THIS WEEK'S BOOKS

How to Knit a Monster
By Annemarie van Haeringen

The Bunny Band
By Bill Richardson
Illustrated by
Roxanna Bikadoroff

Ancient Warriors
By Iris Volant
Illustrated by
Joe Lillington

onward, the bunny band plays in the badger's garden, causing the vegetables in it to grow like billy-o. Pictures with quaint detail (a curled "L" on Lavinia's mailbox matches the one embroidered on her apron) and a jolly resolution combine to create a feeling of gentle sincerity in this picture book for children ages 4-8.

"It was only through great strategic planning, incredible strength and bravery that ancient warriors were able to

survive," Iris Volant writes in the nonfiction pages of *"Ancient Warriors"* (Flying Eye, 58 pages, \$19.95), an epoch- and globe-straddling survey of fighters and fighting styles from Mesopotamia in the Bronze Age to late medieval Europe. In clean-lined, dramatic illustrations, Joe Lillington depicts all manner of stern-browed pugilists and the weapons they used.

We see the atlatl, a tool wielded by the South American Maya to propel spears great distances, and the Guandao, the hook-like blade deployed to lethal effect by the Shaolin monks of China.

We meet legendary men such as Hannibal, Genghis Khan and Saladin, as well as the celebrated female warriors Boudicca, Joan of Arc and the Vietnamese sisters Trung Trac and Trung Nhi, who raised an army to repel the occupying Chinese in A.D. 40. The book suffers from some infelicities: Alexander the Great is shown with two blue eyes, though he is said to have had one blue and one hazel, like David Bowie; also, the samurai Tomoe Gozen fought a horde of attackers, not a hoard. But it's absorbing, nonetheless, and a fascinating introduction to the subject for readers ages 7-11.

Investigating the crime is an enigmatic nobleman who plied the eccentric profession of policeman—Commissario Luigi Alfredo Ricciardi, a handsome detective who frequents society only when it serves his political and professional needs. Ricciardi can see that Sannino is this murder's obvious suspect, but he must also consider other candidates, like the dead man's desperate business rival. Ricciardi's life is also thick with operatic complications: Livia, a divorced adventuress, is in love with the Commissario. But he pines in silence for his young neighbor Enrica, who yearns to wed the discreet policeman but fears that she should instead marry the German military man courting her, even as that Nazi is being ensnared by the spying Livia. These romantic, suspenseful and political strains interweave and resolve in superbly artful fashion.

MYSTERIES

TOM NOLAN

When Murder Strikes at a Family's Heart

FOR DANISH SIBLINGS Lotte and Søren Hammer, the authors of the Copenhagen police procedural *"The Night Ferry"* (Bloomsbury, 347 pages, \$28), work is a family affair. The same is true for the Homicide Department officers they chronicle in their book. Detective Chief Superintendent Konrad Simonsen's right-hand colleague is his wife; their daughter Anna Mia is an eager young policewoman; and the other cops on the team share a close occupational kinship.

So when one of their members is slain in a rampage aboard a canal tour boat, the squad feels personal grief. Their sorrow is intensified by remembering how they all mocked this cop's insistence on pursuing a "non-case" that she was sure had been a murder. Now it seems that she may have been killed because of her progress in that very investigation.

Simonsen's team finds links between the tour-boat incident's apparent perpetrator and operatives of the country's military and surveillance agencies.

THIS WEEK'S BOOKS
The Night Ferry
By Lotte & Søren Hammer
Murder on the Left Bank
By Cara Black
Nameless Serenade
By Maurizio de Giovanni

"It's a fact," one of Simonsen's sources tells him, "that Denmark is undoubtedly the Western democracy with the least political control of its intelligence services." Bad actors are working to damage the officers' reputations and even endanger their lives.

But Simonsen and company, with the help of allies in espionage circles, prove a match for all comers. "The Night Ferry," translated from the Danish by Charlotte Barslund, combines the fascinations of a police investigation with the suspense of a courtroom novel and the intrigue of a spy thriller. This satisfying book fulfills its ambitious mandate on every level. Family also plays a role in *"Murder on the Left Bank"* (Soho Crime, 276 pages, \$27.95), the latest entry in Cara Black's long-running series featuring the stylish and capable Parisienne private investigator Aimée Leduc. Aimée learned her trade at the knee of her late father, a former police officer whose death was likely the work of a criminal organization known as the Hand. In the autumn of 1999, a lawyer tells Aimée that he has come into possession of a notebook detailing 50 years of the Hand's profits and payments, indicating that the organization is still in business. His nephew, acting as courier, was murdered on his way to deliver the notebook to authorities, and now the counselor begs Aimée to locate the missing journal. But members of the Hand also demand the notebook—or else they'll do violence to Aimée and her baby daughter.

Even after 17 books, Ms. Black has intriguing corners of Paris to reveal—from an enclave of ateliers once home to the likes of Gauguin and Rodin to a crime-ridden neighborhood where "no one wanted to be witnessed witnessing." And her heroine remains an unpredictable work in progress herself: a daughter faithful to the memory of a father she nonetheless fears may have collaborated with the Hand; a doting but still unmarried mother; enough of an existentialist to answer the question "Who are you?" with, "In the scheme of life? To be determined."

Naples in the early 1930s is the setting for Maurizio de Giovanni's *"Nameless Serenade"* (World Noir, 397 pages, \$18), a series book (translated impressively from the Italian by Antony Shugaar) whose intense opening chapters approach the operatic.

Vincenzo leaves Naples as a teenager, stowing away on a vessel bound for America. He will make his fortune there, he vows to his beloved Cettina, then return to marry her. Thirteen years later, he does return, as the rich and world-famous prizefighter Vinnie "the Snake" Sannino—only to find Cettina long married to a local merchant. Drunk and bereft, Vinnie threatens Cettina's husband in public. The next morning, the merchant is found in an alley, beaten to death.

Investigating the crime is an enigmatic nobleman who plied the eccentric profession of policeman—Commissario Luigi Alfredo Ricciardi, a handsome detective who frequents society only when it serves his political and professional needs. Ricciardi can see that Sannino is this murder's obvious suspect, but he must also consider other candidates, like the dead man's desperate business rival. Ricciardi's life is also thick with operatic complications: Livia, a divorced adventuress, is in love with the Commissario. But he pines in silence for his young neighbor Enrica, who yearns to wed the discreet policeman but fears that she should instead marry the German military man courting her, even as that Nazi is being ensnared by the spying Livia. These romantic, suspenseful and political strains interweave and resolve in superbly artful fashion.



CLARION

BOOKS

'There is nothing more surreal, nothing more abstract than reality.' —GIORGIO MORANDI

Interfering With Reality

Through Two Doors at Once

By Anil Ananthaswamy

Dutton, 290 pages, \$27

BY ANDREW CRUMNEY

ARE YOU FACING a difficult decision? Quantum physics may have the answer, says science journalist Anil Ananthaswamy. Type your dilemma into the Universe Splitter app, tap a button, and a signal will be sent to a laboratory in Switzerland. A message will come back telling you which choice to make, along with the assurance that there is now another universe where your double can opt for the alternative.

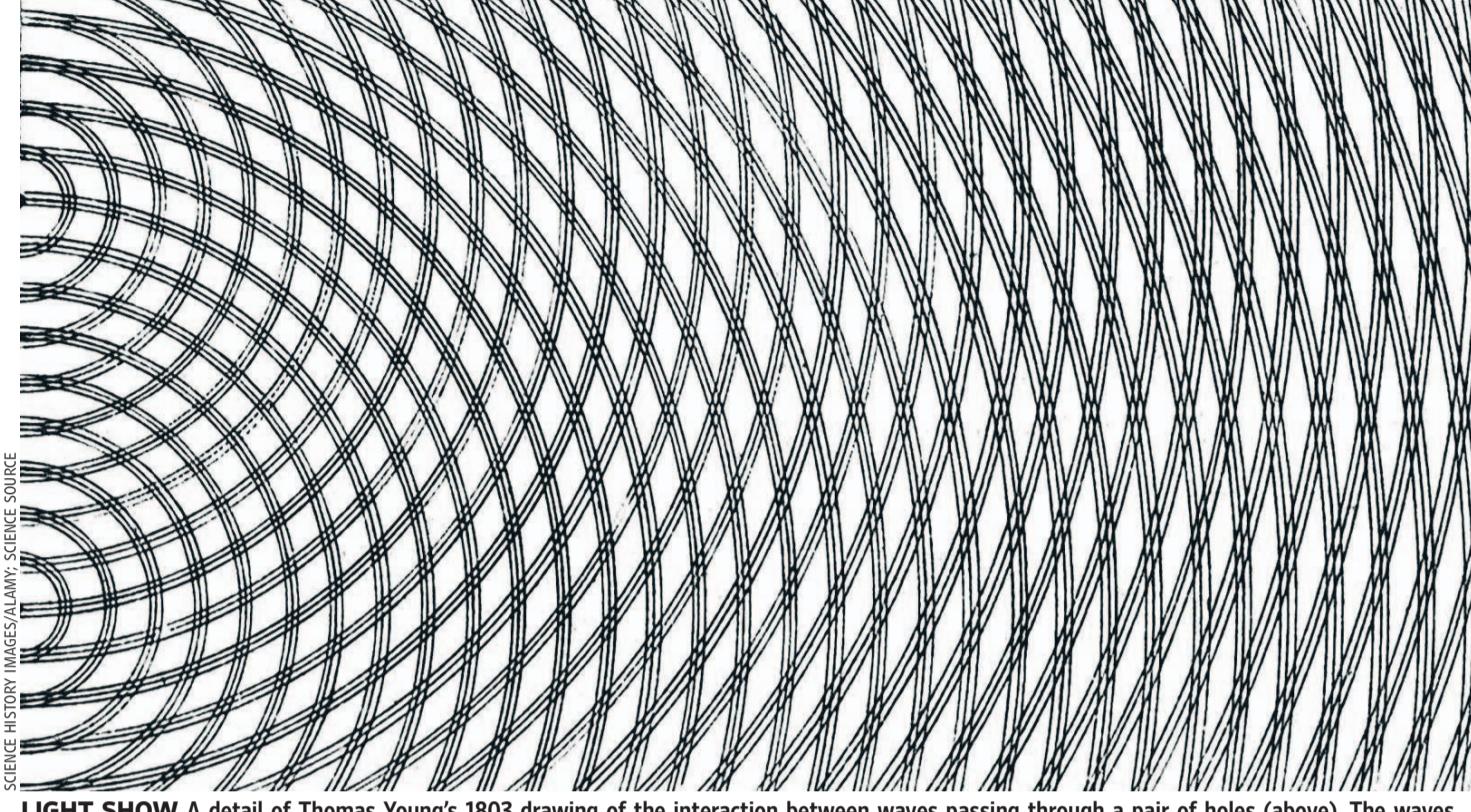
Mr. Ananthaswamy was shown this high-tech coin toss by Sean Carroll, a professor of theoretical physics at Caltech and an advocate of the "many worlds" interpretation of quantum mechanics. Mr. Ananthaswamy's "Through Two Doors at Once" is a challenging and rewarding survey of how scientists like Mr. Carroll are grappling with nature's deepest, strangest secrets.

To understand where the story starts, however, you don't need a particle collider or even an iPhone. Hold your forefinger and thumb close to your eye and bring them gradually together without actually touching. You'll see a black drop appear between them, crossed by lines. The drop is an illusion created by light waves diffracting—bending, essentially—around the edges of your fingers. Effects like this show that light consists of multiple waves whose peaks and troughs can interfere, combining and canceling to create distinctive patterns. The most famous instance of this phenomenon is the "double slit" experiment, where a light beam hits a pair of small, closely spaced holes. Instead of producing two bright dots on a screen placed beyond, the beam creates multiple images. Mr. Ananthaswamy quotes Richard Feynman's remark that this is the "one experiment which has been designed to contain all of the mystery of quantum mechanics."

The mystery arises when we turn down the intensity of the light beam. There is a limit beyond which light cannot get fainter but instead breaks into individual pulses, called photons. Experiments show that when one photon is fired at a double slit it produces a lone speck on the screen beyond. The photon is therefore like a particle and so presumably must have gone through one slit or the other. Yet when many photons are fired in succession, they slowly build up the same pattern that a light beam would produce. So is light made of waves or particles?

The Danish physicist Niels Bohr's answer was "both." Light can appear wave-like or particle-like in differing circumstances. This duality became part of quantum orthodoxy—the Copenhagen interpretation—in which light is regarded as a "wave function" that expresses the probability that it will be found at any given place. When a single photon makes a dot on a screen the wave function collapses to a point.

Could we somehow spot the photon as it passes through one slit or the other? Attempts to do so have given rise to a succession of ever-more elaborate experiments that Mr. Ananthaswamy describes in detail, culminating in the fiendishly intricate "delayed-choice quantum eraser." The upshot



LIGHT SHOW A detail of Thomas Young's 1803 drawing of the interaction between waves passing through a pair of holes (above). The waves reinforce each other in some places and cancel each other out in others, producing an interference pattern such as the stripes of laser light below.

is that any effort to locate a photon in flight destroys its waviness. Whether that really amounts to collapsing its wave function is a further question that Mr. Ananthaswamy examines. One suggestion is that each photon goes through both slits, being effectively in two places at once until its wave collapses. In the many-worlds scenario there is no collapse. Instead the universe splits into two, with the photon going through a different slit in each one.

The wave-particle duality applies to matter as well as light; it's how an electron microscope works. It means the double-

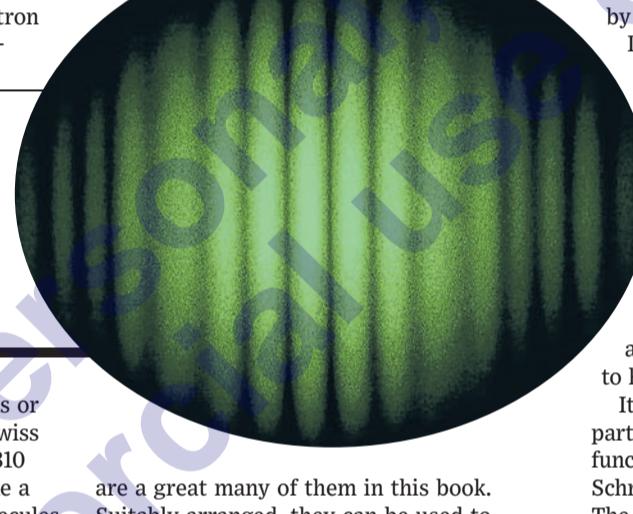
Richard Feynman said that the double-slit experiment seemed to have been 'designed to contain all of the mystery of quantum mechanics.'

slit experiment can be done using atoms or even molecules instead of photons. A Swiss team created a "bespoke molecule" of 810 atoms, with a high fluorine content "like a Teflon shell" to stop the individual molecules from melding. Austrian colleagues fired these non-stick bullets through microscopic slits and found them exhibiting wave-like behavior. This result prompted the team leader Markus Arndt to ask: "Why can I not be in two places at the same time?"

The Universe Splitter does not answer this question but illustrates it. The signal that the app sends to Switzerland launches a single photon toward a half-silvered mirror that either reflects it to one detector or lets it pass through to another. The 50/50 odds are exactly like those of a photon encountering a double slit; the decision sent back to the app user, determined by which way the photon

goes, is a quantum event. This is quite unlike tossing a coin—unless, that is, there is some wave function covering not only the tiniest particles but also coins, people, even entire galaxies. Erwin Schrödinger famously argued against such an idea with his paradoxical cat; the many-worlds scenario endorses it.

If you find it hard to think about half-silvered mirrors, then be warned that there



are a great many of them in this book. Suitably arranged, they can be used to create a variety of photon mazes rich in theory-testing possibilities. Mr. Ananthaswamy helpfully supplies schematic diagrams, though the actual mirrors are unlike the ordinary kind. An experiment proposed by the English physicist Roger Penrose required the fabrication of mirrors "several orders of magnitude smaller than a grain of sand." Mr. Penrose hoped to discover whether gravity might play a role in wave collapse. His collaborator confesses that they are "still quite far away from it," though the apparatus cost "several millions."

Mr. Ananthaswamy interviewed many leading theoreticians and experimentalists in

the course of writing this book, and he covers a large and complex field in an admirably accessible way. Historical or biographical details are mostly subordinated to scientific and philosophical issues, though we glimpse a few colorful characters. Alain Aspect, the first scientist to do the double-slit experiment using individual photons, in 1986, reminds the author of Hercule Poirot, resplendent with his "luxurious, graying mustache." The theorist Chris Fuchs has shelves at his home filled entirely with books by the materialist philosopher Daniel

Dennett since, he says wryly, "you should know your enemy." Mr. Fuchs thinks quantum waves are subjective, reflecting the differing perspectives of individual observers—a theory catchily named QBism. The Picasso link is echoed by the philosopher David Albert in support of yet another idea, that photons ride on real yet hidden waves. Mr. Albert sees the Copenhagen interpretation as an analogue of modern art. "Physics wanted to have its crisis of representation," he says.

It is a crisis that has now lasted the best part of a century. The mathematics of wave functions were worked out long ago by Schrödinger, Heisenberg, Dirac and others. The problem is trying to understand what the symbols actually mean. The dilemma, as Mr. Ananthaswamy puts it, is "either that the wavefunction represents our knowledge of the quantum system . . . or that the wavefunction is part of reality itself." One way to answer that question might be to feed it into the Universe Splitter, though we wouldn't know which universe, if either, received the correct response. "Quantum mechanics is a provisional theory," Mr. Penrose tells the author. How long until someone can discover a more definitive one?

Mr. Crumey's latest book is "The Great Chain of Unbeing."

Best-Selling Books | Week Ended July 29

With data from NPD BookScan

Hardcover Nonfiction

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
The Russia Hoax Gregg Jarrett/Broadside Books	1	New
Liar, Leakers, and Liberals Jeanine Pirro/Center Street	2	1
Girl, Wash Your Face Rachel Hollis/Thomas Nelson	3	2
Magnolia Table Joanna Gaines & Marah Stets/William Morrow & Company	4	3
The Subtle Art of Not Giving a F*ck Mark Manson/Harper	5	4

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
StrengthsFinder 2.0 Tom Rath/Gallup Press	6	6
12 Rules for Life Jordan B. Peterson/Random House Canada	7	7
The Plant Paradox Cookbook Steven R. Gundry/Harper Wave	8	5
Educated Tara Westover/Random House	9	9
The Briefing Sean Spicer/Regnery Publishing	10	New

Nonfiction E-Books

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
The Russia Hoax Gregg Jarrett/HarperCollins Publishers	1	New
Educated Tara Westover/Random House Publishing Group	2	1
Girl, Wash Your Face Rachel Hollis/Thomas Nelson, Inc.	3	2
Liar, Leakers, and Liberals Jeanine Pirro/Center Street	4	New
The Subtle Art of Not Giving a F*ck Mark Manson/HarperOne	5	-
Magnolia Table Joanna Gaines & Marah Stets/William Morrow & Company	6	3
The Wright Brothers David McCullough/Simon & Schuster	7	-
Judgment Detox Gabrielle Bernstein/Gallery Books	8	-
Bad Blood John Carreyrou/Knopf Doubleday Publishing Group	9	4
The Subtle Art of Not Giving a F*ck Mark Manson/HarperCollins Publishers	10	6
The Last Black Unicorn Tiffany Haddish/Gallery Books	10	-

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
The Russia Hoax Gregg Jarrett/Broadside Books	1	New
Liar, Leakers, and Liberals Jeanine Pirro/Center Street	2	1
Girl, Wash Your Face Rachel Hollis/Thomas Nelson	3	2
Magnolia Table Joanna Gaines & Marah Stets/William Morrow & Company	4	3
The Subtle Art of Not Giving a F*ck Mark Manson/HarperOne	5	-
Educated Tara Westover/Random House	6	6
You Are A Badass Jen Sincero/Running Press Adult	7	7
12 Rules for Life Jordan B. Peterson/Random House Canada	8	8
The Complete Ketogenic Diet Amy Ramos/Rockridge Press	9	-
Color Big Get Ready Preschool School Zone Publishing/School Zone Publishing Company	10	-

Hardcover Fiction

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
The President Is Missing J. Patterson & B. Clinton/Little, Brown & Company & Knopf	1	2
Thrown: Alliances Timothy Zahn/Del Rey Books	2	New
The Other Woman Daniel Silva/Harper	3	1
The Outsider Stephen King/Scribner Book Company	4	4
The Hate U Give Angie Thomas/Balzer & Bray/HarperTeen	5	6

Fiction E-Books

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
The Other Woman Daniel Silva/HarperCollins Publishers	1	1
Snow Crash Neal Stephenson/Random House Publishing Group	2	-
The Naked Truth Vi Keeland/Vi Keeland	3	New
The President Is Missing James Patterson & Bill Clinton/Little, Brown & Company & Knopf	4	2
The Snow Bride Debbie Macomber/MIRA Books	5	-
Summer Snoops and Cozy Crimes Judith Lucci/Judith Lucci	6	New
Sharp Objects Gillian Flynn/Crown/Archetype	7	-
Gracie's Secret Jill Childs/Bookouture	8	-
Crazy Rich Asians Kevin Kwan/Knopf Doubleday Publishing Group	9	-
All We Ever Wanted Emily Giffin/Random House Publishing Group	10	8

Methodology

NPD BookScan gathers point-of-sale book data from more than 16,000 locations across the U.S., representing about 85% of the nation's book sales. Print-book data providers include all major booksellers (now inclusive of Walmart) and web retailers, and food stores. E-book data providers include all major e-book retailers. Free e-books and those sold for less than 99 cents are excluded. The fiction and nonfiction lists in all formats include adult, young adult, and juvenile titles; the business list includes only adult titles. The combined lists track sales by title across all print and e-book formats; audio books are excluded. Refer questions to Peter.Saenger@wsj.com.

Hardcover Business

TITLE / AUTHOR / PUBLISHER	THIS WEEK	LAST WEEK
StrengthsFinder 2.0 Tom Rath/Gallup Press	1	1
Emotional Intelligence 2.0 Travis Bradberry & Jean Greaves/TalentSmart	2	3
Total Money Makeover Dave Ramsey/Thomas Nelson	3	2
Bad Blood John Carreyrou/Knopf Publishing Group	4	5
The Energy Bus Jon Gordon/Wiley	5	-
The Five Dysfunctions of a Team Patrick Lencioni/Jossey-Bass	6	6
Extreme Ownership Jocko Willink and Leif Babin/St. Martin's Press	7	4
Principles: Life and Work Ray Dalio/Simon & Schuster	8	7
Stretch Scott Sonenschein/HarperBusiness	9	-
<		

NEWS QUIZ DANIEL AKST

From this week's
Wall Street Journal

1. Pope Francis said a practice previously allowed in rare circumstances is now totally forbidden as an attack on human dignity. What is it?



- A. Use of contraceptives
- B. Capital punishment
- C. Eating meat on Fridays
- D. Giving communion to non-Catholics

2. In California, Heineken launched a sparkling water under its Lagunitas label—infused with what?

- A. Kimchi
- B. Kombucha
- C. Kumquat
- D. Cannabis

3. An exhaustive new study from a think tank based at the University of Chicago says that, by 2099, how many people will die around the world each year due to increased heat?

- A. 150,000
- B. 1.5 million
- C. 15 million
- D. 150 million

4. Again and again, passengers escaping a crippled jetliner make the same dangerous mistake. What is it?

- A. Demanding a stiff drink
- B. Inflating their life vests while seated
- C. Gripping their carry-on bag while fleeing
- D. Refusing to listen to flight attendants' updates

5. President Trump urged Attorney General Jeff Sessions to end the Russia investigation "right now," but Mr. Sessions has recused himself. So who really has that power?

- A. His deputy, Rod Rosenstein
- B. Secretary of State Mike Pompeo
- C. Chief Justice John Roberts
- D. Vladimir Putin

6. Which country is threatening to block a trade deal between the EU and Canada?

- A. Italy
- B. Greece
- C. Luxembourg
- D. The United States

7. What often happens to big-time rainmakers at major law firms when they're accused of sexual harassment?

- A. Investigations that last for years
- B. Disbarment
- C. Criminal charges
- D. A job at another firm

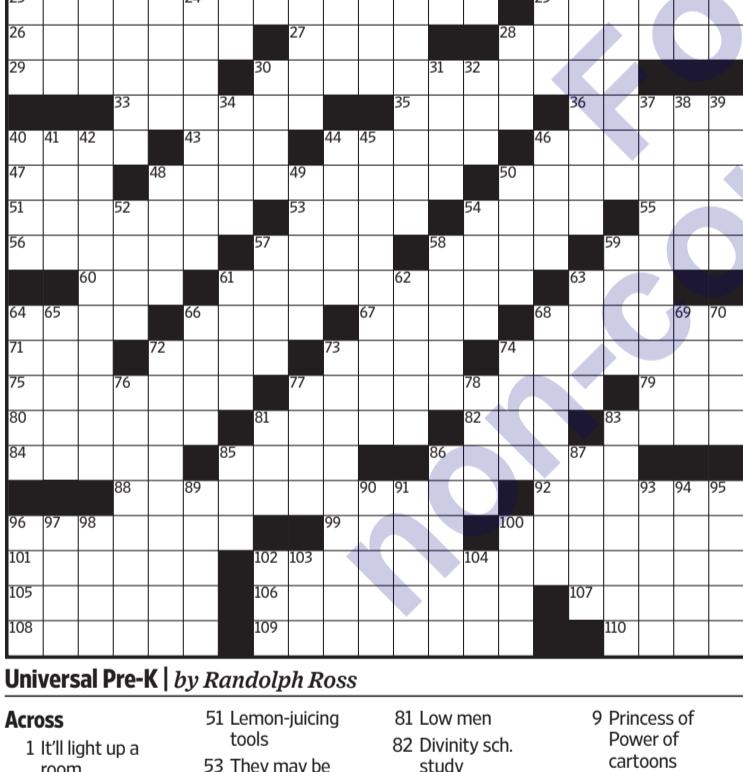
8. Tokyo Medical University plans to investigate allegations that it did what?

- A. Dug up cadavers for dissection
- B. Subjected dogs to cruel experiments
- C. Lowered the scores of women on entrance exams
- D. Used unapproved drugs on human patients



Answers are listed below the crossword solutions at right.

THE JOURNAL WEEKEND PUZZLES edited by MIKE SHENK



Universal Pre-K | by Randolph Ross

Across

- 1 It'll light up a room
- 5 Beaten soundly
- 13 Man in a monkey suit
- 19 Matt McGorry's "How to Get Away with Murder" role
- 21 They have class
- 22 Show time, in ads
- 23 Head D.C. lobbyist?
- 25 GM's push-button service
- 26 Blunder
- 27 ___ Bora (Afghan cave complex)
- 28 Hacking victim of the 2016 campaign
- 29 Way up, say
- 30 Disney dwarf on a raft?
- 33 West of Nashville
- 35 Plans for golden agers
- 36 Stock classification
- 40 See
- 43 Oolong, in Brit slang
- 44 Deception
- 46 Show stopper?
- 47 Volcano product
- 48 Fender photo?
- 50 Submits

- 51 Lemon-juicing tools
- 53 They may be glossed over
- 54 Performed at the Met
- 55 Sault ___ Marie
- 56 Christmas in Roma
- 57 Club soda flavoring
- 58 Fly in the ointment
- 59 Place overhead, perhaps
- 60 Yearbook sect.
- 61 Fashionable leather jackets and studded bracelets?
- 63 "Well, ___-di-dah!"
- 64 Big-screen brand
- 66 Steady look
- 67 Lacquer layer
- 68 Most monstrous
- 71 Pal
- 72 Opera highlight
- 73 For two
- 74 Where you might discover a great white
- 75 "Prince Igor" composer
- 77 Mythical fledgling?
- 79 Canton south of Lake Lucerne
- 80 Nearby

81 Low men

9 Princess of Power of cartoons

10 Virus with A, B and C strains

11 Reliever's stat

12 U.S. Army medal

13 Remained valid

14 Reluctantly sanctioning

15 In scoring position, perhaps

16 Exchange places

17 Louisiana, to Louis

18 Flu fighters

19 Defendant

20 Charmingly old-fashioned

21 Horse holder

22 More precious

23 Chilean desert

24 Old treatment for a nervous disorder

25 Stormed

26 Some MPAA ratings

27 Play caller's pouch?

28 Some MPAA ratings

29 Decree

30 Tryst invitation

31 ___-Z (classic Camaro)

32 Photographer Goldin

33 What are you looking at?

34 Dodge a Tampa Bay tackler?

35 Alarm setting

36 Sports car option

37 Some MPAA ratings

38 Colleague of Thomas and Roberts

39 Extend, as a contract

40 "Rats!"

41 Between shores

PLAY

VARSITY MATH



The coach offers two puzzles to test the team's analytical thinking skills.

Provided by National Museum of Mathematics

Three Burning Ropes

You have three ropes and some matches. The ropes burn irregularly like fuses when lit at either end. The first rope burns in 48 minutes, the second rope burns in 72 minutes and the third rope burns in 128 minutes.

How can you produce a time interval of 61 minutes?

Learn more about the National Museum of Mathematics (MoMath) at momath.org

LUCI GUTIÉRREZ

Prime Perimeter

Coach: "John and Laura, I have written two prime numbers, possibly the same, on each of your foreheads. You can only see what I've written on the other person and you don't both have the same pair. Any three of the four numbers I've written form the sides of a triangle with a perimeter

that is a prime number."

John (who sees 13 and 17 on Laura's forehead):

"I don't know my numbers."

Laura, after hearing John's statement: "I don't know my numbers."

What numbers are on John's forehead?

SOLUTIONS TO LAST WEEK'S PUZZLES

Add-Ons

CANAL	SPAS	SADIE	PSS
ANITA	KITE	EBONY	LUTTE
TENOR	SAYON	DUNCE	CAPONE
STAND	PALLA	TONER	SE
ENTER	TINS	COVERME	TE
COFFEE	BARON	SHOE	TE
ERROR	OPART	BEAT	LISA
LEAR	BAITS	TRASH	CANON
TOT	HERDS	TAINT	OCELO
FEED	PALACE	COUPOON	TE
STRAB	DEARONE	RENTS	TE
POWER	SURGEON	DORA	TE
AREST	NAGATE	PROWS	SAP
PEACH	HIPITON	SIEGE	FLUE
ANKIA	LOIN	STEAL	PLATON
CANT	COSMIC	SCOOT	CRAYON
SITMARYS	JIMAC	ELIGRECO	TE
ARENAS	STORKS	MAIN	DRAGON
KICK	BUTTON	ATOLL	TE
ETCH	RULE	ERAS	MESSY
SEAS	TEDDY	NINE	TE

Acrostic

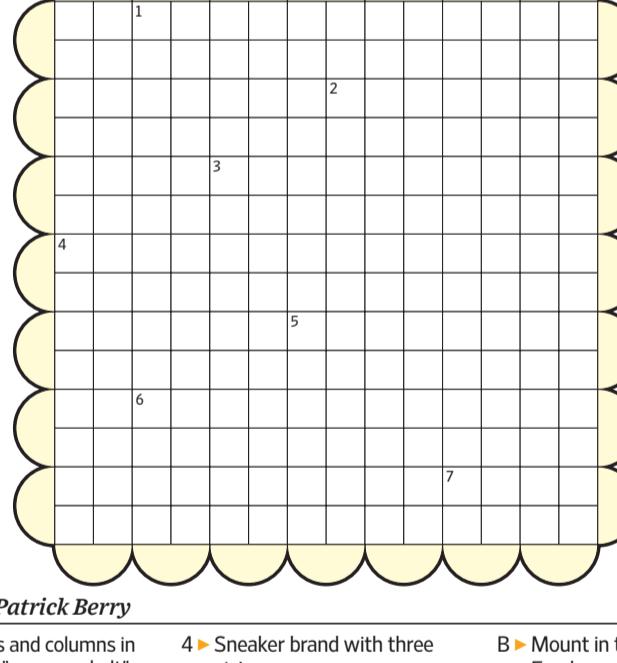
(John) Green, "The Fault in Our Stars"—"I believe the universe wants to be noticed...the universe is improbably biased toward consciousness...it rewards intelligence in part because the universe enjoys its elegance being observed....And who am I...to tell the universe that it—or my observation of it—is temporary?"

A. Geneva; B. Robert Burns; C. Electron; D. Eggs Benedict; E. Nihilism; F. Twist in the wind; G. Hobbyhorse; H. Eritrea; I. First violin; J. Absentee voter; K. Umbilicus; L. "Lonesome Dove"; M. Tortoni; N. Isaac Asimov; O. New Jersey; P. Oblivious; Q. Use by date; R. Rice paper; S. "Sweeney Todd"; T. Tahiti; U. "At Seventeen"; V. Ratchet up; W. Sea snail

Varsity Math
In Make 29, $29 = (6 - .2) \div .2$.
In Circle of Friends, there are 18 members in the circle.

For previous weeks' puzzles, and to discuss strategies with other solvers, go to WSJ.com/puzzle.

Answers to the News Quiz: 1.B, 2.D, 3.B, 4.C, 5.A, 6.A, 7.D, 8.C



Belt Line | by Patrick Berry

Each pair of rows and columns in this grid forms a "conveyor belt" consisting of 28 square spaces and two semicircular end spaces. Each of these belts will be filled by a series of answers, one letter per space, reading clockwise. In each horizontal belt, the numbered square shows where the first answer begins. Vertical answers will occupy the correspondingly lettered vertical belts, but the starting points of the first answers are left for you to determine. When the grid is filled, the letters in the rounded spaces will spell a line from columnist Bill Copeland.

Horizontal

1 Tree dweller with very low metabolism
2 Pellets in closets
3 Over, slangily
4 Singer whose 2008 concert tour celebrated her 50th year in the music biz (2 wds.)

5 Bowler's challenge
6 Doesn't just call
7 Ancient Greek biographer who wrote "Parallel Lives"
8 Erupted in anger (3 wds.)

9 Minutemen's home, familiarly

4 Sneaker brand with three stripes
5 Kiwi soldier at Gallipoli
6 Ignore a "Keep Out" sign
7 Feudalistic title
8 Went hither and yon

9 Underground conduit often made of polyethylene (2 wds.)
10 The B. in Lyndon B. Johnson

11 Nation ranked last on the Global Peace Index every year since 2014
12 Turpentine, for one (2 wds.)

13 Chew toy's coating
14 What the heroes of "The Hangover" couldn't remember (2 wds.)

15 Deeply unpleasant, as weather
16 Feel contempt for

17 Went ballistic
18 Bouillon units
19 Sources of wealth for Stanford and Vanderbilt
20 Businesswoman's ensembles (Hyph.)

21 Hardwood floor protector, sometimes (2 wds.)
22 One planted in a field (2 wds.)

23 Entree orderer's options
24 Increases what's at stake (3 wds.)

B Mount in the Book of Exodus
C Chances at the plate (Hyph.)
D Shines intermittently
E "Atlanta" creator Glover
F Button on a campaign website

G Down in the mouth
H Salisbury semi
I Clear and sustained, as a singing voice
J Harder to solve

K Father of Phobos and Deimos
L Cruel pleasure-seeker
M Safari hunter's quarry (2 wds.)
N Max (3 wds.)
O Unaccompanied

P Adjective in the first line of "The Raven"
Q Took the measure of (2 wds.)
R Flatbread whose name means "little cake"
S Is annoyingly unfair
T Marked down

U Riding whip
V Occupies
W Room that's overrun with clutter (2 wds.)
X Civil War general Doubleday
Y Foundation

Z Watch a season in a sitting
A Bagged
B Budweiser Prohibition Brew, e.g. (2 wds.)
C Misses the late show, perhaps (2 wds.)

► Get the solutions to this week's Journal Weekend Puzzles in next Saturday's Wall Street Journal. Solve crosswords and acrostics online, get pointers on solving cryptic puzzles and discuss all of the puzzles online at WSJ.com/Puzzles.

REVIEW

ICONS

In London, Videogames Ascend Into the Art World

An exhibition at the Victoria and Albert sets its sights on design, large-scale hits, indie games and fanatic fans

By J.S. MARCUS

Videogames enter the design pantheon this year, as what is perhaps the world's most distinguished design museum, London's 166-year-old Victoria and Albert Museum, opens its first exhibition solely dedicated to the craft. "Videogames: Design/Play/Disrupt" has big-budget games produced by major studios, games cooked up in people's bedrooms, sketches for games, an artwork that inspired a videogame, games that inspired costumes, and even games that visitors can play on the spot.

The huge V&A exhibit, sprawling across four exhibition spaces, opens with a look at the design process, featuring game prototypes, sketches used to create characters and the painting "Le Blanc Seing" (1965), an optical illusion involving a horse and rider by the Belgian surrealist René Magritte. The painting, meaning "The Blank Signature," inspired the designers of "Kentucky Route Zero," an atmospheric adventure game of 2013.

The organizers of the five-month exhibition, which opens Sept. 8, are trying to appeal to two very different audiences. One group, says the museum's Marie Foulston, a video-

games specialist and lead curator of the show, consists of serious gamers on the prowl for behind-the-scenes details about their favorites. These visitors will find a range of game designers opening up about their methods and sources. But the V&A also wants to attract traditional museum-goers who may not know the first thing about videogames.

With the rise of widespread broadband internet, smartphones and social media, videogames took a new turn starting some 15 years ago, and the V&A focuses on this period, which it sees as essentially democratizing videogames. Games, Ms. Foulston says, can be designed, distributed and played with more ease than ever before.

"Designers have provided access to their notebooks," along with pencil sketches and diaries, she adds. For example, the designers of "Journey," a pioneering 2012 adventure title, have contributed a recording of themselves discussing the design while playing a prototype version. "Journey" came out of the "indie" scene of game design. In it, cloaked figures cross a desert trying to reach a distant mountain, and players communicate with each other through movements and chirplike sounds rather than with words. The V&A complements its set of indie games with blockbusters from the likes of Japan's Nintendo.



FROM TOP: NINTENDO; SONY INTERACTIVE

John Sharp, associate professor of games and learning at New York's Parsons School of Design at the New School, says that until the early years of this century, "videogames were heavily dominated by an engineering mindset." In the last 10 to 15 years, he says, "we started to see other points of view that we might think of as more of an artistic approach."

The curators believe that direct distribution and an expanding designer base have made videogames more willing to deal with sensitive subject matter such as race and sexuality. The exhibition features, for example, "how do you Do It" (2014), a role-playing game about sexuality that uses virtual dolls.

The second part of the exhibition shows how players are contributing to videogame design culture. The exhibition is mounting a 33-foot-high installation using video footage

Top, a scene from Nintendo's game 'Splatoon' (2015). Above, a screenshot from 'Journey,' a pioneering 2012 adventure title that came out of the indie scene of game design.

created by players themselves—found on YouTube, Tumblr and other social media sites—connected to four games, including 2016's "Overwatch," a multiplayer shooter game with a range of characters that inspire fans to dress up and improvise in real life. (This year's enormous response to the 2017 online game Fortnite came too late to be included in the long-planned exhibition, says Ms. Foulston.)

The exhibition also looks at the creation of "The Last of Us," a character-driven survival game with a post-apocalyptic setting, developed by a Sony subsidiary and released in 2013. A player accompanies a young girl on a hazardous trip across a ravaged America. The V&A shows how simple character sketches and elaborately produced scenes created the game's arresting and realistic detail.

The exhibition's emphasis on the democratization of videogames gets a final say in the last section of the show, about the grass-roots arcade scene among young people. These fans flock to homemade game venues, like a sawed-off Mitsubishi car used to play "Bush Bash," converted into a bespoke arcade cabinet. At the museum, visitors will be able to enter the car and feel what it's like in the driver's seat, says Ms. Foulston.

On the other side of the Atlantic, a second museum plans a foray into videogames. On Sept. 14, New York's Museum of the Moving Image will offer "A Whole Different Ball Game: Playing Through 60 Years of Sports Video Games." It includes "Tennis for Two" (1958), designed for an exhibition at New York's Brookhaven National Laboratory by a physicist who worked on the atomic bomb in the 1940s. The game simulated a tennis match on the screen of a scientific instrument called an oscilloscope. "A Whole Different Ball Game" will feature a "Tennis for Two" replica that visitors can test out themselves.

A detail of the 1,275-foot work showing a whale hunt

confront the work head-on, walking beside the first panel from right to left, rounding a corner and returning along the second, then repeating the process with the other two sections, installed on the other side of the vast hall. The picture stands still; the audience moves.

With Purrington, Russell made the work as a commercial project and for public entertainment. It traveled. Their picture, eight feet tall, was done in distemper, a water-based paint, on cotton sheeting.

The "Voyage" begins in New Bedford. It stops in Fiji, but advertisements for the original panorama suggest further points of call, as far away as St. Helena in the Atlantic. The final panel has been missing about 300 feet for more than a century. Curators hope the last section may miraculously reappear.

Russell had spent 42 months in 1841-44 on the Kutusoff, a whaling ship out of New Bedford, but the painting includes many scenes he did not witness himself, such as an 1847 volcanic eruption at Fogo in Cape Verde, and anachronistic details like the first Atlantic crossing entirely under steam, by the English paddle steamer Sirius (1838).

The scrolls combine historical accuracy (with a special fidelity to whale-hunting rituals) and naïve enthusiasm; accomplished artistry and charming, folk-art primitivism. Curators point out that the details of tidy, sturdy New Bedford are verifiable: boats, piers, houses, wharves, churches and landscape. New Bedford looks like a placid, unpretentious town, not the boisterous seaport it was.

The artists used different pictorial styles. The landscape of the Marquesas Islands is painted in broad

swaths of blue and green, whereas Pico Island in the Azores is rendered with delicate specificity. At the start, and at other ports of call, their palette is soft, almost watercolorish. We also see the repairs and patches in the fabric, which has suffered tears, burns and general decay.

Natural elements take precedence over human ones. People are nothing more than tiny, sketchy figures. We witness colossal battles with whales, but feel little personal agony, bloodshed, or suffering. Like J.M.W. Turner, Russell implies that human efforts, whether building cities or hunting whales, seem trivial by comparison to the beauties and terrors of the nonhuman surround.

Shipping out from the harbor, we encounter sailing vessels of all sizes, meticulously rendered. Once at sea, adventure, heavy weather and darker hues take over. Then, the Azores, poignantly green; and the volcanic eruption in Cape Verde, melodramatically black and red, like a scene in a Gothic novel. Tacking back to South America, we move to Rio de Janeiro, all pastels and wash, then around Cape Horn in its icy white, blue and gray hues, and into the Pacific. The Marquesas, Tahiti and Hawaii all offer a foretaste of Gauguin's late 19th-century Romantic primitivism, but without his depth of passion. Calm seas alternate with tempests, and daylight scenes with melancholy nighttime ones. At the heart of everything is whaling.

Our truncated journey ends in Fiji with a birthing scene, one woman attending another, and, on the left, an American steamer coming to shore.

This visitor then did the equivalent of pressing "replay": He went back to the beginning and took the whole trip again.

Mr. Spiegelman writes about literature and the arts for the Journal.



MASTERPIECE | 'GRAND PANORAMA OF A WHALING VOYAGE 'ROUND THE WORLD' (1848), BY BENJAMIN RUSSELL AND CALEB PURRINGTON

By WILLARD SPIEGELMAN

IT'S NOT EVERY DAY that one can experience what is billed as America's longest painting. If that painting, restored after lying under wraps for years, also has immense cultural, historical and aesthetic appeal, one should not miss the chance to see it. From now until Oct. 8, Massachusetts' New Bedford Whaling Museum presents "A Spectacle in Motion," an exhibition focused on a single monumental piece: "Grand Panorama of a Whaling Voyage 'Round the World." This 1,275-foot work, in four sections, by Benjamin Russell (1804-1885), the town's premier whaleman artist, helped by Caleb Purrington

(1812-1876), a more plebeian sign painter, was exhibited for the first time in 1848. It fits beautifully into the museum's treasure trove of all things cetacean.

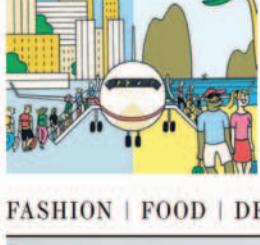
The New Bedford display occurs at two venues. The newly restored painting is too delicate to be rolled up and shown as it would have been in the past, as a panorama, so the museum features a high-resolution, digitized copy (through 2021) that offers a 21st-century analogue to the original experience. Panoramas were pictures mounted on long spools and operated manually. They unwind from one side to the other of a proscenium stage, often accompanied by narration, music and lighting effects. When one panel ended,

an intermission ensued, followed by the next reel.

The appeal of the 15-minute digitized version (no intermissions) is like that of those old movie travel shorts that took us to exotic lands. A helpful narrator guides us: "Now, travel back in time with us to 1848..." "We return with a cargo of..." and "As we conclude our voyage..." But modern technology pales when compared to the sight of the original painting, on display at Kilburn Mill, a repurposed industrial building a short drive from the museum. Here you find a work of art surprising in its variety and beauty.

The four long, flattened sections of the painting have been hung from vertical support frames. Viewers

NEW BEDFORD WHALING MUSEUM



Nonstop Fun
A guide to new international flights that take a direct approach
D10

FASHION | FOOD | DESIGN | TRAVEL | GEAR

OFF DUTY

THE WALL STREET JOURNAL.

Hats On
The bucket style has transcended its 'Gilligan' associations
D3



SATURDAY/SUNDAY, AUGUST 4 - 5, 2018 | **D1**

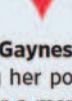
The Digital Wallet Is Coming...



Raya Ramsey Rockwood on how our wallets are a time capsule for ID photos of our younger selves



Travis Weir on his '90s Mario Bros. wallet—and the credit card he was only supposed to use in 'emergencies'



Sara Gaynes Levy on using her pocketbook to harbor a memento of unrequited love



Joshua Fruhlinger on why an app lacks the charm of a beat-up coffee-loyalty card



Jeff Slate on the guitar pick he tucked into his billfold just in case

Alexandra Fenwick on the worthless concert tickets she kept in with her cash for years

...Why Aren't We More Excited?

When 'there's an app' for everything, the contents of our beloved wallets—cash, mementos, timeworn IDs—are giving way to slick digital replacements. Six writers consider why it's bittersweet to say goodbye to the billfold

By MATTHEW KITCHEN

WE'RE IN THE LAST days of wallets as we know them. The few things I still carry—credit cards and IDs, a MetroCard and proof of insurance—have been (or soon will be) easily duplicated digitally.

Yet my tech-savvy father is still buying more and more wallets, piling them in boxes, stuffing them in bookshelves, tucking an extra in his car's center console. "I'm always searching for the best fit for my pocket," he said. Each time I'm home he offers me his elegant castoffs—no patina or stains or marks where a coin has worn the leather.

I've taken a few back to Brooklyn over the years, but have never been eager to swap one for the slim vertical bifold I bought the week after graduating

college in 2005. It was something I assumed a gentleman might carry, so expensively crafted—black pebbled leather, no Velcro in sight—that I had little money left to put in it after the purchase. It remains a talisman of my adulthood.

Thirteen years on, my wallet is literally tearing at the seams; its timeworn appearance has led to at least one serious fight, when a girlfriend bought me a beautiful blue monogrammed replacement that just didn't fit my pocket. If my tattered leather bifold can last a few more years I won't have to worry about finding a new one. Everything inside it will fit neatly on my iPhone.

Consider that in 2018 several states have rolled out studies and pilot programs that favor shifting residents' driver's licenses to Department of Transportation apps, with Iowa's set to launch next year. Instagram supplanted flimsy photo sleeves years ago. Apple Pay and Venmo are eradicating any need for credit cards. QR codes are replacing loyalty cards at coffee shops. When a phone can do anything a wallet can, and a million things more, what's the point of a billfold?

Moreover, advancing digital security will keep your info safer and make updating and replacing lost or stolen items easier than waiting for new cards in the mail or trudging to the DMV—so long as you have it all smartly backed up. All that said,

I still hold that our disposable iPhones (I've had a half dozen this decade) can't replace the leather time capsules we carry daily—regardless of functionality. The difference is akin to the way strapping on a sterile smartwatch lacks the emotional resonance of wearing granddad's Rolex.

Here, six writers remind us of the ephemera many of us will miss when smartphones inevitably make wallets obsolete—and a few of the worthy trade-offs our devices bring.

Turn to page D4 for more on the wallet's role in our lives

Inside



GET AWAY FROM L.A.

When you're ready to flee the urban sprawl, consider these three day trips **D9**



THINGS GO BETTER WITH YOLK

This quick, delicious, summery potato salad has egg on its face **D7**



HOMEY TRUTHS

Décor lessons from Beauport, perhaps the ultimate American country house **D8**



FORCE OF FASHION

20 Odd Questions for Natacha Ramsay-Levi, the new creative director at Chloé **D2**

STYLE & FASHION

**FASHION FORCE**

Natacha Ramsay-Levi in her Paris design studio; Leonor Greyl hair conditioner; Nina Simone album; Rodin's 'The Thinker'; Chloe Rylee boots; Sassi seating by Piero Gilardi for Gufram; Proust's 'La Prisonnière.'



20 ODD QUESTIONS

Natacha Ramsay-Levi

The bookish creative director for Chloé on the allure of beer and why she'd rather not meet her heroes

LAST WINTER, the ubiquity of those boots she designed—lace-up low heels clearly made for walking—signaled Natacha Ramsay-Levi's power as a trend-making force. Barely a year after Ms. Ramsay-Levi, 38, had taken the reigns as creative director at Chloé, in-the-know women click-clacked down streets from Paris to Tokyo in tough boots created by a woman a bit like them. A working mother who doesn't have time to read the books piling up on her nightstand, who indulges in chocolate, who scrolls through Instagram for inspiration but swears she's not addicted to it.

Caught just before she headed to the Greek island of Andros, Ms. Ramsay-Levi was exhaling, having nearly finished her spring 2019 collection already. "I do this job because I love it," she said, adding that it's become "more and more exciting" the longer she's with the 66-year-old brand, which she joined after spending several years working alongside Nicolas Ghesquière, first at Balenciaga and then at Louis Vuitton.

Although Chloé is often associated with white lace dresses, Ms. Ramsay-Levi is stamping the brand with her own vision of '70s-ish loucheness, like those It-boots, with their slightly aggressive slashed leather, and the printed blouses worn unbuttoned, layered with chains that she showed for fall. Her design work, like her predilections (dark chocolate, Dostoyevsky) isn't shy. Nor is she.

If I could live in another era it would be: the late '60s or early '70s, when there was the idea of inventing a new world, and a dream about equality.

The last great art I saw was: the "Rodin—100 Years" exhibition at the Rodin Museum in Paris last year. The tension that he put in these positions, the love that you can feel between the man and the woman—I hope that my fashion relates to this idea of love.

My favorite writers are: Virginie Despentes, Marguerite Duras. When I was young I was obsessed with Dostoyevsky.

The last thing I bought for my house was: a stool that looks like a rock but is foam, by the designer Piero Gilardi. It's very conceptual and it's like

having a piece of nature in your house.

I'd take to a desert island: Leonor Greyl hair conditioner, Hervé Herau facial cream. And toothpaste! I'm not a beauty-product person.

My biggest vice is: smoking. It's complicated now. I waited on the street for a light for 10 minutes recently.

If I weren't a designer I'd be: a chef. I don't follow any recipes. Because I love food, I just think of what I want to eat.

My favorite Parisian dish is: gratin dauphinois at La Poule au Pot.

I always have: black chocolate and cheese in the house, so basically I run on one of those two.

On my nightstand I have: books. There is "The Skin" by Curzio Malaparte and "The Prisoner" from Proust.

My simplest pleasure is: beer. When I'm alone, which isn't too often, I drink beer.

My most-played song is: "Wild Is the Wind" by Nina Simone.

I like it when a man wears: something simple: a white T-shirt and good pants, and a leather or khaki jacket.

My ideal dinner companion would be: Angela Davis. But I'm not sure I'd want a dinner party with my heroes. It's fun to meet someone when I totally admire their work, but I don't really have too many things to say.



When I get creatively blocked: I get back in my house and spend time with my kids. If I'm not excited anymore it's not because I'm not inspired, it's just because I'm surrounded by anxieties.

—Edited from an interview by Rory Satran

SLIP SERVICE / THREE BEYOND-THE-SHEETS NIGHTGOWNS AND THE SHOES THAT TAKE THEM OUTSIDE

► Nightie, \$195,
thesleepshirt.com;
Sneakers, \$50,
vans.com



▲ Lounge Dress, \$320,
thesleeper.com; Sandals,
\$310, kjjacques.fr

► Three Graces London Dress
\$480, net-a-porter.com; Porselli Flats, \$230,
usonline.apc.fr



Clara Cornet of Galeries Lafayette wears a Simone Rocha nightgown-ish dress in Paris.

Daydream Believers

Nightgowns are brazenly fleeing bedrooms onto the streets

IS THERE A JANE AUSTEN fan out there who hasn't envisioned an alternate life as Lizzie Bennet from "Pride and Prejudice," at least the Lizzie in the Keira Knightley movie version? You know, the thoughtful, combative girl who finally gets the guy in a dewy field at dawn while wearing a white nightgown and coat. Such a romantic nightie plays a pivotal supporting role in countless period films, signifying vulnerability, rebellion and great taste in linen. As Jane Eyre in the 2011 adaptation, Mia Wasikowska runs away from Thornfield Hall's ghost in a dirty, white, ruffle-collared dressing gown; Emily Blunt learns she is to be queen in frilly white sleepwear in "The Young Victoria"; and Kirsten Dunst pretty much reigns as the queen of nightgowns in multiple Sofia Coppola movies.

You needn't be an Austen heroine to appreciate the crossover appeal of a gauzy nightgown that does double duty as bedtime fashion and easy weekend dressing. Several ready-to-wear brands of the moment make daytime pieces that recall nightdresses of the past, like London brand Egg's oversize white shirt dresses, and Danish label Cecile Bahnsen's ruffle-trimmed cotton sheaths. And then there are the actual sleepwear labels, like the Sleeper, based in Ukraine, and London's Three Graces, which tout the appeal of wearing their wares beyond the bedroom. Their high-quality fabrics and sundress-like cuts allow for a

seamless night-to-day transitions.

Ms. Dunst's nightdresses in Ms. Coppola's film "Marie Antoinette" directly inspired two of the Sleeper's most recent nightgown designs. Constructed from heavy linen with romantic ruched trim detailing, both are legitimately nice enough to lunch in. Asya Varetsa, co-founder of the Sleeper, said that she wears her own gowns for morning dog walks: "I put on my loafers and I'm ready to go. It's so easy and convenient."

It would be a shame to keep the broderie anglaise detailing and playful prints of these midnight-midday hybrids to yourself. While they can of course be worn to bed, it's au courant to let them leave the house. "They are light, delicate and airy," Catherine Johnson, founder of lounge wear brand Three Graces London, explained over email. "It's totally understandable why some of our clients don't want to keep them just for the bedroom."

The Sleeper's Ms. Varetsa thinks the trend is catching on this summer because of the nightgown's versatility. "It works on the beach, over your swimsuit," she said, "but you can easily put on a belt and beautiful sandals and go to dinner in it." And even though romance revolves more around Tinder and after-work drinks these days than fated encounters in fields, you can channel a bit of Lizzie Bennet's impetuosity in it, too.

—Rebecca Malinsky

STYLE & FASHION



LIGHT YEARS AWAY FROM GRANDPA'S WATCH From left: Sistem Soul Watch, assembled by robots, \$195, swatch.com; Baroncelli Caliber 80 Watch, made with silicon parts, \$1,190, shopmido.com; Ulysse Nardin Watch, another silicon-enhanced timepiece, \$48,000, London Jewelers, 631-329-3939

also been used to make parts for final timepieces, such as the titanium case of the Panerai Pam 767 Lo Scienziato Luminor 1950 Tourbillon GMT Titanio, which boasts almost half the weight of a steel equivalent.

Philip Barat, Patek Philippe's head of watch development, said that computer-based 3-D design enabled the creation of the brand's 2014 Grandmaster Chime anniversary watch, which has 1,366 parts. Said Mr. Barat, "With the 3-D vision, it allowed the constructors not to build smaller pieces but to fill empty spaces, impossible to achieve in 2-D."

Mr. Robot

In 2013, Swatch announced "Sistem51," the first Swiss mechanical watch whose components were entirely assembled by robots. More than a gimmick, the Sistem51 signaled a clear move toward artificial intelligence in watchmaking.

A year later, Richemont, owner of 11 watch brands, established a new research facility in Neuchâtel, a medieval lakeside town in Switzerland and in 2017 announced plans to recruit engineers specializing in micro-systems, micro-manufacturing and micro-engineering—which will advance the robotics trend. About a 35-minute drive away, the Christophe Claret factory similarly uses a unique 16-axel robot to make its watch cases.



Innovation these days mainly stems from the advent of expensive research and development teams.

Silicon Valley

Since the 16th century almost all watch parts have been made of steel, brass, gold, silver or other metal alloys. But in 2001, Swiss watchmaker Ulysse Nardin introduced a watch with a silicon escapement (a mechanical device that controls the flow of energy). Patek Philippe and Breguet soon introduced silicon watch parts of their own. While the use of silicon was initially limited to luxury timepieces, it has now trickled down to more entry-level brands with models such as the Mido Baroncelli SI Calibre 80.

Silicon is light, can be mass-produced and is easily shaped into the intricate components of a watch movement. Unlike metals, silicon resists corrosion and remains stable when temperatures change. Silicon parts don't require lubrication or suffer from wear and tear, so watches that integrate it don't need to be serviced as often.

Swing Shift

Every mechanical clock and watch needs an oscillator, a device that swings between two positions—like the pendulum of a grandfather clock. On a watch, the traditional oscillator has over 30 parts including a balance wheel and a balance spring, which contribute to a watch's accuracy through a back-and-forth rotation. Its design remained largely unchanged since its 1675 invention, until last year when LVMH subsidiary Zenith

Honey, I Shrunk the Watch
A watch's tiny innards are crowded with wheels, gears and springs. Since the dawn of mechanical watchmaking (remember miniaturization?), shrinking these dynamic parts has been one way to innovate watch design.

Greubel Forsey, a small, luxury brand based in La Chaux-de-Fonds, Switzerland, recently made a radically smaller foudroyante, the mechanical device that measures fractions of a second in a watch. Theirs is 96% smaller than the traditional version and expends 1/1800th of the energy to do the same job. When asked where this improvement might lead, the brand's co-founder Stephen Forsey replied, "We don't know yet. It's not a practical thing yet, but we can take it to prototyping and next comes a readable display. As we go along we find new openings and new avenues, but it is unknown territory."

"Unknown territory" is exactly what makes innovation exciting; it's the chance to do something entirely new. While it's hard to imagine anyone except the most devoted horology nuts getting excited about some of these innovations, they're advancing the field, bit by silicon bit. And even though horology can get a fuddy-duddy rap, as Felix Baumgartner said, "Watchmaking is alive and an ongoing process. It is about new ideas and possibilities."

THE WATCH MAN / MICHAEL CLERIZO ANSWERS YOUR TIMELY QUESTIONS



Bright Ideas For Your Wrist

Q What recent innovations are shaking up the watch world?

A Mechanical watch lovers, who can be dully conservative, often view innovation with skepticism—but that's changing. As Felix Baumgartner, co-founder of Geneva and Zurich luxury watch brand Urwerk said, "History and tradition are best respected by innovating, and not simply imitating and repeating the past."

The advent of mechanical watches in the first place was a feat of engineering. Around 1300,

the first mechanical clocks were made in Europe, but it took another 250 years to shrink their components to a portable size. Watches were an early example of the push for miniaturization that persists today and will last until humans stop thinking smaller things are cuter/better. In other words, forever.

Innovation these days mainly stems from an industry shift that's itself an innovation: the advent of expensive research and development teams at brands like Patek Philippe and Rolex, as well as at

big groups like Richemont and Kering. These departments, employing watchmakers, scientists, engineers and technology experts, focus on evolving the materials and power sources that mechanical watches rely on and the way they are manufactured. A few innovations worth highlighting:

The 3-Deep End

Computer-based 3-D printing has been a boon for many industries, watchmaking among them, where it's used primarily to create prototypes for mechanical watches. It's

Don't Kick the Bucket

Formerly the territory of kids and Gilligan, bucket hats are enjoying a comeback

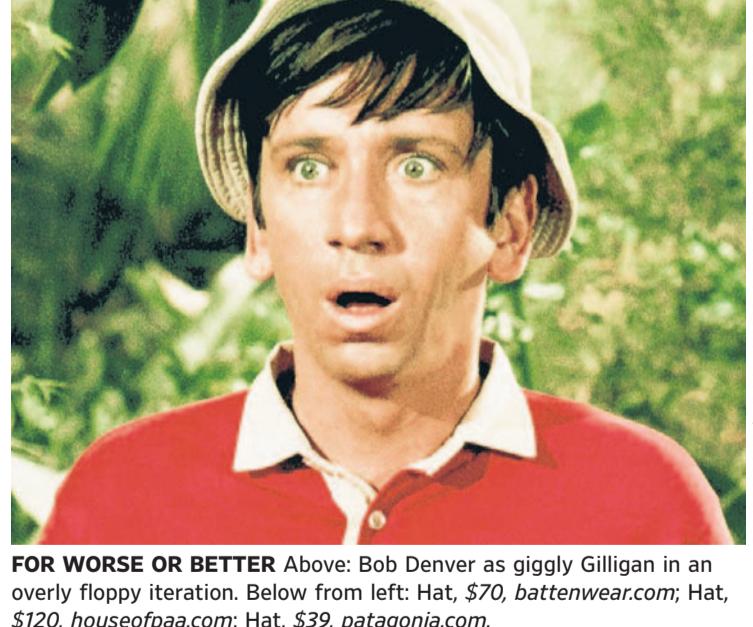
THE BUCKET HAT has long been associated with big personalities. In the 1980s, Run-DMC's brash emcee Darryl McDaniels wore a bell-shaped Kangol bucket. The chronically hapless Gilligan from the '60s show "Gilligan's Island" favored floppy-brimmed buckets. And lately, Carter Page, the ex-Trump campaign adviser has worn a red Under Armour bucket hat that's as unforgettable as his cable TV appearances. Frankly, the poor bucket hat deserves better than these hammy associations.

"I think it's the best stylistic choice," said Pedro Juan Vidal, 32, an account manager at Vimeo in New York. Having tried a variety of headgear, he owns three buckets and praises them for being "more refined than a baseball cap."

High-end designers agree. On the European catwalks, the sun-beating, easy-wearing bucket hat is getting the sort of image rehabilitation it deserves. Prada, Fendi and Gucci have shown posh iterations, while neo-prep labels like Paa, Drake's and Noah offer their own, more affordable buckets.

Look for a hat with a solid structure that surrounds your head fully. And, for the most part, avoid patterns: Florals can appear too Gap Kids, while plaid or madras can skew too geezer. Perhaps the best argument in favor of buckets is that, unlike fragile straw hats, they're portable. As Andrew Chen, co-owner of 3sixteen, a New York label that released bucket hats this season, said, "You can crumple them up and shove them in a bag and not have to worry about bending a brim or collapsing a crown."

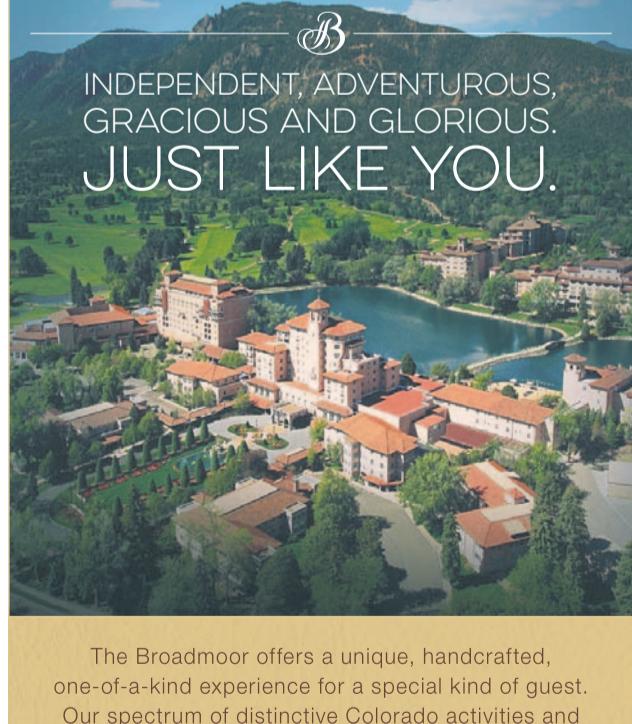
—Jacob Gallagher



FOR WORSE OR BETTER Above: Bob Denver as giggly Gilligan in an overly floppy iteration. Below from left: Hat, \$70, battenwear.com; Hat, \$120, houseofpaa.com; Hat, \$39, patagonia.com.



F. MARTIN RAMIN/THE WALL STREET JOURNAL (HAT); EVERETT COLLECTION (GILLIGAN)



The Broadmoor offers a unique, handcrafted, one-of-a-kind experience for a special kind of guest. Our spectrum of distinctive Colorado activities and adventures begins with world-class golf and spa, but expands to exciting life experiences; from fly fishing to falconry, from hiking to horseback rides, from a thrilling zip line to a mountainside zoo. The Broadmoor is a destination unto itself, inviting you to take a vacation custom-tailored to your preferences and passions.

Visit broadmoor.com today and allow us

to create one for you.

THE BROADMOOR

LEGEND
Prestige
Reserve

SW
Sunbeam
Sport

844.727.8729 BROADMOOR.COM

GEAR & GADGETS

What's In Your Wallet?

Six writers reminisce about the ways wallets contain our lives—and single out apps that make it easier to move on



My Better Half

During my sophomore year of college I met a boy I could not get out of my mind. We became fast friends, but I wanted more. He decidedly did not. I convinced myself otherwise by overanalyzing the tiniest signs...the way he'd call me if "our song" came on while he was in a bar. ("Every Time We Touch" by Cascada. Forgive us; it was 2006.) Or the boozy night he found a beat-up dollar on the floor of our favorite hangout. He picked it up, ripped it and stuck one half in my wallet. "Keep this. It's lucky," he said, smiling at me. That worthless currency became the most valuable thing I owned. For months, each time I opened the cash sleeve of my wallet, I'd peer down at that half a dollar and feel a renewed hope that he might come around on me yet.

It never happened. In the 12 years since that night, I married a wonderful man—and so did he. We've stayed close and often joke about my misguided crush. Still, I transferred that dollar-half from my college going-out wallet to my lady-with-a-job pocketbook to one my husband gave me as a wedding present. I never want to forget what it felt like to be 20 and so sure that luck was real and mine would eventually come around.

These days, I imagine I'd treasure an Instagram photo of us hanging out in that dank bar, seeing every "like" as another vote of confidence that he'd eventually be mine and laugh about it years later when it popped up in my "on this day" memories.

Never leave home without: The Baby Tracker app. I don't know how people had infants before this thing existed. I use it to track my daughter's sleep, meals and diaper changes, and since it lets you share data with multiple users, my husband sits at his desk at work and tracks her too—he'll text me "great nap!" the second she's up. —Sara Gaynes Levy

A Pick-Me-Up

For a while I gave up carrying a wallet, instead keeping just my passport and bank cards in my back pocket, and some bills and guitar picks in my front.

Then I had kids and my pockets exploded. I was forced to buy a billfold, but I wanted something slimmer and more modern than the one my father carried in the '70s, so full of pictures, mysterious business cards and, of course, money. As a musician, I was thrilled to find a Whipping Post wallet with a nifty stitched pocket for a pick. You never know when a rock



legend from your childhood might ask you to jam so I keep one close by, just in case.

So when I appeared with former-Sex Pistols' guitarist Steve Jones on his drive-time Los Angeles radio show in May, and he asked, "What do you say, Jeff, shall we play one of your songs?" during the final

commercial break, I didn't panic. I didn't have to use the edge of my smartphone, or even a credit card. Instead, I reached for my wallet, where I now keep a pick that belonged to Tom Petty, which was given to me by his road crew and which I keep as both a token of affection for my fallen hero and for just such a "break glass in case of emergency" occasion. Voilà!

Never leave home without: Voice Memos. Whether it's a song idea, a voice mail from my departed dad, or an on-the-fly interview with a rock star, it's great to have a recording studio in my back pocket. —Jeff Slate

A Picture-Perfect ID

Plucking my Florida driver's license from the mail in 2016 marked the moment that I finally quit lamenting my old life in Texas and stepped into the present. Also, I looked great in the photo. My hair was in place. My smile was cool. I had a glow from lunches by the beach and a 20-step skin-care routine. Now I have a toddler with a 20-step bath-time routine. That ID remains the only proof that a put-together version of me lurks somewhere beneath these ketchup-stained yoga clothes.

Having moved to California last month, I grew worried about updating my ID. I'd like to keep showing wine-store clerks my past incarnation as a woman with freshly washed hair.

Once states swap plastic cards for digital driver's licenses, that perfect Florida photo will disappear into a drawer with my other wallet



ephemera. I can't bring myself to toss these laminated artifacts of my adventures, but the ease of flashing one device to show a digital ID and pay for a bottle of Syrah sounds smart to me. Let's hope the DMV adopts Snapchat filters soon.

Never leave home without: The iNaturalist app. It helps me recognize rare flora and fauna that pop up in my garden. —Raya Ramsey Rockwood



A Reminder

If wallets had home screens, mine would show the pair of counterfeit concert tickets I foolishly bought online three summers ago when I jumped at the chance to see Willie Nelson play a sold-out Brooklyn show.

I felt so clever as I met an internet stranger on a street corner, palming him \$150 cash in exchange for two stubs. But when I gleefully gave them to the ticket-taker a week later, her scanner made a weird, sad bleep noise. Then her manager helpfully scrawled "FAKE" on the tickets in bold Sharpie and



asked me to move along.

Blue eyes cryin' in the rain, indeed. We still made the best of it, spreading our blanket outside the fence, unpacking a picnic and enjoying the show from a distance. The tickets are worthless—they always were—but they hold special value in my wallet as both warning and

as a reminder that some of the best memories are made even if things don't go as planned.

Never leave home without: PhotoScan. It's a great app for digitizing family archives, capturing embarrassing photos to post on Instagram or scanning tax forms. —Alexandra Fenwick

A Free Cup of Joe

As a New Yorker, I'm constantly on the move from coffee shop to coffee shop, Wi-Fi to Wi-Fi, my virtual offices speckled with single-origin pour-overs and lattes. But I'm also a frugal coffee drinker, which means my wallet has transformed into a filing cabinet for endless loyalty cards stained with caffeine.

Of course, most of the fancier Manhattan cafes now force me to use their equally fancy apps, which let me tap out an order, pay using a QR code on my phone's screen and rack up virtual stamps. It's fun, too: I hold my screen up to a laser scanner, the ring turns green when my code's been accepted and I'm good to go. When I've reached that vaunted free-coffee apex, the transaction is taken care of behind the scenes. No awkward congratulations from a stranger as I ask for a new card. Equipped with the app, I needn't reach for my wallet every time I go up to the counter for a new cup. In these java shops, my biggest challenge is hunting down an open seat.

Still, I love returning to my slightly backward Brooklyn coffee houses, where I pull out the card—the more dog-eared the closer I am to my goal—and watch as the barista uses her special holepunch to snap a satisfying star-shaped wound in what is, in most scenarios, a business card. Two more cups to go.

Never leave home without: The MyFitnessPal app, which connects to a massive database that helps track my daily caloric intake, exercise, weight and progress over time. It's been a healthy game-changer. —Joshua Fruhlinger



Credit Where It's Due

I was big of shirt and queasy in the face for my first dinner date with my first girlfriend. Dad sized me up and decided to cut me a break. "Use the card," he said. "But you're paying it off."

The card. My parentally bestowed credit card was for emergencies only—a way out of scrapes, not an invitation to splurge. The act of taking it

out was gilded with shame. It looked stolen in my wallet emblazoned with the Mario Bros.

I'm not sure how I summoned the guts to say, "Order whatever you want" but the greedy grin on her face sent jittery endorphins flooding into my brain. We wrecked two bread baskets, three courses and two desserts—the way we thought real adults got to, seemingly with zero consequences. For a few hours I enjoyed my projected life until the rrrrrrip of Velcro broke the spell.

Nostalgia aside, Venmo and Apple Pay are improvements. And yet, I doubt I'd revere an app on my phone the same way I worshiped that hunk of plastic stamped with my name, a totem of the freedom and obligations to come.

Never leave home without: The iPhone's Notes app. I constantly use it to jot stuff down without getting sucked into my emails. It's there, it's simple, it costs nothing extra. —Travis Weir

GEAR & GADGETS



DOWN A DIFFERENT ROAD

The turbocharged Mercedes CLS puts out 383 electrically assisted horses, pushing it from 0-60 mph in as fast as 4.8 seconds.

MERCEDES-BENZ

RUMBLE SEAT / DAN NEIL



2019 Mercedes-Benz CLS: Luxury Goes Electric

IF YOU WANT to get drunk in a hurry, play the "icon" game at an auto-industry reception: Every time someone utters the word, quaff a glass of champagne. Last week Mercedes-Benz hosted a soiree atop 1 Hotel Brooklyn Bridge in New York, where the first-generation CLS sedan (2005-2010) was lauded as a "design icon."

Gulp. That these words were uttered in the shadow of the Brooklyn Bridge only deepened my bemusement. Henceforth, all old cars are iconic: the 1983 Chevrolet Citation X-11; the 1992 Mitsubishi 3000GT VR4; the 2008 Jeep Liberty. Iconic!

The first-gen CLS was so iconic that Mercedes-Benz's star designer Gorden Wagener changed it the first chance he got with the 2011 model year; and the car's most distinctive form—the sharp bone line curving from front wheel to taillamp—was a one-and-done in the brand's big book of design cues.

The throttle is plenty alert and when commanded the six will quietly pull its heart out. 'Comfort' mode might as well be labeled 'Flying Carpet.'

That first CLS did achieve linguistic immortality with the coinage "four-door coupe," by which Mercedes meant it was an executive sedan with a lower, coupe-like roofline and a bit more planted stance. In New York last week, Mercedes-Benz executives talked as if the company had invented the sleek four-door business sedan, overlooking a mere half-century of American car design. Champagne?

These exertions continue with the new, third-generation CLS, which its creators insist on calling a coupe even though it has two palpable rear doors, a three-place seat bench (the previous generation CLS was a four-seater); and a trunk (11.9 cubic feet).

So then, in the name of precise taxonomy, the CLS is not a coupe; it is a sport sedan with barely tolerable rear headroom.

It's a looker, though. The form reflects Mr. Wagener's recent penchant for simplified exterior surfaces, emphasizing smooth

curvatures, surface tension and volumes over slashing character lines. As Mr. Wagener explained to me in a 2017 interview, the new look reflects advances in the company's panel-stamping technology that can accommodate longer and deeper drafts, particularly in the quarter panels, which are the shapely hips of a car.

The CLS 450 Coupe (and 450 4MATIC, with all-wheel-drive) also debuts Daimler's first hybrid powertrain, called EQ Boost: a 3.0-liter, 362-hp inline-six (turbocharged, direct injection) with an integrated starter/generator (ISG), wrapped around the output shaft between the engine and transmission.

EQ Boost isn't a conceptual breakthrough—in broad strokes it looks and works like Honda's Integrated Motor Assist,IMA, which dates back nearly 20 years. The system provides up to 21 hp and 184 lb-ft that lightly aids in initial acceleration (0-60 mph in 5.1 seconds for CLS 450; 4.8 for the 450 4MATIC). But it's not like the inline six, with 369 lb-ft from 1,600-4,000 rpm, needs the torques. I spent a velocity-filled day at the wheel of a CLS 450 on a route through rural New Jersey. The throttle and gearbox are plenty alert and when commanded the six will quietly pull its heart out.

The entirety of the system seems to be devoted to the quelling, vanishing and otherwise ghosting of engine shake and shivering caused by the stop/start function (the engine shuts off at stops and refires to move off again). Start/stop systems present a challenge to premium-luxury car makers. Starting any big engine generates a lot of shaking forces as the crankshaft spools up to speed. Canceling out engine shake can be accomplished in various fun ways: directional hydroelastic engine mounts, for example; or even active, dynamically canceling engine mounts.

But the shortest route is to minimize the duration of the start/stop event itself, so that the engine fires within the first rotation of the engine crankshaft. For that you need power, which is why the CLS features Daimler's first 48-volt electrical architecture. Also, please note Mercedes's return to the inline six-cylinder configuration. As compared to V6s, inline sixes are inherently smoother running—just ask Packard—and more importantly, smoother starting.

Otherwise based on the E-Class's box of

parts, the CLS's emotional temperature is raised in subtle ways. Compared to sibling E-Class, the CLS's standard coil-spring suspension is calibrated a bit firmer overall. Our test car was equipped with the optional air suspension (\$1,900), whose "Comfort" mode might as well be labeled "Flying Carpet." This limberness can be gradually dialed out with the drive-mode system. In Sport mode, the CLS chassis movements were really quite snubbed down. Our tester's margin of athleticism—roll-resistant cornering,

excellent road-holding, good manners at the initial brake-and-turn-in to a corner—made it easy to find the limits of its (optional) 19-inch Michelin.

Inside the CLS you will find the same floating-panel design theme as in the E-Class, the layers of stitched upholstery and contrasting trim curving around the dash and doors, underlit with any of 64 LED colors (note to designers: colors 4-64 are superfluous). Compared to the design minimalism practiced by Tesla, the Mercedes cabin is splendid in complication and tactility. Tiny touchpads in the steering wheel control functions redundantly with the rotary control, which sits in the center console like a black Reiki massage rock.

The cabin's biggest demerit is the wide-screen LCD panel, a strongly rectangular iPad sort of thing stretching two-thirds the width of the dash. Its functionality and graphics are more than fine; they are top notch. But the panel isn't as much integrated into the upholstered dash as it is propped in front of it.

An icon deserves better.



STAND UP FOR US ALL

Clinical trials bring us closer to the day when all cancer patients can become survivors.

Clinical trials are an essential path to progress and the brightest torch researchers have to light their way to better treatments. That's because clinical trials allow researchers to test cutting-edge and potentially life-saving treatments while giving participants access to the best options available.

If you're interested in exploring new treatment options that may also light the path to better treatments for other patients, a clinical trial may be the right option for you.

Speak with your doctor and visit StandUpToCancer.org/ClinicalTrials to learn more.



Sonequa Martin-Green,
SU2C Ambassador

Photo Credit: Matt Sayles
Stand Up To Cancer is a division of the Entertainment Industry Foundation, a 501(c)(3) charitable organization.

2019 MERCEDES-BENZ CLS 450

Base Price	\$72,000, est., late 2018 release
Price as Tested	\$88,000, est.
Powertrain	Turbocharged direct-injection 3.0-liter inline six-cylinder with integrated starter/generator (21 hp, 184 lb-ft, 48-volt system; nine-speed automatic transmission; rear-wheel drive)
Length/Width/Height/Wheelbase	196.4/74.4/55.3/115.7 inches
Power/Torque	362 hp at 5,500-6,100 rpm/369 lb-ft at 1,600-4,000 rpm
0-60 mph	5.1 seconds
Cargo Capacity	11.9 cubic feet



rpm/369 lb-ft at 1,600-4,000 rpm
0-60 mph 5.1 seconds
Cargo Capacity 11.9 cubic feet

EATING & DRINKING

The Pesto Heresies

Why restrict yourself to the old basil-Parmesan-pine nut routine? There are so many delicious deviations to pursue

By ALEKSANDRA CRAPANZANO

PESTO TRACES ITS origins to Genoa, in Italy's Liguria region. Ever protective, the city's Chamber of Commerce strictly limits the official recipe to Mediterranean pignoli, Ligurian extra-virgin olive oil, Genoese basil leaves, garlic, Parmigiano Reggiano Stravecchio, Pecorino Fiore Sardo, coarse sea salt and nothing else, ever.

I refuse to reserve the pleasure of pesto for days when these ingredients are on hand or in season. Good flat-leaf parsley is almost always accessible and an ideal partner for the strong flavors of mint, marjoram and arugula. Parsley-mint-pistachio is a favorite combination of mine. Adding a spoonful of cream allows me, in turn, to add an extra clove of garlic without overwhelming anyone's palate. Missy Robbins, the chef of Lilia in Brooklyn, makes a pesto of two parts parsley, one part marjoram, to mellow the marjoram's assertive fragrance. She also toasts the pine nuts to deepen their flavor.

In the Trapani province of Sicily, cooks favor a red pesto Trapanese in summer, when tomatoes are ripe and almonds abundant. Ms. Robbins leaves the basil out of her version, focusing instead on Sicilian almonds and pecorino. This pesto is delicious on olive-oil-rubbed grilled bread. In another riff on pesto Trapanese, Jason Pfeifer of Maialino and Manhatta in Manhattan nods to the Sicilian love of agrodolce (sweet-sour), adding golden raisins and mint. It's a bold sauce, as good on bruschetta as it is with pasta or grilled fish.

Inspired by Mexican salsas, Gabe Kennedy of the Little Beet in Manhattan makes a pesto using poblano peppers, pumpkin seeds and a heady dose of cilantro. Though not canonically Italian, it's terrific on pasta.

I do have a few rules of my own when it comes to pesto. Since heat dulls the vibrancy of the herbs, if I'm pulverizing in a food processor I like to first chill the blade for 10 minutes in the refrigerator. Using the pulse button helps keep the processor cool and the resulting pesto textured. The goal is not a smooth pureé, but, rather, an amalgamated whole that retains a bit of bite.

Ms. Robbins does things a bit differently when making her broccoli pesto. She blanches broccoli and broccoli rabe three times, a trick that tenderizes the vegetables while preserving their vivid green color. She even blanches the basil. It's the



AWESOME SAUCE

This broccoli pesto makes a refreshing change on pasta.

golden raisins. Pulse to roughly chop. Add $1\frac{1}{4}$ cups cherry tomatoes, $\frac{3}{4}$ cup basil leaves and $\frac{1}{2}$ cup mint leaves. Pulse until ingredients are well-combined. Add $\frac{1}{2}$ cup extra-virgin olive oil. Pulse until ingredients come together. Season to taste with salt and freshly ground black pepper. Serve with Parmigiano Reggiano on the side.

—Adapted from Jason Pfeifer of Maialino and Manhatta, New York City

Mint and Pistachio Pesto

Total Time 10 minutes **Makes** 1 cup

Place the blade of a food processor in the refrigerator to cool for at least 10 minutes. Return blade to food processor. Add 3 cloves garlic and $\frac{1}{2}$ cup chopped pistachios, and pulse to roughly chop. Add $1\frac{1}{2}$ cups parsley leaves

and $\frac{1}{2}$ cup extra-virgin olive oil, and pulse until ingredients are well-combined. Add $\frac{1}{2}$ cup mint leaves and pulse to roughly chop. Add 2 teaspoons heavy cream, 1 teaspoon sea salt and $\frac{1}{2}$ cup grated Parmigiano Reggiano. Pulse until combined. If not serving immediately, transfer to an airtight container. Pour a thin layer of olive oil over top. Cover and refrigerate up to 10 hours.

Roasted Green Chile and Pumpkin-Seed Pesto

Total Time 10 minutes **Makes** 2 cups

Place 6 poblano or cubanelle peppers directly on burner of gas stove set to high heat. Or, place peppers on a baking sheet under broiler set to high heat. Turn peppers until

charred all over. Remove from heat and transfer to a large bowl. Cover with plastic wrap and set aside until cool enough to handle. Remove skin from flesh. Discard skin and seeds. Roughly chop roasted peppers and transfer to a food processor. Add 2 cups chopped cilantro, 2 cloves garlic, minced, 1 tablespoon

chopped shallots, 1 cup toasted pumpkin seeds, juice and zest of 2 limes, 1 teaspoon salt, and a pinch of red pepper flakes. Pulse until mixture comes together into a coarse consistency. Pesto can be made up to 5 days ahead and kept covered in the refrigerator.

—Adapted from Gabe Kennedy of the Little Beet, New York

Raisin and Mint Pesto Alla Trapanese

Total Time

15 minutes

Makes

2 cups

Place the blade of a food processor in the refrigerator to cool for at least 10 minutes. Return blade to food processor. Add $\frac{1}{2}$ cup lightly toasted

almonds, $\frac{1}{2}$ clove garlic and $\frac{3}{4}$ cup

salt. Pulse to break up. Add $1\frac{1}{2}$ cups

flat-leaf parsley leaves and $\frac{1}{3}$ cup

extra-virgin olive oil, pulsing until ingredients are well-combined. Add $\frac{3}{4}$ cup marjoram leaves and pulse to incorporate. Add $\frac{1}{4}$ cup grated

Pecorino Sardo and $\frac{1}{4}$ cup grated

Parmigiano Reggiano. Pulse to combine. Season with salt to taste.

—Adapted from Missy Robbins

4. Trois Rivieres Cuvee de L'Ocean, 42% ABV, \$35 for 750ml

Sugarcane grown near Martinique's south coast adds a saline undertone to this otherwise classic agricole. As in baking, that touch of salt makes complementary flavors—like the lime and sugar in a daiquiri—pop.

5. Paranubes Oaxacan Agricole Rum, 54% ABV, \$45 for 1L

Stick your nose into a glass of just-poured Paranubes and the aroma will make you think of a jar of olives or a very, very dirty Martini. It's weird, and wonderful. The briny aroma does dissipate after a few minutes, allowing scents of ripe mango and grass to come through.

6. Kō Hana Kea, 40% ABV, \$35 for 375ml

If Hawaii makes you think of coconuts and pineapple, you're in for a surprise. Made from single varieties of sugarcane like the giant red Mahai'ula and the thin, delicate yellow-green Lahi, this rum opens with a pungent whiff of truffle, then reveals sweeter licorice and peppery notes.



1. Neisson Rhum Agricole Blanc, 50% ABV, \$40 for 1L

This Martinique-made spirit is, for many, the benchmark for agricole rum. Fermented for three days before distillation, then rested for three months, it pours

with a clean, grassy aroma. The ideal spirit for a Ti' Punch.

2. High Wire Lowcountry Agricole, 44% ABV, \$80 for 750ml

Ten months in toasted new oak emphasizes the honeyed notes in

this South Carolina spirit and mellows without obscuring the funkier scents of ripe banana and nutmeg.

3. Clairin Vaval, 51.1% ABV, \$40 for 750ml

Using a variety of sugarcane called Madame

Meuse, natural fermentation and a still made of parts from cars and steam locomotives, Fritz Vaval has created a spirit that captures the ingenuity of the Haitian people and the taste of the land itself (yes, a bit earthy).

recent years, distilleries in cane-growing regions outside the French West Indies have begun bottling their own tastes of place in agricole-style rums. At right, a lineup of grass-to-glass agricoles produced from Haiti to Hawaii, with a range of flavors just as wide.

—Matthew Kronsberg

EATING & DRINKING



ON WINE / LETTIE TEAGUE



Do Greens Always Call for a White?

SUMMER IS THE VEGETABLE season. Even the most committed carnivores might find themselves sitting down to all-vegetable meals. But what of the wines to go with them? What's the best wine for eggplant, or corn? Is that a question anyone even asks? Are there rules as with meat, chicken and fish, or are vegetables and wine a wide-open pairing realm?

Jeremy Mustakas believes they are. He's the director of operations of ABC Restaurants by Jean-Georges, which includes the mostly vegan restaurant abcV, in Manhattan. "The guest says, 'There's no map here so I'm going to ride the ride I want to ride,'" Mr. Mustakas told me after I dined there a few

weeks ago. The abcV diner can confidently drink any wine on the list without worrying about whether it pairs well, he said. He couldn't think of a menu item that didn't have some wine-friendly attribute such as bright acidity or lush fruit. He must not have tried the beet dish I had.

My friend Alan and I enjoyed a terrific lunch at abcV that included summer peas with pea shoots and flowers and morels, and spinach spaghetti with broccoli, kale and slow-roasted beets. Vegetables receive star treatment at abcV not the inglorious role of "side." The wine list features mostly biodynamic wines whose producers have a "respect for nature," said Mr. Mustakas.

I would not consider some of them vegetable-friendly. Syrah and red Bordeaux, for instance, can be tannic and therefore taste hard or astringent when paired with leafy greens.

We chose the Francois Baur Crémant, an attractive if somewhat high-acid sparkling wine from Alsace, France; an earthy and pleasant, rather light 2013 Vine & Supply Pinot Noir from Oregon; and the 2016 Contrà Soarda Vespaio, a lively, citrusy white from Italy's Veneto. The wines matched fairly well with the dishes thanks to their light body and lively fruit—especially the fresh, citrusy Vespaio. The Crémant was a touch too high in acidity (a rosé sparkler might have been better); it was passable with the peas and spa-

ghetti but bad with the raw vegetable salad and the beets in particular as the wine's acidity dominated.

Some vegetables are acknowledged wine killers; the two most people know are artichokes and asparagus. The former contains cynarin, a component that can make wine taste metallic, and the latter contains mercaptans, which can make a wine smell funky. Asparagus is arguably the easier of the two to pair, especially if it's grilled or covered in cheese or butter, which ameliorates the funky quality a bit.

Other vegetables can be challenging, too. Broccoli, kale and cauliflower—the types categorized as cruciferous—can crucify the flavor of a wine. And yet when I mentioned these to Mr. Mustakas, he said he could find a wine that would work with them in just about any form...except crudité. "I think it's harder for the average consumer to pair raw vegetables with wine because they are less comfortable with those flavor profiles," noted Mr. Mustakas. "Raw celery adds very little when it comes to pairing."

I decided to arrange my own wine and vegetable tasting to see if I could come up with some pairing rules. The dishes I prepared and served included sautéed gingered carrots, roasted Brussels sprouts and scallions, baked mushrooms with cheese (courtesy of my friend Julie), roasted asparagus, roasted broccoli, grilled eggplant and pasta with arugula, leeks and corn.

I purchased 12 reds, whites and rosés I thought would be vegetable-friendly, i.e., with more fruit than tannin, and with bright acidity and little to no oak. None cost more than \$32 a bottle and most cost much less. I summoned six friends; five were eager to join. The sixth, Lori, a professed vegetable hater, said, "I'll come for the wine."

My friends seemed surprised to see such an array of dishes when they arrived. "I thought there would just be crudité," said Lori. I suggested we taste each wine as many of the vegetables as possible.

We started with the whites. Our three favorites were established pretty much immediately and universally: the bright, mineral 2016 Domaine Mittnacht Frères Terre d'Étoiles Pinot Blanc from Alsace (\$20), the floral 2016 Bernard Fouquet Le Petit Clos Vouvray Sec (\$20) and the lush, fruity 2016 Leth Steinagrund Grüner Veltliner from Austria (\$16), which paired well with all the dishes. No wonder Grüner is a favorite among sommeliers. "I like it

with the carrots," said Julie. "I like it with the contrasting flavors of broccoli," said Burt. Julie liked the Pinot Blanc with "everything." The broccoli even "elevated" the wine, she opined. The Vouvray was nearly as popular, a match with the Brussels sprouts, carrots, eggplant and pasta. Like Grüner, Chenin Blanc, the Vouvray grape, is a safe bet with vegetables thanks to its characteristic bright acidity and lush fruit.

"I think you'll always get a better response with white wines and vegetables," said Bobby—though this wasn't true of an Arneis from Piedmont and a Txakolina from Spain. The former was too high in acidity, the latter too light and frothy.

Lighter wines with lots of fruit and acidity (in balance) are best.

Of the rosés, the earthy 2017 Il Mimo Cantalupo Nebbiolo rosé (\$12) from Piedmont, Italy, was a great match with earthy vegetables like carrots and eggplant—though not asparagus or broccoli. The 2017 Olga Raffault Chinon rosé (\$17) was too wispy and light. A good vegetable rosé must have some weight.

The reds had a mixed reception too. The 2016 Bernard Baudry Les Granges Chinon (\$18) from the Loire Valley was earthy and funky and only amenable to the earthiest vegetables (carrots and mushrooms).

The 2015 Casa Aurora Poula (\$32) from Bierzo, Spain, was a hit for Burt, me and my husband, Roger; we loved its Pinot-like notes of herb, earth and berries. The others thought it too earthy and a touch too tannic. The light, bright, bitter-cherry-inflected 2017 Elena Walch Schiava (\$14) from Alto Adige, Italy, had a juicy acidity and paired well with everything. We all agreed it was best chilled.

The rules for matching wine and vegetables turned out to be pretty simple: Grilling and roasting increase vegetables' appeal with wine. Lighter wines with lots of fruit and acidity (in balance) are best. Rosés need some weight. The biggest surprise came from my friend Lori, the (former) vegetable hater, who contributed my favorite tasting note: "This wine needs more broccoli!"

► Email Lettie at wine@wsj.com.



OENOFILE / 5 VEGGIE-FRIENDLY WINES

2016 Leth Steinagrund Grüner Veltliner \$16

There's a reason sommeliers love Grüner: It goes with everything. This one has notes of citrus and peach and a bright balancing acidity. Lush enough for grilled eggplant, light enough for green vegetables and salads.

2016 2016 Bernard Fouquet Le Petit Clos Vouvray \$20

The Chenin Blanc grape of Vouvray is nearly as flexible as Grüner, with a similar balance of fruit and acidity. This pretty, slightly plump but dry Chenin is particularly good with asparagus and broccoli.

2016 Domaine Mittnacht Frères Terre d'Étoiles Pinot Blanc \$20

This Pinot Blanc from the first-rate Mittnacht estate in Alsace is dry, minerally and surprisingly good with a wide range of vegetable dishes. It also makes a stellar aperitif.

2017 Antichi Vigneti di Cantalupo 'Il Mimo' Nebbiolo Colline Novaresi \$12

A rosé with texture, substance and juiciness is a must for matching with vegetables, and this one has all three. Nebbiolo provides substance and an earthy dried-cherry note.

2017 Elena Walch Schiava Alto Adige \$14

Schiava, the ultimate summer red, turns out to be a top vegetable red too. The Schiava grape produces light bodied, crisp, red-berry-inflected reds like this delight from a top Alto Adige wine-maker—also a great buy.

SLOW FOOD FAST / SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Green Bean and Potato Salad With a Fried Egg

THEY DON'T ALWAYS get credit for it, but potatoes can be just as exciting as any summer produce. "When they're first dug up, they have unbelievable creaminess and sweetness," said Michael Gallina, the chef at Vicia, in St. Louis. "At the restaurant, ours are dug up on a Monday and served on Wednesday."

Now is the season to enjoy new potatoes in all their glory. In his third Slow Food Fast contribution, Mr. Gallina boils the baby spuds and tosses them with blanched green

beans (also peaking now) in an herb vinaigrette made with basil and coarse-grain mustard. A fried egg crowns the plate. Poke right into its golden yolk and let it ooze out and enrich the whole dish.

Above all, be kind to these delicate summer vegetables. As soon as the beans turn bright green, stop cooking. When the largest of the potatoes is easily pierced with a knife, drain them, and dress them while they're still warm so they absorb plenty of that scrumptious vinaigrette. —Kitty Greenwald

Time 30 minutes
Serves 4

Kosher salt

1½ pounds green beans, ends removed

3 pounds new potatoes, cleaned

½ cup olive oil

1½ tablespoons white-wine vinegar

½ shallot, roughly chopped

1 clove garlic

2 cups roughly chopped basil leaves

1 cup roughly chopped parsley

2 tablespoons coarse-grain mustard

2 tablespoons butter

4 eggs

1. Bring a large pot of salted water to a boil over high heat.

Add green beans and cook until bright green and crisp-tender, about 2 minutes. Use a slotted spoon to transfer beans to an ice bath to halt cooking. Add potatoes to boiling water and cook until easily pierced with the tip of a knife, about 15 minutes. Strain potatoes and green beans and toss dry.

2. While potatoes cook, make vinaigrette: In a blender or food processor, combine oil, vinegar, chopped shallots, garlic, basil and parsley. Blend until smooth. Add mustard and pulse to combine. Season with salt to taste.

3. Halve drained potatoes while still hot and cut green

beans into large bite-size pieces. Transfer hot potatoes and beans to a large bowl and toss in enough vinaigrette to coat. Let marinate until flavors meld, at least 5 minutes. Add more oil, vinegar or salt to taste.

4. Just before serving, set a large pan over medium-high heat. When hot, add 2 tablespoons butter. When butter is partially melted, crack eggs into the pan and fry until the whites set, about 1 minute. Season yolks with salt and cover pan with a lid. Continue frying eggs until yolks are heated through but still runny, about 1 minute more.

5. To serve, distribute salad among plates and top each portion with a fried egg.



CRACK A YOLK A fried egg on top makes a meal of that summer classic, the potato salad.



The Chef

Michael Gallina

His Restaurant

Vicia, in St. Louis

What He's Known For

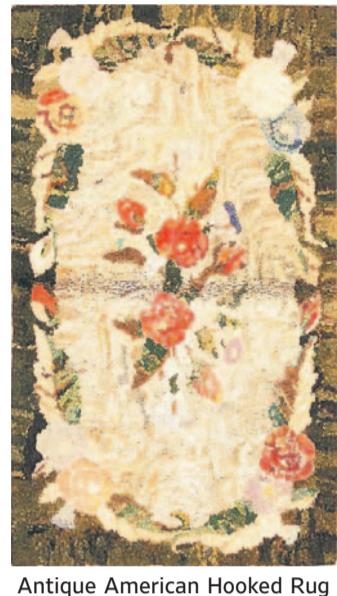
Showcasing Midwestern produce with a minimalist, modern approach. Making clever use of every last vegetable scrap.

DESIGN & DECORATING

SLEEPER HITS / BITS THAT EVOKE THE SLEEPER-MCCANN HOUSE



1900s Folk-Art Ship Model, \$695, chairish.com



Antique American Hooked Rug Circa 1900, \$1,250, nazmiyal.com



California Paints Ultra Aquaborne Ceramic Interior Paint, from \$50 per gallon, [Warshaw Hardware](http://WarshawHardware.com), 212-475-5820



Iittala Kastehelmi Footed Bowl, \$35, onekingslane.com



Jardinières & Citrus Trees wallpaper, from \$1,297 per panel, [de Gournay](http://deGournay.com), 212-564-9750



PILGRIMAGE

Yankee Ingenuity

How a pioneering American decorator used his smarts to bring cohesion to a crazy-quilt New England summer home

BY AMY MERRICK

My romance with Beaufort started like many 21st-century flings: I fell for it online. A friend posted a photo of a botanical bower of a bedroom in Beaufort, officially called the Sleeper-McCann House. I vowed to visit it, in Gloucester, Mass., for my birthday—bold for a first date, I admit, but when you know, you know.

The Arts and Crafts house was built by one of America's first interior decorators, Henry Davis Sleeper (1878-1934), as his family's summer retreat, and it is preserved as a museum by Historic New England. Little known but by decorative-arts enthusiasts and preservationists, the 1907 home and its eclectic irreverence feel timelier than ever.

At 14,200 square feet, clad in brick, stone and shingle, it is unmistakably a grand house. So imagine my surprise at stepping into a diminutive entry cocooned in homely Georgian wood paneling, a humor-

ously tiny portrait of George Washington presiding. The house's introduction evokes intimacy, wit and ease. Newport it's not.

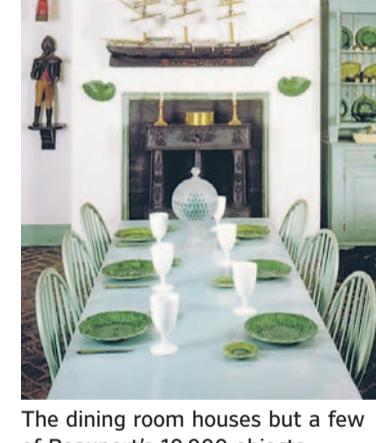
I stumbled into a stair hall dimly lit by a large arched window full of amber glassware. The effect is madcap-Victorian-ecclesiastical, a shrine to obsessive collecting. I turned around to see another George Washington, this time a sculpture converted into an iron stove.

"Henry Davis Sleeper came along and broke all the so-called rules of tasteful decorating," said Martha Van Koevering of Historic New England. "Edith Wharton established the rules in 'The Decoration of Houses,'" and a decade later Sleeper set the design world free." While Wharton's 1890s treatise schooled Americans in European-based taste, Sleeper's style valued personality over propriety. Clients included decorative-arts collector Henry Francis du Pont and the Vanderbilt family.

After admiring a circular Norman tower turned into a tiny library in which up-to-the-ceiling bookshelves surrounded a lone desk, I ducked into the China Trade room. Vibrant,

1780s, hand-painted Chinese wallpaper swaths the lofty parlor crowned by a gilt balcony. Forty-six rooms that swing between styles could cue seasickness, but Sleeper's intimate proportions and reverence for symmetry balance the ship.

Up a secret spiral staircase, I found the Belfry Chamber tucked under the eaves (above), the be-



The dining room houses but a few of Beaufort's 10,000 objects

witching bedroom that first turned my head. The hard-angled ceilings could easily feel claustrophobic, but Sleeper softened them with Zuber's Décor Chinois wallpaper. "By using a large pattern in a small room, you blur the boundaries of a space, making it feel larger," said North Carolina designer John Loecke, co-author of "Prints Charming" (Abrams). The paper's progressively sparser floral pattern opens the room to an imaginary sky. A folksy hooked rug creates a garden-like floor, and a handwoven wool coverlet nods to the textile traditions of 19th-century New England. Green glass abounds, and red accents vibrate just enough to enliven an otherwise placidly green space.

A delightful push and pull of informality appears in the nautically inspired Golden Step dining room. Mismatched Windsor chairs are anchored by a table, the set united with sea-foam paint. Rare thumbprint compotes by Bakewell, Pears & Co., appear like crystal buoys down the center of the table. Model ships and colored onion lamps, as well as the valance scalloped like waves that frames the waterfront view, affirm the maritime theme.

Shades of green, Sleeper's favorite color, show up throughout the house. "Green is actually a neutral," said Mr. Loecke. "In nature, it appears everywhere and goes with every color." I sense a green phase on my horizon, as well as a fearlessness in conjuring my own world.

"The house is a great lesson in creating collections from things you truly love," said Mr. Loecke. "It feels deeply personal." Sleeper's buoyant use of color and pattern is magic to eyes dulled by the blandification of tidying up.

THE MEDIATOR

Console Confrontation

THE CONFLICT

An intricately patterned, walnut credenza must take meals with a sputnik-legged glass dining table. Three décor pros suggest additional elements that could help this clashing duo get along



Contemporary Table from Made in Ratio, \$3,209, 1stdibs.com

Almeria Sideboard \$5,085, Safavieh, 212-477-1234



SOLUTION 1
Inject softness with upholstered curves. To temper the sideboard and tabletop's hard lines, New York designer Cece Stelljes chose chairs with a cushy contour. While the wood hue echoes the console, the gently bent seats relate to the table's delicate, curved legs. Felix Chair, \$933 each, [Apropos](http://Apropos.com), 212-684-6987



SOLUTION 2
Provide a unifying jewel-toned context. Bay-Area designer Cynthia Spence suggested Benjamin Moore's new Century line paint in Amethyst R6. The regal hue would make the table's jacks-like legs look more "jewelry-esque" and pair well with the console's walnut. \$125 a gallon, experiencecentury.com



SOLUTION 3
Add lamps that are both earthy and transparent. "The linen shade has the natural, bohemian vibe of the console," said San Francisco designer Emilie Monroe, who imagined the light atop the credenza. Its glass base visually alludes to the table top. Besla Table Lamp, \$353, luluandgeorgia.com —Eleanore Park

ADVENTURE & TRAVEL

DAY TRIPPER

Los Angeles Exit Strategy

The city's urban sprawl might seem endless. But just an hour away, you'll find these alternative landscapes, from a mountain bohemian to a tycoon's breezy island—SoCal escapes that are at their best in summer



CHEWING THE SCENERY
Gum-magnate William Wrigley bought Catalina Island in 1919 and commissioned many of its landmarks.

**Catalina**

Once a popular weekend getaway for dance-crazed youths and the stars of Golden-Age Hollywood, this laid-back island still packs some sun-drenched glamour.

Best for Families, nostalgia hounds, Chicago Cubs fans

What it has that L.A. doesn't An absence of car envy. Catalina regulates the number of automobiles allowed on the 76-square-mile island. Most everyone gets around on golf carts. To score one, step off the ferry at the main port of Avalon and you're a minute walk away from cart rental spots. Two hours is plenty of time to chug around the town's paved, occasionally precarious scenic trail—some stretches curve up into the hills hundreds of feet above the ocean.

Claim to fame Avalon Casino, the most iconic remnant of the days when William Wrigley, the chewing gum tycoon and principal owner of the Chicago Cubs, owned the island. He bought Catalina in 1919 and commissioned the casino. There's no

gambling on the premises—in Italian, *casino* means "gathering place." And when this 11-story Art Deco rotunda opened in 1929, it fulfilled that promise: Every weekend, thousands packed into the 12,000-square-foot circular ballroom to dance to big band music beneath an arched ceiling hung with Tiffany chandeliers. The ballroom's been restored, as has the opulent 1,200-seat movie theater below it—the first cinema ever to show talkies. First-run movies still screen there nightly. visitcatalinaisland.com

But don't miss The bison. A dozen or so of the animals were imported for a movie shoot back in 1924, and then left behind. The unlikely herd now numbers 150 and they're the star attraction of the Catalina Conservancy's jeep tours of island wildlife. catalinaconservancy.org

Essential fortifications Tucked on a side street just off Avalon's main tourist drag, C.C. Beau Deli sells cold-cut sandwiches, homemade pickles and bottles of wine from Rusack—the island's only vineyard. Carry it all a half-block to Avalon Bay for an upscale picnic. 117 Clarissa Ave. Later, spend happy hour at Descanso Beach Club, a short, palm-tree-lined stroll past Avalon Casino. For a \$2 fee, non-members can use a portion of the club's private beach cove, and, from 5 to 7 p.m., sip half-price froufrou tropical drinks at the beachside bar. 1 St. Catherine Way. visitcatalinaisland.com

If the ferry leaves without you Mt. Ada inn, once Wrigley's summer home, makes a fine place to bunk down. Non-guests are welcome to visit for the \$58 prix fixe lunch (reservations essential), served on a wraparound porch overlooking Avalon's marina. *Rooms from \$500 a night,* visitcatalinaisland.com.

Getting there From L.A., drive 40 minutes south to the Catalina Express ferry terminals in either Long Beach or San Pedro. The 75-minute boat trip to Avalon runs multiple times a day. catalinaexpress.com



Malibu's Hindu Temple is among the largest in the Western Hemisphere.

**Malibu and Topanga**

A sophisticated surf town and adjacent arty mountain village

for the architecture and incense-scented atmosphere but for the humble, tasty Indian fare served on weekends and holidays. A box lunch of aromatic rice and veggie curry will set you back a mere \$6. 1600 Las Virgenes Canyon Rd., malibuhindutemple.org. Later, splurge on dinner at Saddle Peak Lodge, where the menu spotlights wild game, and diners eat surrounded by dusty old books and taxidermy. 419 Cold Canyon Rd., saddlepeaklodge.com

After dark Theatricum Botanicum, a performing arts center nestled in the trees of Topanga, was established in 1973 by the late actor Will Geer (aka Grandpa on TV's "The Waltons"). It boasts a 299-seat outdoor amphitheater, enchanting regardless of what's on stage. 1419 N. Topanga Canyon Blvd., theatricum.com

Getting there From downtown L.A., Malibu and Topanga are a bit over an hour's drive west on the 101 freeway. Or take the 10 freeway to the Pacific Coast Highway with all the other rubberneckers; beware the notorious weekend traffic jams.



Malibu's Matador Beach.



Fingerprints, a music-geek wonderland.

Long Beach

A beachside city with an emerging arts district and a historic ocean liner.

Best for Cool cats, museum-goers, sea-voyage nerds

What it has that L.A. doesn't A hassle-free cultural zone. The East Village Arts District encompasses 12-or-so square blocks of cool independent galleries, clubs, bars, vintage stores and eateries, plus ocean breezes

and minus L.A.-size traffic jams and crowds. Start at Fingerprints record shop, a venerable music-geek wonderland (with a corner of used books). Then rent a bicycle from the bike-share rack across the street and check out the rest of the area via dedi-

cated bike lanes. 420 East 4th St., fingerprints-music.com

Claim to fame The Queen Mary, a retired British luxury liner launched in 1934 and now permanently anchored near the Port of Long Beach. The ship's been turned into a slightly gimmicky family attraction, but retains much of its old-world dignity: The promenade deck features original details and inlaid wood paneling. Even the engine room, with its analog gauges and gleaming brass instrumentation, feels classy. You can pur-

chase tickets for tours and exhibits, stay overnight in a cabin or just grab a drink at the elegant Sir Winston's—a fine-dining joint built into what was once the engineers' sleeping quarters. queenmary.com

But don't miss The Museum of Latin American Art (MOLAA), the nation's only museum dedicated to modern and contemporary art by Latinos. 628 Alameda Ave., molaa.org

Essential fortification

Long Beach is home to the

largest Cambodian community in the U.S., and Cambodia Town—a deceptively nondescript 20-block stretch of shopping plazas—is where many of them go to dine. Monorail serves everything from simple lemongrass chicken to a variation on the classic Cambodian noodle soup kuyteav, spiked with pig blood jelly. 2150 East Anaheim St., monoromcamboodianrestaurant.com

Getting there Long Beach

is a quick (for Southern California) 35-minute drive from downtown L.A.

ADVENTURE & TRAVEL

The Sport of The Irish

Pub crawls aside, visitors to Dublin rarely engage in outdoor pursuits. But the city's natural surroundings let you get your heart pumping in diverting ways

WHEN I WAS A KID, my family frequently visited my mother's Irish kin in County Meath, just outside Dublin. By the mid-1990s, my brother, sister and I—all school jocks back at home—would spend part of our holiday jogging to keep fit. Our relatives thought we were nuts. Back then, you'd rarely see a local running or biking *for sport*, at least not in County Meath. Outdoor activity, as I recall, was limited to pedaling an old bike to a neighbor's for tea and brown bread or to the local pub for a Guinness and music sessions.

These days, Dublin City seems to be flexing another muscle: Cyclists flood the streets, runners lope along park trails and, on the edges of this coastal metropolis, kite surfers dot the sky. Much of this new enthusiasm for outdoor recreation stems from a decade of government-funded fitness programs and infrastructure projects. "There's been increased investment in cycleways over the last eight years, part of a campaign to get Ireland more active," said Heather Boyle, communications officer for Cycling Ireland, the relevant governing body. "But adrenaline sports are really taking off too. People are suddenly aware of access to sports they hadn't even thought about, and what is right on the doorstep here."

—Brigid Mander



RUN FOR THE HILLS
Dublin, which wraps around the Irish Sea and sits just beneath the forested Wicklow Mountains, is a sprint away from any number of scenic running paths. Choose from countless adventure and trail races, most overseen by the Irish Mountain Running Association, which also organizes races throughout the year for those who thrive best when there's competition afoot ([check imra.ie](http://check.imra.ie) for race schedules). Among the prettiest mountain trails is the Wicklow Way (left), an 80-mile-long path that begins in Marley Park, 5 miles from the city center. For another quick fitness fix, hop on the Dart commuter train in central Dublin and head to Howth, a nearby peninsula with miles of spectacular seaside and cliff-top trails. For tips on other trails in the area, pop into one of the Dublin shops such as Run Logic in the city's Temple Bar district (3/4 Essex St. West, run-logic.ie), or poke around the Irish Trails website (irishtrails.ie).

ROLL PLAY

Cycling is suddenly "massive," as the Irish say. In this city of 1.2 million, some 95,000 people commute by bike daily. Chief among all the cycling shops springing up in Dublin is River Cycles, where owner Paul McQuaid, a former internationally competitive cyclist, will rent enthusiasts high-end road bikes (www.rivercycles.com).

Mr. McQuaid will also happily suggest routes, ranging from daylong efforts in the Wicklow Mountains to shorter coastal loops. If you'd rather hit the dirt, Tickenock, a recreational area at the Dublin Mountains' base, awaits to challenge you less than 10 miles from the city center. There, in the trail-head's parking lot, you'll find Biking.ie, a shop that offers full-suspension rentals (biking.ie). If you'd prefer to pedal docilely within the city limits, try Phoenix Park (below). Europe's largest enclosed park, it's spread across 1,750 acres and, once within its gates, you'll forget the city: Bike, run or simply stroll amid fields and old-growth woods while keeping an eye peeled for the herd of fallow deer.

**CRUNCHTIME**

Bootcamp Ireland has been teaching outdoor fitness classes in Dublin's Phoenix Park (see "Roll Play") since 2004 but participation has soared in the past few years said founder Lorraine Ho, who began offering a "Mommy Bootcamp" not too long ago to meet the demand. The standard sessions, loosely inspired by military-training techniques (a combo of cardio, circuit training, strength and conditioning), are held a few days a week in a field that, appropriately enough, abuts the park's Magazine Fort, an army outpost dating to the 1730s. From about \$18 per class, bootcampireland.com

WIND UP
A 10-minute drive from the congestion of Dublin's city center lies Dollymount Strand (above), a long, tranquil beach on northern Dublin Bay and one of Europe's prime kite-

surfing spots. French expats run Pure Magic, a stand-up paddle board and kite-surf school that's managed to convince a fair number of locals to brave the frigid Irish sea. Their reward? A wind-pow-

PADDLE FOR PUFFINS
Rough, chilly ocean water and uncooperative weather might deter novice sea kayakers, but more stoic types should seek out Shearwater Sea Kayaking, an outfitter based in coastal Howth (right), 10 miles from Dublin's city center. The company offers lessons for beginners and guides for advanced paddlers and expeditions that run from half-day outings to multiday camping and paddling trips. Short on time? Consider the evening excursion to Thulla Islet, home to colonies of puffins and seals. From about \$65 per half day, shearwaterseakayaking.ie



JOE LAUDIGAN (KITE SURFING); FRED VERDIER/RUN WILD RETREATS (RUNNING); ALAMY (KAYAKING, CYCLING)

Express Yourself

6 new nonstop flights that will shrink your world



MANY YEARS AGO I spent three weeks exploring Indonesia, but first I spent three days exploring the insides of drab airport terminals en route from New York. Today, New Yorkers can skip the layovers and make the trip via a new nonstop flight to Singapore and a short hop across the Strait of Malacca. And that's just one breakthrough in break-free travel: This year more international nonstop flights are jetting to places that once required depressing detours. "It's new technology and new aircraft that are making these routes possible," said John Grant, analyst for OAG, a publisher of airline schedules and research, adding that nimble, fuel-efficient planes like the Boeing 787 Dreamliner and the Airbus A350 are "really stretching the range of where we can fly." Efficiency has a glamour-factor, too—there's something thrilling about boarding a plane at 10 p.m., knowing that when you wake up you'll be halfway across the globe. Some of the game-changing flights departing from major U.S. cities this year:

New York-Nairobi on Kenya Airways

This 15-hour daily flight, launching Oct. 29, via a Dreamliner is the airline's first nonstop from the U.S., letting you avoid a layover in a crowded terminus like London Heathrow. The morning arrival in Nairobi is timed to get safari-goers to the country's game parks that afternoon. From Kenya Airways' hub airport you can also zip to Tanzania, Zanzibar and Mauritius. kenya-airways.com

New York-Manila on Philippine Airlines

You'll be that much closer to the archipelago's beaches and dive resorts when PAL starts flying five times a week nonstop from New York on Oct. 30, via a cutting-edge A350-900. The 16-hour trip will cut nearly three hours off the current flight, which stops in Vancouver. The airline is promoting

the launch with coach fares starting at \$749 round-trip and a premium-economy option from \$1,499 round trip, philippineairlines.com

Newark-Singapore, and Los Angeles-Singapore on Singapore Airlines

When Singapore Airlines reboots these nonstops on Oct. 11 and Nov. 2, respectively, it'll regain the world's longest flight title: 19 hours from Newark (and 17.5 hours from LAX). The airline dropped the services in 2013 due to rising fuel costs but this time it's using new energy-efficient A350-900s. Can't bear the idea of being stuck in a cramped coach seat for nearly a full day? You won't have to: The layout consists of only two classes, business class and premium economy. singaporeair.com

Chicago-Auckland on Air New Zealand

Starting Nov. 30, the New Zealand flag carrier will begin thrice-weekly service from the Windy City. At about 16 hours, it'll be the longest nonstop out of Chicago O'Hare. To ease claustrophobia on this antipodean slog, the airline's Dreamliner is equipped with a spacious premium economy cabin—and it also offers a "skycouch" in several rows of coach, giving family fliers extra space. airnewzealand.com

Los Angeles-Buenos Aires on American Airlines

As of Dec. 19, Southern California will get its first nonstop service to Argentina in many years when American starts flying the route three times a week via its newest Dreamliners. The 12-hour overnight flight departs L.A. in the afternoon and gets you in the following morning—plenty of time to rest up before your obligatory feast at one of the city's steakhouses. aa.com —Barbara Peterson