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# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

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## What's News

### Business & Finance

Alphabet's Google is wooing partners in China for a potential expansion there even as its search engine and Gmail remain officially blocked. A1

◆ Private-equity firms are increasingly lending to midsize companies, fueled by an influx of cash from yield-hungry investors. A1

◆ U.S. oil companies, primed to reap the benefits of rising prices after years of wringing more from wells for less, are seeing profits erode as costs rise. B1

◆ Digital currency Tether hasn't produced an audit showing it has the dollar reserves to back its approximately \$2.5 billion of coins in circulation. B1

◆ Bridgepoint is selling a minority stake in itself to Neuberger Berman unit Dyal to help finance the firm's expansion plans. B3

◆ Qualcomm reached a settlement with Taiwan over patent licensing that revokes a previous finding against the chip maker. B4

◆ Online mattress seller Casper plans to open 200 of its own stores in the next three years to parry competition from internet copycats. B3

### World-Wide

◆ Emerging-market investors are preparing for an unsteady start to the week after days of heightened rhetoric, renewed trade tensions and another slide in the Turkish lira. A1, A8

◆ The theft and pilot-directed crash of a plane in Washington state has highlighted continued weaknesses in airport security. A3

◆ White nationalists and counterprotesters rallied in Washington, D.C., on the first anniversary of violent clashes in Charlottesville, Va. A3

◆ Ex-West Wing aide Omarosa Manigault-Newman secretly recorded a conversation with White House chief of staff Kelly. A4

◆ Trump's lawyers believe they can weather a negative report by Mueller and are prepared to rebut any conclusions, Giuliani said. A4

◆ Leaders of five Caspian Sea nations signed an accord on resource ownership on the inland sea. A8

◆ A battle between government and Taliban forces for an important Afghan city intensified. A7

◆ Died: V.S. Naipaul, 85, Nobel laureate in literature. A7

### JOURNAL REPORT

#### The View From the Top

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## White-Nationalist Rally, Dwarfed by Protesters, Fizzles



**SPARSE RANKS:** A year after a violent gathering of white nationalists in Charlottesville, Va., Jason Kessler, center, led a march billed as a 'white civil-rights rally' in Washington. Fewer than 20 people joined Sunday as thousands turned out to protest the rally. A3

## Google Courts China Partners

By Douglas MacMillan  
in San Francisco,  
Shan Li in Beijing  
and Liza Lin in  
Shanghai

Google has been building a network of Chinese app developers, manufacturers and advertisers as it presses Beijing to let the internet behemoth introduce censor-friendly versions of its now-banned web services.

As part of a charm offensive under Chief Executive Sundar Pichai, Google has provided tools and support to a growing number of partners in the country that rely on the unit of Alphabet Inc. to reach global customers.

Those partners will likely prove crucial to a secretive project, dubbed "Dragonfly," in which Google is testing a mobile version of its search engine that would adhere to China's strict censors, people familiar with the matter said.

To convince the Chinese

government to allow such a move, Google can point to its local partners as examples of how the company contributes to economic growth. That is a contrast to its U.S. rival Facebook Inc., which also covets the China market but has had less success getting traction.

By working with local players, Google is building the case that it is boosting the country's economy, said Mark Natkin, managing director at Beijing-based industry re-

searcher Marbridge Consulting. "Chinese authorities want to support domestic champions as much as possible," Mr. Natkin said.

Even after Google retreated from China in 2010 in protest of government hacking and censorship, the company kept most of its staff in place and continued to operate businesses other than search. It now has more than 700 employees—roughly split between salespeople and engi-

Please turn to page A2

## Out of Syria's Chaos, A Tycoon Builds a Fortune

Samer Foz has managed to get rich without getting sanctioned

BY SUNE ENGEL RASMUSSEN AND NAZIH OSSEIRAN

HOMS, Syria—Fighting has reduced whole neighborhoods of Syria's third-largest city to ruins. The acres of scrap metal left behind are now being melted into rebar by a steel plant to rebuild demolished homes.

The plant is owned by Samer Foz, a tycoon who built a fortune out of a war that shattered his country.

In a country many businessmen fled as fighting raged, Mr. Foz stayed. He dealt with many sides in the conflict, distributing wheat to Islamic State-held territory and to Kurdish-controlled land. Running businesses that ranged from pharmaceuticals to cement, he stayed close to the government as well, and has lately been doing business with it.

Mr. Foz has managed the rare feat in

Syria's wartime economy of getting rich without getting sanctioned. As a result, he has become the Assad regime's most important conduit for business deals.

Mr. Foz plans to build skyscrapers on land in Damascus the regime forcibly acquired from opposition members. Earlier this year, he became the majority shareholder, alongside the government, in the capital's luxury Four Seasons hotel, where foreign officials stay as they try to provide humanitarian aid and uphold a diplomatic presence.

Along the way, the 45-year-old Mr. Foz has run afoul of the authorities in Turkey, and his relations with the regime have led some diplomats in the region to question why he is able to remain free of Western sanctions.

For the next stage of his career, Mr. Foz

Please turn to page A10

## The Latest Fad for Whiter Teeth Is to Turn Them Black

\* \* \*

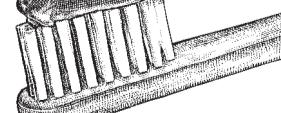
Beauty bloggers love testing charcoal toothpaste; 'goes with tattoos'

BY ANNE MARIE CHAKER

Rachel Funchess has a secret weapon to get her teeth really white. First she turns them black.

"I literally just got black goo everywhere," says the 19-year-old blogger from Greenville, S.C., as she demonstrates brushing with charcoal powder, black ooze seeping down her chin, in her YouTube video. "Things I thought I'd be posting on the Internet? Not this."

Charcoal is the new favor-



ite cleanser among white-teeth fanatics. Social media is jammed with videos of YouTubers spreading charcoal powders and pastes on toothbrushes, and laughing about the resulting messy black

smiles before a rinse reveals what they say are more pearly whites.

"It goes with tattoos and edginess and a feeling of 'I'm using this because I'm in the know,'" says Lu Ann Williams, director of innovation for Innova Market Insights, which tracks new food and consumer products. There were 131 food, beverage and personal-care products containing charcoal introduced last year, up 39% from two years earlier, she says.

Please turn to page A10

## Investors Focus on Turkish Lira's Fall

Higher U.S. tariffs on steel and aluminum increase uncertainty in currency markets

BY JACOB M. SCHLESINGER  
AND MICHAEL WURSTHORN

Emerging-market investors are preparing for an unsteady start to the week after a weekend marked by heightened rhetoric, renewed trade tensions and a deeper slide in the Turkish lira.

The lira sank to a record low on Sunday evening after collapsing last week. The currency is now down more than 40% this year, while bond yields have skyrocketed, pushing Turkey toward the edge of a financial crisis. Turkey's vulnerabilities include high levels of foreign-currency debt, a current-account deficit and rising borrowing costs.

President Trump on Friday doubled steel tariffs on Turkey as its government battled the currency collapse. The decision marked a departure for the U.S., which has generally tried to calm global markets during times of financial turmoil in emerging markets, especially when investors are gripped by fear of contagion.

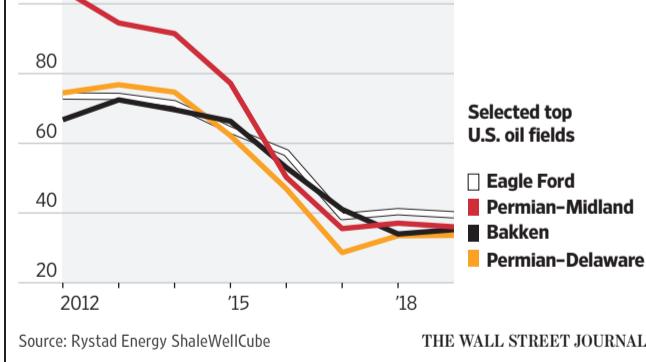
Mr. Trump raised tariffs on Please turn to page A8

◆ Erdogan blames U.S. for dispute..... A8  
◆ Emerging markets can withstand shock..... B10  
◆ Heard on the Street: Trouble unlikely to go global..... B10

## Drillers' Costs Rise With Oil Prices

The median crude-oil price at which producers can turn a profit drilling a new shale well fell rapidly during the commodities slump. It has since leveled off. B1

\$120 a barrel



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## Private-Equity Firms Push Into Lending

BY MIRIAM GOTTFRIED  
AND RACHEL LOUISE ENSIGN

Private-equity firms have long been some of the biggest owners of companies. Now they are vying to become some of their biggest lenders.

Fueled by an influx of cash from yield-hungry investors, buyout firms are now financing deals banks won't. In all, nonbanks—many private-equity firms—held more than half a trillion dollars worth of loans to midsize companies at the end of 2017, up from about \$300 billion in 2012, according to estimates by private-equity firm Ares Management LP.

The influx of money has led to intense competition for borrowers. On bigger loans, that has driven rates closer to banks' and led to a loosening

of credit terms. For smaller loans, "I don't think it could become any more borrower friendly than it is today," said Kent Brown, who advises mid-size companies on debt at investment bank Capstone Headwaters.

The market is poised to grow as behemoths and smaller outfits angle for more action. In December, KKR & Co. struck a partnership to create the largest business-development company, an investment vehicle dedicated to making business loans.

Blackstone Group LP and Carlyle Group LP plan to raise billions of dollars more dedicated to business lending. Apollo Global Management LLC and entities affiliated with it, already sizable players, have been buying and ex- Please turn to page A4

## U.S. NEWS

THE OUTLOOK | Paul Hannon

## Worries Weigh on Eurozone Growth



Europe's economy has slowed, and seems unlikely to bounce back strongly in what remains of a year that began with high hopes and then hit a series of setbacks.

With the eurozone economy facing capacity constraints as 2017 drew to a close, policy makers had hoped that optimistic businesses would go on an investment splurge.

But as confidence ebbs in the face of global trade tensions and other uncertainties—most recently Europe's exposure to a brewing economic crisis in Turkey—the currency area risks getting stuck in a low-growth groove.

"The euro growth cycle is in a phase when it needs more [capital expenditures]," said Shweta Singh, a managing director at economics consultancy TS Lombard.

"That's why the impact of the trade wars on sentiment is so worrying."

In January, Europe's manufacturers were more confident about their prospects than at any time during the near 40 years over which their sentiments had been recorded by the European

Commission.

They were operating at 84.5% of capacity, a level exceeded in only a handful of quarters since businesses were first surveyed in 1985. Policy makers expected them to respond by expanding.

Eight months into 2018, the optimism looks less justified. The eurozone has recorded two successive quarters of slowing growth and the number of people without jobs rose slightly in June. Exports have faltered, and higher energy prices are offsetting a modest pickup in wages, leaving households with little extra to spend on goods and services.

Between March and July, the 29 institutions monitored by Consensus Economics have cut their forecasts for growth in 2018 to 2.2% from 2.4%. That would be down from 2.6% growth in 2016 and contrasts with U.S. growth projections, which private economists have lifted to near 3% for this year.

Indicators of how the economy has performed since June suggest it won't quickly regain lost momentum. That has been most evident in the manufacturing sector, which led both the 2017 acceleration and the

## Losing Steam

Eurozone manufacturing confidence has declined this year.

## European Manufacturing Confidence Index



Source: The European Commission

THE WALL STREET JOURNAL

2018 slowdown. A July measure of activity derived from data firm IHS Markit's survey of 3,000 businesses was close to the 18-month low reached the previous month. Export orders and confidence have weakened.

"The survey responses indicate that the slowdown likely reflects worries about trade wars, tariffs and rising prices, as well as general uncertainty about the economic outlook," said Chris Williamson, IHS Markit's chief business economist.

For now, U.S. tariffs imposed on European exports of aluminum and steel in May affect a tiny slice of the economy. But even before those hit, demand from the U.S., China, Japan and other parts of Asia for European exports had eased, in part reflecting the euro's appreciation in 2017. While exports to China were up 20% in the first five months of 2017 compared with the same period a year earlier, they were up just 2.5% in the first five months of this year.

The eurozone's slowdown initially appeared to be due to temporary factors, including unusually cold weather in the early months of the year, coupled with a series of labor strikes and an outbreak of influenza that hit construction and manufacturing activity.

The slowdown now appears to reflect more persistent headwinds. The annualized growth rate of 1.4% recorded in the three months through June wasn't far off the 1.9% average since the eurozone returned to growth five years earlier. And that is in line with official estimates of the currency area's "speed limit," or the rate of growth it can sustain without generating too much inflation.

In addition to worries about the impact on confidence and investment of a trade spat initiated by the U.S., policy makers worry whether Italy's new coalition will press ahead with plans to cut taxes and raise spending.

Turkey is a new uncertainty. It is the European Union's fifth-largest market, a destination for nearly €100 billion (\$114 billion) in goods and service exports in 2017, including machinery and transportation equipment, according to the European Commission.

European confidence may rebound if the truce on Atlantic trade negotiated by President Trump and European Commission President Jean-Claude Juncker holds, and if Italy's government settles on a less expansive budget or Turkey stabilizes.

But damage has already been done. "The preliminary EU-U.S. trade negotiations are unlikely to be concluded before the fourth quarter and they could easily fail," said Oliver Rakau, chief German economist at Oxford Economics. "The increase in uncertainty is already constraining investment."

Should that continue, Europe will have missed a chance to raise its economic speed limit.

## ECONOMIC CALENDAR

**Tuesday:** China will release its monthly business-activities data. Investors will look for signs that rising trade tensions between China and the U.S. have hurt business and consumer sentiment.

Germany's economy slowed sharply in the first three months, thanks in large part to unusually cold weather, an outbreak of influenza and a series of strikes. Economists don't expect growth figures for the second quarter to be much better.

**Wednesday:** The Commerce Department releases July retail-sales data. Americans boosted their spending at retailers in June, capping a strong quarter of consumption that is expected to help ramp up growth. Economists will watch for continued strength in consumer spending, an engine of the economy.

The Federal Reserve releases data on industrial production for July. In June, this measure of output rose a seasonally adjusted 0.6% from the prior month. July's report will shed light on whether manufacturing sector growth continues.

**Friday:** Brazil's political tension goes up a notch, as presidential candidates will be allowed to start campaigning for the October election. Markets are watching for hints on how poll leaders would handle a fiscal crisis threatening the nation's solvency, potentially leading to volatility in currency and stock markets.

## U.S. WATCH

## CONGRESS

## GOP Rep. Collins Suspends Campaign

Republican Rep. Chris Collins of New York said he is suspending his re-election campaign amid insider-trading allegations that have derailed what had been viewed as a clear path to another term.

Mr. Collins said on his official campaign Twitter page that he plans to fill out the remaining few months of his term to ensure his district maintains its vote in the House.

Mr. Collins was arrested on Wednesday and charged with illegally sharing inside tips about an Australian biotech company, Innate Immunotherapeutics Ltd. Attorneys for the congressman said he would be exonerated.

Mr. Collins said the charges against him are "meritless."

—Vivian Salama and Kristina Peterson

## HAWAII

## Governor Prevails in Democratic Primary

Hawaii Gov. David Ige prevailed in Saturday's Democratic Party primary, according to preliminary results from the Associated Press.

At one point, Mr. Ige had

trailed his most well-known, well-funded challenger, U.S. Rep. Colleen Hanabusa, by 20 points, according to a March poll.

Mr. Ige is likely to recapture the governorship in November, given the state's overwhelmingly Democratic electorate.

He will face state Rep. Andria Tupola, who won the Republican primary Saturday.

—Alejandro Lazo

## PENTAGON

## Defense Secretary Backs Space Force

Defense Secretary Jim Mattis said Sunday he is satisfied that creating a space force as a separate military service is the right way to reorganize the Pentagon.

Mr. Mattis, who last year opposed moves in Congress to create a separate space service, said his emphasis then was on establishing a consensus about what the Pentagon's space problem is before recommending a way to fix it.

"I was not against setting up a space force," he told reporters flying with him to Brazil to begin his first tour of South America as defense secretary. "What I was against was rushing to do that before we could define the problem" that needed solving.

—Associated Press

## Google Plots China Relaunch

Continued from Page One

neers—across offices in Beijing, Shanghai and Shenzhen. That is up from about 500 since 2015, the year Mr. Pichai became CEO.

Mr. Pichai has been a frequent visitor to the region, meeting with top Chinese officials and encouraging businesses to use Google's free open-source tools like TensorFlow and Android—the mobile operating system that powers three-quarters of all Chinese smartphones.

Google's investments in China this year have included \$550 million for a 1% stake in local online retailer JD.com, along with investments in Chushou, a live video-streaming site and Manbang Group, a truck-hailing company.

Google has held talks for more than a year with local partners, including Tencent Holdings Ltd., about offering cloud-hosting services in China, said a person who was briefed on those talks. Under the scenarios that have been proposed, Google would sell software and hosting services that would run on a data center owned by a local company, the person said. The status of

the talks, which were earlier reported by Bloomberg, couldn't be determined.

A spokesman for Google declined to comment on the company's talks with Chinese partners. Tencent didn't respond to requests for comment.

Launching a search engine in China is far from certain and hinges on the approval of China's authorities, who frequently wield their power to block U.S. tech giants from entering the market and competing with homegrown rivals. The plan also faces certain backlash from critics back home; six U.S. senators have called the effort "deeply troubling" and said it risks "making Google complicit in human rights abuses related to China's rigorous censorship regime."

During an appearance at the Chinese government's annual cyberspace conference last December, Mr. Pichai said open-source software platforms like Google's Android mobile operating system are helping to spur innovation from companies like Chinese phone maker Xiaomi Corp.

"That's part of our goal when we develop these open-sourced platforms," Mr. Pichai said. "Anyone and everyone can take it and develop things at scale."

Google's recent efforts in the region are exemplified by Beijing-based smartwatch startup Mobvoi Inc., which re-

lies on Google's open-source software to power its line of watches and smart speakers. Its engineers build apps using TensorFlow, Google's free set of development tools for artificial intelligence. Mobvoi's

sales team targets users outside of mainland China by buying Google ads.

"It's not just software, it's an ecosystem," Zhifei Li, Mobvoi's chief executive, said of Google—also a minority investor in his startup.

Xiaomi and other Chinese phone makers don't pay Google to sell Android-based phones to customers in China. But increasingly, they do rely on Google services to help sell their phones to customers outside of China. Chinese manufacturers sell about 450 million phones to customers outside of China every year that are preinstalled with Google's standard suite of mobile apps, such as search, maps and email, according to Counterpoint Research.

By showing mobile ads and taking a cut of app store sales on these devices, Google may generate up to \$10 billion annually on phones made by Chinese partners, Counterpoint estimates.

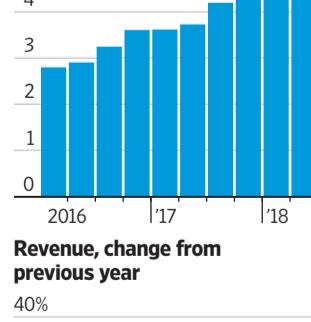
With no search engine, Google has fewer opportunities to show ads to Chinese users and lags far behind Chinese internet giants Alibaba Group Holding Ltd. and Tencent in the sale of ads shown within the country. But as more Chinese businesses use advertising to reach customers around the world, they are buying ads on Google and Facebook.

Google doesn't break out results from its China business

## Looking East

Google's ad business in Asia is expanding and growing faster than other regions combined.

## Asia-Pacific quarterly revenue



specifically, but reported sales of \$5.1 billion in its Asia Pacific region in the three months ended June 30. That amount grew 36% from the same period a year earlier, compared with 26% growth in Google's total revenue over the same period.

Google ads have become essential for Chinese businesses like Yamibuy.com, an e-commerce store that sells most of its goods to customers outside of the mainland, said Hans Tung, a partner at GGV Capital and investor in the startup.

Neo Niu, the founder of Chinese marketing company GrowthHash, said he relies on Gmail, Google Docs and Google Drive as his primary way of communicating with clients, half of which are outside of China. He pays for the business version of Google's apps and accesses them through a

virtual private network to skirt China's censors.

It would be impossible to replace those tools with ones available in China, Mr. Niu said. "You have to put yourself in a client's shoes—you have to use what they use."

—Yang Jie in Beijing

contributed to this article.

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## CORRECTIONS &amp; AMPLIFICATIONS

**The documentary** "Dionne Warwick: Then Came You (My Music)" airs on PBS starting Aug. 18. A Mansion article on Friday about the singer's childhood incorrectly said the documentary would air starting Aug. 4.

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

## U.S. NEWS

# Counterrally Drowns Out The Far Right

White nationalists draw few to a march in Washington, D.C., to mark Charlottesville

A heavily promoted "white civil-rights rally" near the White House on Sunday appeared to be a bust, with

*By Andrew Duehren  
in Washington and  
Cameron McWhirter  
in Charlottesville, Va.*

fewer than 20 attendees who were largely drowned out by thousands of counterprotesters gathering nearby.

Jason Kessler, the white nationalist who organized the rally, told the National Park Service he expected 100 to 400 attendees in an event scheduled to run from 5:30 until 7:30 p.m. EDT. But the white nationalists began their rally some two hours early and ended abruptly around 5

p.m., when Mr. Kessler and others were escorted away in vans by police.

The event had been planned for months and designed to mark the anniversary of last year's mayhem in Charlottesville, Va., in which white nationalists and their supporters clashed violently with counter-protesters. One counterprotester, Heather Heyer, was killed when a far-right protester drove a car into their group. Many others were injured, and two Virginia state troopers died when their vehicle accidentally crashed.

For Sunday's rally, held in Lafayette Square, District of Columbia police took no chances. Some officers were in riot gear, others on horseback. Metal barriers, dozens of police officers, and several yards separated the two groups.

"There were a lot of people who were at last year's rally who are very scared this year," said Mr. Kessler, who organized the Charlottesville rally



People in Charlottesville gathered Sunday to mourn Heather Heyer, killed a year ago when a far-right protester drove a car into her group.

in 2017 as well as Sunday's event. He added later, "I don't care about the turnout."

During his remarks, Mr. Kessler complained about immigration and members of minority groups. "If you bring in too many people at once, it's not the same country anymore," he said of the U.S. Sev-

eral other attendees, their faces covered by bandanas, declined to give their real names when interviewed.

Counterprotesters held several rallies nearby.

"It's important for me to stand up for what's right because there were people before me who stood up so I

could have opportunities," said Washington, D.C., resident Jamica McGill, 27.

Sunday in Charlottesville, marches and ceremonies were held in the morning and early afternoon. Susan Bro, Heather Heyer's mother, visited the spot where her daughter was struck by the car. She put

flowers on a pole for her daughter and for the two officers. Federal prosecutors charged a far-right sympathizer with a hate-crime act and numerous other charges. The man pleaded not guilty.

"I don't want other mothers to go through this," she said, crying.

# Plane's Thief Had No Training but on Videogames

SEATAC, Wash.—At first, air-traffic controllers didn't seem alarmed when Richard Russell climbed into the cockpit of a small airliner here Friday evening, spooled up its twin turboprop engines and

*By Andrew Tangel,  
Alison Sider, Andy  
Pasztor and Jay  
Greene*

trundled from its parking spot near a cargo area.

Ground-services workers like Mr. Russell sometimes shuttle planes between locations at the Seattle-Tacoma International Airport and other fields without promptly checking in with the tower as required.

This time, though, the 29-year-old, untrained as a pilot but with a penchant for airplane videogames, headed for the runway, opened up the throttle and roared into the air without clearance or a flight plan. It wasn't clear whether the theft was a joy ride, a hijacking, a terrorist attack or a suicide mission.

Mr. Russell flew for about an hour toward Tacoma over Puget Sound, a meandering trip punctuated by moves that included a roll and a flip and a soundtrack of calm, sometimes wistful radio exchanges with controllers trying to determine just what his motives were before he finally plunged to his death.

In Mr. Russell's more than three years at **Alaska Air Group** Inc.'s commuter arm, **Horizon Air**, his job at times required him to know how to operate an airplane's controls, to use its brakes, start its electric generator and use its radios to communicate with air-traffic control, according to a former supervisor. But it didn't include starting a plane's engines. On Friday, he did just that.

An air-traffic controller radioed the plane as it moved from a cargo area toward the runway without authorization.

"The Dash-8 on 16C, say your call sign," the controller said, according to independently recorded air-traffic control radio communications. There was no reply as the plane kept rolling.



Richard Russell stole a small airliner and flew toward Tacoma over Puget Sound, before crashing on an island, left.

*'I don't need that much help. I've played some videogames before.'*

Richard Russell, to air-traffic controllers

The Q400 version of the Dash-8 lifted off around 7:32 p.m. PDT.

The military was quickly alerted. Less than 10 minutes later, two F-15 jet fighters scrambled from Portland, Ore., and began dogging the plane, ready to shoot it down if necessary, according to a senior military commander familiar with the timeline.

Though Mr. Russell didn't have a pilot's license, according to his employer, he deftly performed a series of aerobatic rolls and steep dives with the 76-seat turboprop airliner that left experts and onlookers in awe, moves that would have been daunting for an experienced Q400 pilot.

Horizon Chief Executive Gary Beck called the moves "incredible maneuvers by the aircraft...I don't know how he achieved the experience he did." Mr. Russell's unlikely talent was one of many elements that added an extraor-

dinary quality to the tragic and frightening episode.

Also startling was the way he indicated he had learned to fly from computer simulations.

"I don't need that much help. I've played some videogames before," Mr. Russell told air-traffic controllers. Such computerized flight-simulator software could have depicted the same workhorse turboprop model he stole on Friday, said government and industry air-safety experts. It is widely available for purchase and can be run on normal home computers.

At another point, he said, "I know how to put the landing gear down." Then, apparently revealing suicidal intent, he added: "I really wasn't planning on landing it."

He also indicated familiarity with at least some of the controls and more than a cursory understanding of cockpit layout and aircraft operations, including a specific reference to the

system that regulates cabin pressure.

At other times Mr. Russell seemed in over his head. "That's all mumbo jumbo, I have no idea what all that means. I wouldn't know how to punch it in," he told controllers at one point.

The drama played out in skies over Puget Sound, south and west of Seattle, as people on the ground watched him loop and dive, at times afraid he would crash into them, according to accounts on social media.

Controllers tried to instruct Mr. Russell, to stay low, avoid populated areas and try to land the aircraft, according to unofficial air-traffic control audio. They brought in an airline captain to help talk Mr. Russell through the flight commands.

By 8:47 p.m. local time, air-traffic control had lost contact with him, according to Alaska Air CEO Brad Tilden. Horizon is an Alaska affiliate.

Pierce County Sheriff Paul

Pastor said the plane crashed on a small, sparsely populated island off the coast in south Puget Sound. On Saturday at 1:38 p.m. local time, Mr. Russell was pronounced dead.

Some who knew Mr. Russell were shocked by his actions.

"It may seem difficult for those watching at home to believe, but Beebo was a warm, compassionate man," family friend Mike Mathews said in a statement on behalf of Mr. Russell's friends and family and using a nickname for Mr. Russell.

"We are devastated by these events."

Horizon said Mr. Russell was hired in February 2015 as a ground-service agent and went through criminal background checks every few years. He wasn't known to have a criminal record.

The former Horizon supervisor described Mr. Russell as a friendly co-worker with a can-do attitude. "He was very good," the former supervisor said. "He was always out there. You never had to go looking for him."

Mr. Russell told the controller he wanted to apologize for what he did to the people he cares about.

"I would like to apologize to each and every one of them," he said. "I am just a broken guy, got a few screws loose, I guess, never really knew it till now."

—Jim Oberman

contributed to this article.

## Incident, Crash Expose Gaps In Airport Security

Friday's theft of a Horizon Air passenger plane from Seattle-Tacoma International Airport exposed the aviation vulnerabilities that persist even after efforts to enhance security following the Sept. 11, 2001, terrorist attacks.

Many questions about the incident—in which airline employee Richard Russell took off with the plane and then crashed on an island in the Puget Sound—remain unanswered. But experts say it will prompt a rethink of how to secure aircraft at airports.

**Alaska Air Group** Inc., Horizon Air's parent company, will examine what if anything needs to be changed, Alaska Chief Executive Brad Tilden said at a news conference Saturday: "It's far too early to say what additional procedures we might implement."

Airliners generally don't have locks on their doors or require keys to start. While there are procedures to secure aircraft, Mr. Tilden said the U.S. aviation industry generally focuses on securing airfields and then authorizes employees with proper credentials to work there.

"This is an airline, internal-security issue," said Jeff Price, a consultant on aviation security. "We need to get out of the traditional aviation-security mind-set, where we think that more screening and more surveillance and more cops will solve this problem."

Mr. Russell was part of a team whose duties include towing aircraft and was authorized to be in the area where the plane was parked.

"The doors to airplanes are not keyed like a car," Mr. Tilden said. "There's not an ignition key like there would be on a car."

—Andrew Tangel

and Robert Wall

# States Jump Into the Race for Commercial Spaceports

BY ARIAN CAMPO-FLORES

Camden County, Ga., played a bit part in aerospace history as home to a 1960s plant that built and tested NASA rocket motors. Now, county leaders want to revive that heritage with a new commercial spaceport.

"We can be part of the new space race in the 21st century," said Steve Howard, project leader and the Camden County administrator.

Companies like Jeff Bezos's **Blue Origin** LLC and Elon Musk's **Space Exploration Technologies Corp.**, or SpaceX, are investing millions of dollars and trying to lead the way

in a space gold rush. The Trump administration has emphasized a growing role for the private sector in space exploration and last week presented a plan for a sixth military branch dedicated to space.

Local and state officials across the U.S. are trying to get in on the action.

There are now 10 licensed commercial spaceports in the U.S., from Alaska to Florida, double the number in 2004.

Some of them grew out of existing government launch sites. At least two other proposed spaceports are under federal review: Spaceport Camden and Spaceport Colo-

rado, in Adams County, Colo.

Despite the enthusiasm, the commercial sector is still nascent.

Some facilities have hosted only a few launches, or none at all.

"I would caution against irrational exuberance," said Frank Slazer, vice president of space systems at the Aerospace Industries Association, a trade group.

The global space industry, including government and commercial activities, reached \$384 billion in 2017, compared with \$207 billion in 2007, according to Space Foundation, a nonprofit advocacy group. It could top \$1 trillion by 2040, Morgan Stanley Research esti-

mated last year. The U.S. space industry reached \$158 billion in 2016, the Federal Aviation Administration reported.

Private investment in com-

mercial space companies has swelled in the past decade, reaching a record \$3.9 billion world-wide in 2017, according to investment firm Space Angels.

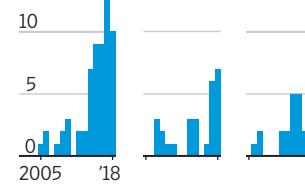
One expanding area: the creation of small rockets that can lift miniature satellites to low-earth orbit to provide internet coverage and other services.

Rocket Lab, a Huntington Beach, Calif., startup focused

on such launches, is considering contracting with spaceports in Alaska, California, Florida or Virginia for a U.S.

## Taking Off

Commercial spacecraft launches in the three most active states



Note: 2018 figures through Aug. 7. Launches include ones licensed and permitted by the FAA's Office of Commercial Space Transportation. Source: Federal Aviation Administration

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## U.S. NEWS

# Trump Poses Wild Card in Farm-Bill Talks

BY KRISTINA PETERSON

RUGBY, N.D.—With tariffs and an escalating trade war creating deep anxiety among farmers, both Democrats and Republicans from rural states are eager to pass a new farm bill before the current legislation expires at the end of September.

But a divide between the House and Senate bills over whether to tighten work requirements for food-stamp recipients could trip up negotiators now trying to work out a compromise. One of the biggest question marks is whether President Trump will insist that it include the more conservative provision from the House bill.

"I'd like to see the president be just like an old Missouri mule, just plop down and say, 'I'm not budging,'" said Sen. John Kennedy (R., La.), who supports the House's stricter work requirements.

Passage of the five-year program would deliver a crucial legislative accomplishment before November's midterm elections. That is particularly sought-after by Democrats running for re-election in conservative-leaning states, such as Sen. Heidi Heitkamp in North Dakota.

"The one thing we don't have right now in farm country is certainty on public policy," said Ms. Heitkamp, who gathered with her rural constituents at an event here Friday. "It's critical that we get a farm bill."

The farm bill couples federal support for farmers, including crop insurance and



JOSHUA LOTT/REUTERS

**The farm bill couples federal support for farmers, including crop insurance, with food-stamp benefits for the poor, elderly and disabled.**

payments to farmers when commodity prices or revenues drop below set levels, with food-stamp benefits for the poor, elderly and disabled.

The food-stamp program currently has work requirements for those between the ages of 18 and 49, although states can seek waivers.

The House bill, written by Republicans, would raise the upper age, requiring most able-bodied adults from the ages of 18 to 59 without young

children to work at least 20 hours a week. Those who aren't working would be required to take a minimum of 20 hours a week of new job-training classes, increasing to 25 hours in 2026.

The bipartisan Senate bill, which passed in an 86-11 vote in June, proposes less dramatic changes, mostly adjustments to streamline the program and stamp out fraud.

Mr. Trump has made clear he prefers the House version

but hasn't indicated how far he is prepared to go for a provision that many believe can't pass the Senate. The farm bill will need Democratic support in the Senate, where it needs 60 votes to clear procedural hurdles and Republicans hold only 51 seats.

"When the House and Senate meet on the very important Farm Bill—we love our farmers—hopefully they will be able to leave the WORK REQUIREMENTS FOR FOOD

STAMPS PROVISION that the House approved," Mr. Trump tweeted earlier this month. "Senate should go to 51 votes!"

Mr. Trump at one point was expected to threaten to veto a bill without the tighter work requirements, but lawmakers said he has yet to deliver such a warning.

For some farmers, the debate over food stamps feels less pressing than new difficulties posed by the tariffs Mr. Trump has levied, and those that other

countries have imposed in retaliation.

"I'm terrified of this trade thing. I lose sleep over it," Andy Fedje, a farmer in Rugby, N.D., who devotes about a third of his land to growing soybeans, said at a meeting convened by Sen. Heitkamp to discuss the farm bill.

Others in the state are split over whether food-stamp recipients should face more stringent work requirements. "We know what it's like to work hard," said Tim Ostrem, a grain farmer and construction worker from Rugby. "As cheap as our grain is, there's no reason anybody should go hungry," said Mr. Ostrem.

Justin Lommen, a welder from Devils Lake, N.D., and a Republican, said Mr. Trump should insist on the tighter work requirements. "There's a lot of people taking advantage of it that could be working—they choose not to," Mr. Lommen said.

For Ms. Heitkamp, crossing Mr. Trump carries political peril. The president carried North Dakota by 36 percentage points in the 2016 election.

She defended the Senate farm bill and its approach to food stamp work requirements at the farm-bill forum Friday morning.

Ms. Heitkamp's opponent in the Senate race, GOP Rep. Kevin Cramer, said he supports the House work requirements but expected the final bill to find some middle ground.

"At the end of the day, the most important thing is passing the farm bill," Mr. Cramer said.

## Giuliani Digs In On Probe

BY PETER NICHOLAS

President Trump's lawyers believe they can weather a "negative" report from special counsel Robert Mueller and are prepared to rebut the conclusions, Rudy Giuliani, one of Mr. Trump's attorneys, said in an interview.

Mr. Giuliani said the president is open to talking to Mr. Mueller under limited conditions but, in a new development, said Mr. Trump wouldn't sit for an interview after Sept. 1 because that could interfere with the midterm elections.

Last week, the president's lawyers sent Mr. Mueller a proposal indicating that Mr. Trump would take questions about collusion with Russia in the 2016 elections but not about obstruction of justice after he took office. Obstruction questions, his lawyers worry, could become a trap for perjury accusations. "I think we made the offer we can live with," Mr. Giuliani said.

Mr. Mueller's office declined to comment. Should he reject the offer, Mr. Mueller could subpoena the president, setting in motion a legal showdown.

"We certainly won't do [an interview] after Sept. 1, because we're not going to be the ones to interfere with the election," Mr. Giuliani said.

Should Mr. Mueller issue a report on the president's actions, even a critical one, Mr. Giuliani said, "I'd take that."

"A negative report gets it over with. We can answer it with, I think, a better report from us, and then we get to wait and see what happens in Congress."

Part of the report being prepared by Mr. Trump's attorneys rebuts accusations from James Comey, the Federal Bureau of Investigation director fired by Mr. Trump in May 2017, according to Mr. Giuliani.

One disagreement involves Mr. Trump's former national-security adviser, Michael Flynn. Mr. Comey has said Mr. Trump asked him not to pursue Mr. Flynn over contacts Mr. Flynn had with the Russian ambassador to the U.S. Mr. Giuliani said the president denies speaking to Mr. Comey about that.

The legal danger for the president, Mr. Giuliani said, is that if he testifies that he had no such conversation with Mr. Comey, the prosecutors could write a report alleging he lied under oath based on Mr. Comey's assertion that the discussion took place.

## Former White House Aide Recorded Kelly

BY ANDREW DUEHREN

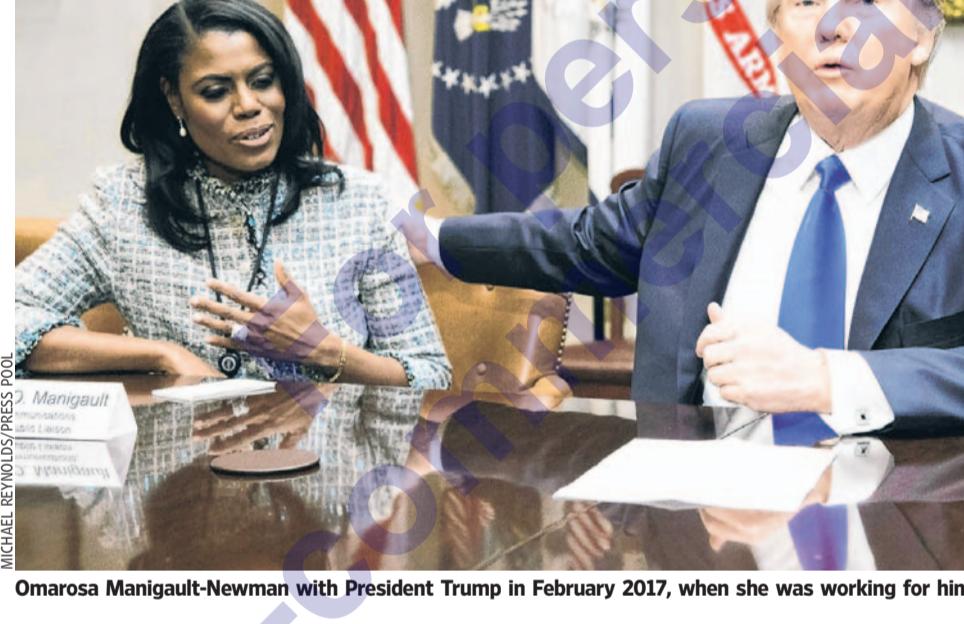
Omarosa Manigault-Newman, a former West Wing aide and reality-television star, secretly recorded a conversation she had with White House Chief of Staff John Kelly in the Situation Room, she said Sunday on NBC.

In the television interview, Ms. Manigault-Newman discussed her departure from the White House, saying she felt threatened by Mr. Kelly's approach to her while learning she was being removed her job.

"It's very obvious a threat," she said. "The chief of staff under the direction the president of the United States threatening me on damage to my reputation and things getting ugly for me. That's downright criminal."

NBC played the recording of Ms. Manigault-Newman's conversation with Mr. Kelly.

"I think it's important to understand that if we make this a friendly departure, we can all be, you know, you can look at your time here in the White House as a year of service to the nation. And then you can go on without any type of difficulty in the future relative to your reputation," Mr. Kelly said, according to



**Omarosa Manigault-Newman with President Trump in February 2017, when she was working for him.**

the recording.

Attempts to reach Mr. Kelly weren't successful.

White House press secretary Sarah Sanders denounced Ms. Manigault-Newman's comments in a statement Sunday evening.

"The very idea a staff member would sneak a recording

device into the White House Situation Room shows a blatant disregard for our national security—and then to brag about it on national television further proves the lack of character and integrity of this disgruntled former White House employee," Ms. Sanders said.

President Trump on Saturday called Ms. Manigault-Newman a "lowlife" when asked about her new book, for which she is making media appearances.

Staff members aren't usually permitted to carry cellphones or recording devices in the Situation Room, which is a

secure facility designed to allow for sensitive national-security discussions.

Ms. Manigault-Newman labeled Mr. Trump a racist who has "mentally declined."

"I was complicit with this White House in deceiving this nation," she said on the news show. "They continue to deceive this nation by how mentally declined he is, about how difficult it is for him to process complex information, how he is not engaged in some of the most important decisions that impacts our country."

Ms. Manigault-Newman didn't comment when asked whether she recorded other conversations in the White House.

During the interview with NBC's Chuck Todd, she also said she had listened to a tape in which Mr. Trump uses a racial epithet.

"When he talks that way, the way he did on this tape, it confirmed that he is truly a racist," said Ms. Manigault-Newman, who is African-American.

She said she had been asked to sign a nondisclosure agreement barring her from making negative comments about Mr. Trump and White House officials. She said she didn't sign the agreement.

## Private Equity Now Lending

Continued from Page One

panding lenders to get access to a broad array of deals.

Ares raised a record \$10 billion for middle-market lending in the second quarter alone. Overall, firms completed fundraising on 322 funds dedicated to this type of lending between 2013 and 2017, with 71 from firms that had never raised one before, according to data-provider Prequin. That compares with 85 funds, including 19 first-timers, in the previous five years.

"This is a seismic change in the marketplace," said Richard Farley, chairman of the leveraged-finance group at Kramer Levin Naftalis & Frankel LLP.

The boom in nonbank lending may help explain why business-loan growth at banks has been sluggish despite a strong economy. Nonbank commercial loans grew 7.5% in the first quarter from a year earlier, while bank loans in the sector were up 3.6%, according to an Autonomous Research analysis of Federal Re-

serve data.

Loaning money to companies with the lenders keeping the loans on the books, known as direct lending, is the latest way private-equity firms are encroaching on banks' turf. Banks shed many of their riskier businesses after the financial crisis due to new regulations and a desire to avoid the mistakes of the past.

Opportunistic and lightly regulated, private-equity firms have taken their place in parts of the middle-market lending market, shifting the risk—and the reward—of those loans out of the banking system.

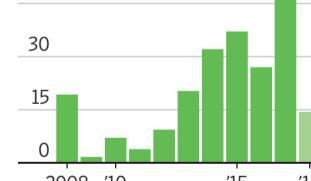
Durham, N.C.-based Eco-Site wanted a loan earlier this year to build hundreds of new cellphone towers. Wells Fargo & Co., the bank that kept Eco-Site's checking account, turned it down, saying it was too small and not profitable enough, Chief Executive Dale Carey said.

The private-equity-backed cell-tower operator instead borrowed \$50 million from Varagon Capital Partners, a direct lender founded in 2014 with backing from affiliates of private-equity firm Oak Hill Capital Partners and insurer American International Group Inc.

Varagon looked at Eco-Site's projections and deter-

### Open Pockets

Global annual direct-lending fundraising



\*2018 is year-to-date through the first quarter  
Source: Prequin

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mined the company was growing quickly enough, according to the lender.

Eager to diversify, private-equity firms have moved into real estate and hedge funds. As low interest rates have driven institutional investors to seek better yields than traditional bonds and Treasurys, direct lending is among private equity's fastest-growing businesses.

Direct lenders typically focus on borrowers with less than \$50 million in annual earnings before interest, taxes, depreciation and amortization, although borrowers can be larger.

Companies often turn to di-

rect lenders because they don't meet banks' strict criteria. A borrower may have a one-time blip in its cash flows, have a lot of debt or operate in an out-of-favor sector.

Sometimes borrowers use the money to expand. More often, they're being bought by private-equity firms and are using the loans to finance their own buyouts. The lending arms of private-equity firms regularly finance competitors' deals. Some fund their own buyouts, setting up the potential for conflicts.

Buyout firm Thoma Bravo needed \$230 million in debt to finance the acquisition and merger of two mileage-tracking software companies it announced in January. It didn't approach banks in part because the transaction was too complicated to get a good rate, according to people familiar with the matter.

Instead, it turned to TPG Sixth Street Partners, the credit arm of private-equity firm TPG, and Owl Rock Capital Partners, a direct lender founded in 2016 by alumni of Blackstone, KKR and Goldman Sachs Group Inc.

For institutional investors such as pension funds, direct lending has been a good bet. An index created by private-

markets adviser Cliffwater LLC to gauge the performance of middle-market loans before fees has returned 9.3% over the past five years.

Direct loans are typically floating-rate, meaning they earn more in a rising-rate environment. But borrowers ac-

customed to low rates may be unprepared for a jump in interest costs on what is often a big pile of debt. That risk, combined with increasingly lenient terms and the relative inexperience of some direct lenders, could become a bigger issue in a downturn.

Regulators like that banks are wary of lending to companies that don't meet strict criteria. But they are concerned about what is happening outside their dominion.

Joseph Otting, U.S. Comptroller of the Currency, said earlier this year: "A lot of that risk didn't go away, it was just displaced outside of the banking industry."

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## U.S. NEWS

# States Seek to Counter Fake Voting Instructions

BY ALEXA CORSE  
AND DUSTIN VOLZ

State officials say they have solid plans to guard election systems across the country from potential cyberattacks by foreign adversaries during this year's midterms. They are less sure how to counter another threat: online disinformation about how to cast a vote.

Election administrators are increasingly grappling with two kinds of threats. On one hand, they need to ward off cyberattacks on targets such as voting machines or registration databases.

U.S. intelligence officials say there is no evidence votes were altered during the 2016 election cycle.

Officials also want to prevent voters from becoming confused by deliberately false information—such as fake instructions on how to vote—distributed on the internet, particularly after alleged Rus-

sian interference in the 2016 campaign.

Officials said in interviews that the latter threat—disinformation—is harder to identify and block, and could undermine the electoral process in intangible ways by eroding voters' faith in the system.

"It doesn't actually have to change a vote, but it sows chaos and misinformation," said Vermont Secretary of State Jim Condos, a Democrat and president of the National Association of Secretaries of State.

Such efforts can come from domestic actors as well as foreign operatives, experts say, and it can be difficult to identify who is responsible.

In 2016, for example, some Twitter Inc. accounts pushed messages instructing Democrats to vote by text, which isn't allowed in any state. The accounts shared photoshopped images that resembled genuine get-out-the-vote

material produced by Hillary Clinton's campaign, including a "Paid for by Hillary for President 2016" advisory.

News reports flagged the fake material, and Twitter worked to remove it. The company later said those tweets didn't have "obvious Russian origin."

A Twitter spokesman said that the company has multiple Twitter accounts it can use to debunk disinformation about voting, citing tweets from 2016 and 2017 in which the company reminded users that they "cannot vote via text or tweet."

FBI Director Christopher Wray recently cited "criminal efforts to suppress voting" and "spreading disinformation" as examples of foreign influence the Federal Bureau of Investigation has seen and is working to counter. Mr. Wray was speaking at a White House briefing on election security attended by senior in-



Disinformation could undermine the electoral process by eroding voters' faith in the system, officials say.

telligence officials.

The Department of Homeland Security, with support from the Election Assistance Commission, has taken the lead in helping states improve the security of their voting systems, while the FBI is charged with countering foreign influence.

Mr. Wray said the FBI is investigating foreign-influence efforts across the country and is increasingly exchanging intelligence with state and local law enforcement and technol-

ogy companies.

Officials also said states and social-media companies sometimes must take the lead.

Representatives for Twitter and Facebook Inc. said they have taken steps against the deliberate distribution of false information.

Both said they have trained state election officials and candidates about best practices to secure their accounts, and that they are distributing accurate information about

how to vote.

Alabama Secretary of State John Merrill, a Republican, had to do damage control last year after a rumor spread on social media accusing Democratic Senate candidate Doug Jones's campaign of voter fraud in a special election.

Mr. Merrill's office investigated and concluded that the claim was unsubstantiated but wasn't able to identify who was responsible, an aide to Mr. Merrill said.

## Tensions Flare as Hackers Find Flaws in Election Machines

BY ROBERT MCMILLAN  
AND DUSTIN VOLZ

LAS VEGAS—Hackers at the Defcon computer security conference believe they can help prevent manipulation of U.S. elections. Some election officials and makers of voting machines aren't so sure.

That tension was front and center at Defcon's second-annual Voting Village, where computer hackers are invited to test the security of commonly used election machines. Organizers see the event as an early test of U.S. election security and a counterpunch to potential outside interference.

On the first day of the event, which ran through Sunday, hackers were able to swap out software, uncover network plug-ins that shouldn't have

been left working, and uncover other ways for unauthorized actors to manipulate the vote.

These hacks can root out weaknesses in voting machines so that vendors will be pressured to patch flaws and states will upgrade to more secure systems, organizers say.

Yet some manufacturers and security experts believe the hack-a-thon is unlikely to uncover the type of real-world issues that would come up in an election.

"Anybody could break into anything if you put it in the middle of a floor and gave them unlimited access and unlimited time," said Leslie Reynolds, executive director of the National Association of Secretaries of State.

Election Systems & Software LLC, a leading manufac-



Hacker Robert Ou tries to access a voting machine at Defcon.

turer of voting equipment, was reluctant to have its systems tested at the conference. The company played down the expected findings from the event in a letter to customers. Hackers "will absolutely access

some voting systems internal components because they will have full and unfettered access to a unit without the advantage of trained poll workers, locks, tamper-evident seals, passwords, and other security

measures that are in place in an actual voting situation."

In the letter, ES&S also warned election officials ahead of the conference that unauthorized use of its software violated the company's licensing agreements, according to a copy of the letter viewed by The Wall Street Journal. Voting Village organizer Jake Braun disagreed with this interpretation of the agreements.

The states and vendors are making a mistake by not participating in the voting village, which amounts to a thorough security test for any machine involved, Mr. Braun said.

ES&S had two employees attend Defcon to "learn about any ideas for enhancements to voting security," Monica Tesi, a spokeswoman for the company, said. Making voting

equipment available to "potential bad actors, foreign or otherwise," could harm national security, Ms. Tesi said, adding that Defcon has no security or identity requirements and that anyone who pays the \$280 registration fee can enter.

Dominion Voting, another voting machine maker, declined to comment and wouldn't say whether it had employees present at the hacking conference.

Mr. Braun disputed the assertion that the Voting Village hacking could threaten national security, saying it would be naive to assume that Russia wasn't already looking for voting system flaws. Representatives for Defcon didn't respond on Sunday when asked to comment on ES&S's criticism of its security policies.

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## WORLD NEWS

# Battle for a Key Afghan City Intensifies

Conditions worsen as government forces, in big test, fight Taliban for control of Ghazni

KABUL—The battle for a strategically important eastern Afghan capital deepened into a full-blown siege, as a third day of fighting between government forces and Taliban insurgents closed all roads to and from the city, supplies of food and medicine began running low, and corpses littered the streets.

By Craig Nelson, Habib Khan Totakhil and Ehsanullah Amiri

With hundreds of Taliban fighters arriving from neighboring provinces to join the fight, the military confrontation in Ghazni was becoming a crucial test of the progress of the U.S.-funded, armed and trained Afghan security forces, the main pillar of U.S. strategy to force the Taliban to the negotiating table and end the 17-year war, America's longest.

In a sign of the battle's rising stakes, the U.S. deployed a B-1 heavy bomber on Sunday as part of stepped-up air attacks in support of Afghan ground forces in and around the city, located 80 miles southeast of the capital Kabul. By late afternoon, it had carried out 10 airstrikes against Taliban targets, the U.S. military said.

After overrunning police stations and neighborhood government offices and de-



An Afghan national army officer stood guard on the highway in Ghazni province on Sunday, when heavy fighting closed the thoroughfare.

stroying television transmitters, Taliban fighters, reinforced by the arrival of 800 more militants from nearby provinces, were battling government forces late Sunday afternoon near the city's police headquarters and the provincial governor's residence, said Amanullah Kamrani, deputy head of the provincial council, and other local officials.

By nightfall, all but the east of the city was under Taliban control, including the enclave of Pakhtunabad, where the homes of most government officials are located, Mr. Kamrani said.

Increasing the isolation of the city's 143,000 people, electrical power in much of Ghazni was cut off, telephone service was limited and Taliban fighters continued to block traffic along the crucial highway that runs through Ghazni and links Kabul with Kandahar, the country's second-largest city.

There was no official confirmation of casualties. A senior Health Ministry official in Kabul said at least 100 people—civilians as well as members of the security forces—had been killed and hundreds of others wounded since the Taliban

launched their assault early Friday. But Zahir Faiez, a doctor who fled to Kabul from Ghazni early Sunday, said there were 114 dead civilians, police and soldiers and another 142 wounded in one hospital alone.

As the casualty toll appeared to soar on Sunday, hospitals were spilling over with dead bodies, corpses lay in Ghazni's streets and gunfire and shelling were preventing relatives from reaching cemeteries to bury their dead, the ministry official and local authorities said. Mr. Kamrani said residents unable to flee

before the roads became too perilous to traverse were holed up in their homes, growing hungry and thirsty.

"This is savagery," he said.

Earlier Sunday in Kabul, the Afghan army's chief of staff, Maj. Gen. Mohammad Sharif Yaftali, said all of Ghazni's key landmarks, including the governor's office, police headquarters and army bases, were under government control.

"We'll retake all areas of Ghazni in two days and stabilize the city," he said, attributing the security forces' measured movements to the need

to avoid civilian casualties and prevent damage to public property.

The U.S.-led international military coalition in Afghanistan was equally positive.

"The Afghan National Defense and Security Forces continue to hold their ground and maintain control of all government centers," said U.S. Army Lt. Col. Martin O'Donnell, spokesman for the U.S.-led international coalition in Afghanistan.

The Afghan army chief also accused the Taliban of committing war crimes, saying their fighters had stopped cars on the Kabul-Kandahar highway, hauled out their passengers and shot them. As with most allegations involving the fighting in Ghazni, this one couldn't be independently confirmed.

Recriminations flew as the fighting raged on Sunday.

Local politicians and residents and members of Afghanistan's parliament representing Ghazni and the surrounding province accused the government of ignoring months of warnings about deteriorating security.

Shah Gul Rezay, one of Ghazni's representatives in parliament, said she and other lawmakers from the area had met senior security officials, Chief Executive Abdullah Abdullahu and Vice President Mohammad Sarwar Danish 27 times in the past five months to express their concern about the Taliban threat to Ghazni.

"They refused to heed our warnings, and now you see the consequences," she said.

## U.S. Reviews Tariff Breaks Given to Poorer Nations

### Thai Pig Farmers Fear a 'Disaster'

The U.S. government said in May that it would review Thailand's eligibility for duty-free privileges under the U.S. Generalized System of Preferences following a petition from the U.S. National Pork Producers Council, which had complained that Thailand rarely grants licenses for American pork imports.

Swine federations from six Thai provinces responded to

the U.S. concerns in an open letter to President Trump, urging his administration to stop pressuring Thailand to accept U.S. pork while the country's domestic market was overflowing with supply.

"This will bring unimaginable disaster to Thai pig farmers," they said in the letter.

In 2017, Thailand exported about \$4.2 billion of goods under the GSP program, around 13% of its total exports, to the U.S.

A decision on Thailand's GSP status is pending.

The tool the U.S. has used is a program known as the Generalized System of Preferences, or GSP, initiated in 1976 to aid development of poor countries by granting them duty-free treatment on thousands of goods. It provides favorable treatment to 121 countries.

The USTR has always had legal authority to review a coun-

try's eligibility. In recent decades its reviews almost always involved petitions from outside groups and tended to focus on issues like child labor or human rights.

Beginning in October the administration began a new "proactive process," in the words of U.S. Trade Representative Robert Lighthizer, with an eye to



U.S. pork producers petitioned to have Thailand's eligibility for a tariff-reduction program reviewed. Above, a farm in Iowa.

\$2.2 trillion in imports.

Indonesia has been accused of implementing an array of trade and investment barriers that had "serious negative effects" on U.S. business, USTR said in April. About \$2 billion of Indonesia's \$20 billion in exports came in under the program in 2017, including machinery and chemicals.

In late July, a team of senior Indonesian government officials including Trade Minister Enggartiasto Lukita traveled to Washington to plead the country's case for remaining within the program. A decision is pending. The Indonesian Trade Ministry didn't respond to requests to comment.

India's eligibility in the program is also being reviewed because of market-access concerns. The U.S. dairy industry and the U.S. medical device industry say they face trade barriers. About \$5.6 billion of India's \$49 billion in exports come to the U.S. through the program.

## Novelist Dissected Colonial Experience

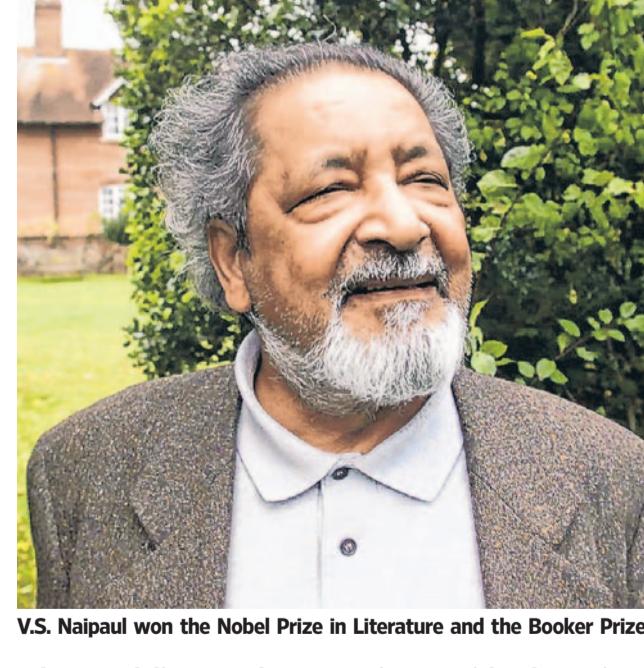
By BRENDA CRONIN

V.S. Naipaul chronicled the colonial experience in haunting prose that combined a writer's lyricism with an anthropologist's scrutiny.

A relentless and cool observer, Mr. Naipaul watched and detailed both violent revolutions in the streets and the subtler warfare indoors ignited by class distinctions and immigration. The author's contemplative craft contrasted with his occasionally operatic personal life, which included two marriages and a number of prickly standoffs with other writers.

Mr. Naipaul, author of the 1961 novel "A House for Mr. Biswas" and other works, died on Saturday at his home in London, his family said. He was 85 years old. His fiction and nonfiction earned the most exalted laurels in letters, including the 2001 Nobel Prize in Literature, the 1971 Booker Prize and a knighthood.

Within hours of Mr. Naipaul's death, tributes flowed in from around the world, remembering a towering figure in letters as well as something of a lightning rod. Prime Minister Narendra Modi of India on Twitter called the author's death "a major loss to the world of literature." Author



V.S. Naipaul won the Nobel Prize in Literature and the Booker Prize.

Salman Rushdie tweeted, "We disagreed all our lives, about politics, about literature, and I feel as sad as if I just lost a beloved older brother. RIP Vidia." Born into a family of Indian immigrants in Trinidad, Vidiadhar Surajprasad Naipaul left the West Indies as a young man to be educated at Oxford. He adopted England as his home but moved around the world for months at a time, plumbing questions of identity and immigration.

Mr. Naipaul was an unapolo-

getic maverick who resisted sentimentality yet prized history. Although withering when recalling the Trinidad where he grew up, he mined the region and his parents' experiences for some of his most celebrated works. His 1975 novel, "Guerrillas," contains savage descriptions of life in a Caribbean nation convulsed by political and moral mayhem.

With "A House for Mr. Biswas," Mr. Naipaul cemented his name as a novelist for the ages. While working on the

title character sees a home representing far more than a roof over his head. Mr. Naipaul wrote in the novel: "And there was his hope that living in a new house in the new year might bring about a new state of mind. He would not have moved if he had been alone, for he feared solitude more than people."

Mr. Naipaul's writing often blends menace and dark wit, a literary cocktail that he discovered while a teenager in the work of Evelyn Waugh, the author of "Decline and Fall," "A Handful of Dust" and other novels. Although hopelessness pervades Mr. Biswas's existence, Mr. Naipaul also exposes the humor in his character's misfortune.

In addition to writing novels such as "A Bend in the River" and "The Enigma of Arrival," Mr. Naipaul delved into journalism and essays.

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## WORLD NEWS

# Erdogan Blames U.S. for Dispute

Confrontation with Trump administration takes financial toll as Turkish leader digs in

By DAVID GAUTHIER-VILLARS

ISTANBUL—Turkish President Recep Tayyip Erdogan's rejection of U.S. demands to immediately free an American pastor has burnished his reputation at home as a strong-willed leader, but the financial costs are already proving to be steep.

The dispute with the U.S. and concerns over Turkey's ability to access vital foreign funding at a time when investors have grown more cautious on emerging markets have snowballed, causing panic on currency markets on Friday, when the lira plunged to its lowest level.

The financial cost, including a 40% drop in the lira's value against the dollar so far this year, could force Mr. Erdogan to seek compromise. In recent years, Mr. Erdogan has had serious run-ins with the leaders of Germany and Russia before normalizing relations. Last month, Turkey and the Netherlands turned the page on a yearlong diplomatic row that had led both countries to withdraw their ambassadors.

"That's typically been the pattern with Mr. Erdogan," said Asli Aydintasbas, a senior fellow with the European Council on Foreign Relations. "He does tend to be very daring and pushes the envelope



Turkish President Recep Tayyip Erdogan said Turkey was prepared to shun the U.S. currency.

but, in the end, he does come back to a more pragmatic place. The question is how much damage there will be until that moment comes."

In a series of speeches over the weekend, Mr. Erdogan blamed the U.S. for stoking confrontational relations. He said President Trump's decision to impose sanctions and tariffs on Turkey after months of negotiations failed to free the American pastor, Andrew Brunson, risked jeopardizing decades of partnership between the two allies.

The Turkish leader said the dollar was tantamount to a

"missile" launched as part of an economic attack on Turkey, adding that Ankara was preparing to shun the U.S. currency when trading with countries such as China and Russia.

"Mr. Erdogan is trying to improve his bargaining position with Washington," said Suat Kiniklioglu, an analyst at Sweden's Institute for Security & Development Policy and a former executive member of Mr. Erdogan's ruling party. "If he sees an acceptable deal, he is capable of making a U-turn."

In a sign that Turkish authorities may try to draw a

line under the lira's fall and prevent a chaotic reopening of markets on Monday, Finance Minister Berat Albayrak—Mr. Erdogan's son-in-law—said the government had prepared a plan to restore calm.

"All measures and action plans are ready," he told Turkish newspaper Hurriyet late Sunday. "Our institutions will take the necessary actions as of Monday morning."

Mr. Albayrak's comments pointed to a possible decision by the central bank to increase interest rates. Analysts have questioned how much leeway the central bank had left to act

in full independence after Mr. Erdogan gave himself the sole power to appoint the governor and other key officials.

The president has repeatedly voiced his opposition to high interest rates, saying they stifle investment and growth while rejecting mainstream economic views that they can help tame inflation.

Any further collapse in the lira could knock down the Turkish economy, analysts say, because large banks and big businesses, which have borrowed heavily in dollars or euros, often collect the bulk of their revenue in local currency, and would struggle to meet repayment deadlines.

Several large Turkish conglomerates have already run into difficulties. In May, Yildiz Holding, a food-and-retail company, rescheduled an estimated \$5.5 billion in debt, pledging some of its assets as collateral. On Wednesday, privately held Dogus Group, which operates in construction, finance, tourism and media, said it was in advanced talks to refinance an estimated \$6 billion in debt.

The government has relied on a guarantee fund to convince banks to keep lending, especially to small businesses, a core constituency among the Turkish voters who powered Mr. Erdogan to a new five-year mandate in June.

But the fund is nearly exhausted, and analysts warned that even if the government raised its ceiling, banks would strain to raise the funds to issue more new loans.

## ROMANIA

## Thousands March Against Corruption

Tens of thousands of Romanians took to the streets of the capital over the weekend in anti-corruption protests, as opposition politicians warned the health of the country's young democracy was at risk.

Police fired tear gas and water cannons to disperse demonstrators on Friday, saying they acted to protect public safety. More than 450 people were injured.

"We want to stop seeing thievery, stupidity. We want normality," said Elena Enescu, a physics professor who joined protests on Saturday.

Leading figures in the governing Social Democratic Party have been indicted and, in some cases, convicted on corruption allegations. The party says the charges are politically motivated.

Opposition politicians have called on the European Union to intervene after the government in July dismissed the country's chief anticorruption prosecutor, who had filed thousands of corruption-related charges against officials.

—Drew Hinshaw  
and Liana Femesanu

## WEST AFRICA

## Mali Holds Runoff Vote for President

Malians voted in a second-round election between incumbent President Ibrahim Boubacar Keita and opposition leader Soumaila Cissewill. Sunday's polls in this sprawling West African nation had low turnout amid threats of violence by Islamist extremists.

The chairman of Arkodia village in the north Niafunke commune in Timbuktu region was killed, four election workers were physically harassed and the polling station there was burned, according to the Citizen Observation Pool of Mali, which had more than 2,000 observers. The organization reported several incidents on Sunday.

Two polling stations were burned in Keltamba and election officials were harmed by gunmen in Ngouma commune in central Mali, observers said.

In north and central Mali, more than 50 polling stations had closed before noon because of the threats by extremists in those regions, the organization said.

Mr. Keita, 73 years old, received 41.7% of the vote in the first round from a field of 24.

—Associated Press

## UNITED KINGDOM

## Shooter at Carnival Leaves 10 Injured

Ten people, including two children, were injured when shots were fired after a Caribbean carnival in the northern English city of Manchester.

Greater Manchester police said one man is in stable but serious condition at a local hospital with injuries to his legs. The other nine people are being treated for pellet-type wounds suffered in the shooting, which was reported at about 2:30 a.m. Sunday.

Chief Superintendent Wasim Chaudhry said authorities' hypothesis is that the pellets came from a shotgun discharge.

—Associated Press

# Lira's Fall Increases Concerns

Continued from Page One

Turkish steel imports to 50% and aluminum to 20%. The decision deepened the lira's drop and worsened market fears that the weaker currency could exacerbate fragilities in the economy, making it harder for the heavily indebted corporate sector to pay back domestic and foreign loans, putting strains on the country's banks.

Countries like Turkey that are experiencing economic turmoil usually get sympathy from the rest of the world, said Torsten Slok, chief international economist for Deutsche Bank.

"It is rather unique with an emerging market which not only faces a domestic macroeconomic crisis but also an external political conflict with the main shareholder of the [International Monetary Fund]," he said.

White House officials said the tariffs were intended to boost the domestic steel and aluminum industry. The moves followed a series of actions the administration has taken in recent weeks to step up economic pressure on President Recep Tayyip Erdogan of Turkey to release U.S. evangelical pastor Andrew Brunson, who has been detained in Turkey on espionage charges since October 2016.

White House and Treasury officials declined to comment about the administration's broader strategy toward global currency-market instability, or about the economic considerations behind the increased tariffs.

As a new trading week begins, investors are watching how emerging-market currencies react, as well as foreign government debt for signs of contagion. Turkey represents about 1.5% of global gross domestic product, so ripples from the country aren't expected to be severe, Mr. Slok said.

The dollar climbed to as high as 7.131 to the lira in Asia Pacific trading hours, rising by as much as 10%.

In the event of contagion, Turkey's economic misfortune would likely hit its closest neighbors who are most fragile first, some market analysts said. The impact has been felt in Argentina and Brazil, as well as Russia, added Brad McMillan, chief investment officer for Commonwealth Financial Network, in a recent note to investors.

Finance Minister Berat Albayrak—Mr. Erdogan's son-in-law—said on Sunday the government had a plan to restore calm. "All measures and action plans are ready," he told Turkish newspaper Hurriyet. "Our institutions will take the necessary actions as of Monday morning."

Mr. Erdogan lashed out at the U.S. over the weekend.

Delivering several speeches

### Feeling the Pain

Worst 52-week declines in G-20 currencies in the past decade. Dates are when each currency hit its trough.

Russian ruble	Dec. 16, '14	-51.8%
Turkish lira	Aug. 10, '18	-45.0%
Argentine peso	Feb. 29, '16	-44.9%
Brazilian real	Sep. 23, '15	-42.9%
South African rand	Oct. 22, '08	-42.9%
South Korean won	March 2, '09	-39.8%
Australian dollar	Oct. 27, '08	-34.7%
Pound sterling	March 11, '09	-31.6%
Mexican peso	March 2, '09	-30.8%
Canadian dollar	Oct. 27, '08	-26.4%

Note: As of Aug. 10

Source: Thomson Reuters

THE WALL STREET JOURNAL.

in Turkey, Mr. Erdogan said Mr. Trump's decision to impose sanctions risked jeopardizing decades of partnership between the two military allies in the North Atlantic Treaty Organization. He dismissed the lira's plunge as not reflecting Turkey's economic reality.

"What is the reason for all this storm in a tea cup? There is no economic reason for this....This is called carrying out an operation against Turkey," Reuters quoted him as saying.

In a formal proclamation of the tariffs issued Friday night—nearly 12 hours after the president first announced it on Twitter—the White House said the action was taken because the original global tariffs hadn't done as

much as the administration had desired to boost domestic production of steel and aluminum. The statement didn't explain why Turkey alone was hit with the higher tariffs.

Administration officials said the higher tariffs were unrelated to Mr. Brunson's situation. However, in his tweet announcing the move, Mr. Trump seemed to link the tariffs to soured ties between the two nations, suggesting a willingness to impose trade sanctions as a lever in pursuit of unrelated U.S. diplomatic goals.

"President Trump's refusal to accommodate Turkey is a remarkable departure from previous policy practices," said Jack Ablin, chief investment officer at Cresset Wealth Advisors.

Over three decades of periodic currency storms, "the market's underlying assumption was that the U.S. would try to be helpful" during periods of extreme foreign-exchange volatility, said Shahab Jalinoos, head of global currency strategy at Credit Suisse Group. "Now the market can no longer assume that."

Foreign-exchange collapses can be perilous for emerging markets, particularly when they have borrowed heavily in dollars and thus find it harder to repay those debts as their own currencies fall.

Under his America First platform, Mr. Trump has broken with a longstanding bipartisan consensus that Washington's mission was to take the lead in expanding, strengthening and stabilizing commercial and financial ties across countries—and that such globalization was broadly in the U.S.'s self-interest.

The tariffs Mr. Trump said he was increasing were imposed this year, not just on Turkey but also on virtually every metals exporter. The administration imposed tariffs of 25% on steel and 10% on aluminum by invoking a little-used Cold War-era law that allows presidents to block imports he deems a threat to U.S. national security.

Many countries retaliated with their own tariffs on U.S. exports. Among them was Turkey, which in June put import taxes on \$1.8 billion of U.S. coal, paper, walnuts, tobacco and other products.

Leaders of five Caspian Sea nations signed an agreement that aims to settle a longstanding dispute over ownership of oil and gas reserves on the landlocked body of water.

By Ann M. Simmons  
in Moscow and Benoit Faucon in London

Caspian reserves as of 2012 were estimated at 48 billion barrels of oil and 292 trillion cubic feet of natural gas, said the Energy Information Administration, a branch of the U.S. government, indicating that Sunday's deal could trigger a surge in exploration and the construction of new pipelines.

Specific details of Sunday's deal—which the presidents of Russia, Kazakhstan, Iran, Azerbaijan and Turkmenistan signed at a summit in Aktau on Sunday—weren't revealed, but details from an early draft of the agreement published in June by the official Russian news agency, Tass, outlined certain key provisions. They include defining and

regulating "the rights and obligations of each of the countries with respect to the use of the Caspian Sea waters, bottom, subsoil, natural resources and airspace over the body of water," the agency reported. The agreement also establishes that territorial waters not ex-

ceed 15 nautical miles in width, sets up a fishing zone with a width of 10 nautical miles, next to the territorial waters, and allows each party to "lay submarine cables and pipelines along the bottom of the Caspian Sea," Tass reported.

Over the past decade, major

oil companies have made massive investments in the world's largest enclosed inland body of water by area. The sea holds Kazakhstan's giant Kashagan oil field, the world's most expensive oil project with costs of more than \$50 billion since 2000. With shareholders in-

cluding Italy's Eni SpA, France's Total SA, Anglo-Dutch company Royal Dutch Shell PLC and Exxon Mobil Corp. of the U.S., it started producing in 2016 after 16 years of development. It also contains Azerbaijan's largest natural-gas field, Shah Deniz gas field, operated

by the U.K.'s BP PLC.

Russian President Vladimir Putin, whose nation has helped push forward work on the agreement since 1996, praised the teamwork involved in Sunday's accord and called the agreement "a very big, important, significant event," the Kremlin press service reported.

"The signing of the [agreement] opens a new stage in the relations between the Caspian states, [and] allows us together to ensure the prosperity and dynamic development of our common region," he added.

President Hassan Rouhani of Iran, which has the shortest length of Caspian shoreline, was quoted as saying the drawing of boundaries of the seabed would still require further agreements, although Sunday's convention provided a good foundation. Tehran has challenged the Caspian Sea ownership issue since the demise of the Soviet Union, when former Soviet republics Turkmenistan and Azerbaijan that border Iran became independent states open to new negotiations.



Five Caspian leaders, including Iran's Hassan Rouhani, second left, and Russian President Vladimir Putin, second right, in Aktau, Kazakhstan.

ALEXEI NIKOLSKY/SPUTNIK/PRESS POOL

Leaders of five Caspian Sea nations signed an agreement that aims to settle a longstanding dispute over ownership of oil and gas reserves on the landlocked body of water.

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## WORLD NEWS

# Window Closing On Abe's Bid to Embrace Military

BY BYRON TAU

TOKYO—Prime Minister Shinzo Abe is running into the political realities of a resistant public and a rapidly closing window of opportunity as he embarks on a push to amend Japan's pacifist constitution.

The ruling Liberal Democratic Party is expected in the fall to begin drafting language that would formally recognize the Self-Defense Forces in the constitution, as Mr. Abe has proposed. Article 9 states that "land, sea, and air forces, as well as other war potential, will never be maintained."

Amending the constitution requires two-thirds support in both houses of Parliament, followed by a referendum in which a bare majority would suffice. The LDP controls parliament with support from a smaller coalition ally, but it is unclear if Mr. Abe's partners would back the proposal.

A bigger challenge would be the referendum, and the LDP wants to build more public support for the proposal before moving ahead. Many in this conservative country—where World War II memories run deep—are wedded to the country's pacifist ways, and polls suggest a majority aren't ready for Article 9 to change.

"There is still a very strong sentiment among the Japanese population who are against any form of military expansion," said Hiroyuki Hosoda, who leads the ruling party's amendment effort. Nonetheless, he says, "the world has changed. Japan is an advanced nation. There is no merit whatsoever in starting a war."

Japan has had a de facto military since the 1950s known as the Self-Defense Forces, and the changes sought would explicitly authorize those forces. Backers say change would send a mes-

sage about Japan's readiness to defend itself as the U.S. is re-evaluating its defense commitments and China is flexing its muscles in the South China Sea.

The political calendar is crowded and doesn't offer the LDP much time to take on a divisive public campaign. A new emperor is set to take the throne on May 1, 2019, and Tokyo is hosting the Summer Olympics in 2020—moments of national unity that the LDP is unlikely to want to upstage.

On Sunday, Mr. Abe urged his party to move swiftly on constitutional revision, saying it should submit its plan to parliament this year. "We can't just keep discussing this forever," he said. He has said he wants to enact the change by 2020.

The constitution, which took effect in 1947, was written by the U.S. during its postwar occupation and was never modified. The LDP has tried to change it since the 1950s, when Mr. Abe's grandfather, Nobusuke Kishi, was premier.

—Peter Landers contributed to this article.



Shinzo Abe wants to amend the pacifist constitution.



The scene of a shooting on Friday in the eastern Canadian city of Fredericton that left two police officers and two civilians dead.

KEITH MINCHIN/THE CANADIAN PRESS/ASSOCIATED PRESS

# Canada Shootings Spur Gun Debate

BY VIPAL MONGA

TORONTO—A spate of gun violence in Canada, including a shooting last week that left four dead, is fueling calls to strengthen gun laws in a country that has been largely free of the mass shootings that afflict the U.S.

Two police officers were killed in the shooting in eastern Canada on Friday, three weeks after a mass shooting in Toronto killed two people and injured 13 others.

"These are warning signs, and you need to nip it in the bud," said Toronto Mayor John Tory, who has called for a handgun ban in the city.

There have been 241 shootings in Toronto this year as of Aug. 5. That is more than double the 110 shootings during a similar period in 2014, according to police.

Though Canada's laws are more restrictive than in the U.S., gun control proponents say a loosening of rules under

a prior conservative government has led to a surge in gun ownership and more shootings. Many advocates are calling for a return to the rules of the past, along with more aggressive restrictions.

The government, led by Liberal Prime Minister Justin Trudeau, said last month it would consider banning handguns. Meanwhile, his government is shepherding a bill through Parliament that would toughen gun-license background checks and demand that vendors keep detailed records of all sales for 20 years. There is now no requirement for gun sellers to track sales.

Almost 70% of Canadians supported a ban on guns in cities in a poll conducted by Ekos Politics late last year, up from 64% in 2009.

But gun rights activists say proposed measures are an overreaction.

"We have very, very stringent and patently unfair gun

laws that do not prevent incidents like these," said Blair Hagen, an executive for Canada's National Firearms Association, a lobby group.

Gun crime in Canada has jumped. In 2017, firearms were used in more than 2,700 violent offenses, an 85% increase from 2008, according

to Statistics Canada. Her 5-year-old daughter was shot in the stomach and her 9-year-old in the leg.

"It's the first time this ever happened in my neighborhood," Ms. King said. "This needs to be stopped."

Toronto's shootings have claimed 328 victims, a fraction of the 1,785 victims in Chicago this year, according to a count kept by the Chicago Tribune.

Unlike the U.S., Canada's constitution doesn't guarantee a right to bear arms. But the country has a long tradition of rifle ownership, particularly in rural areas.

Any gun owner in Canada needs a firearms license that can take several months to process, even after authorities complete background checks.

Canada had a federal gun registry, established after a 1989 massacre in Montreal in which 15 died. The country's former government, under then-Prime Minister Stephen Harper, repealed it in 2012.

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## IN DEPTH

# Charcoal Is Hot for Teeth Care

Continued from Page One

Hello Products asks consumers to "take a brush on the wild side" with its \$5 activated charcoal toothpaste. A My Magic Mud ad featuring a tattooed singer says to "rock that smile" with its charcoal-infused dental floss, toothbrushes and mouthwash. Procter & Gamble says it is launching a charcoal toothpaste next February as part of its Crest 3D White brand. Charcoal products often use black packaging to stand out.

"Everyone wants to try something new, but it has to be something that looks cool. It has to be more than just white," says Susan Trumbour, a product development consultant for beauty and personal-care companies in Bedford, N.Y.

Lauren Chouinard, a 27-year-old digital marketing manager in Capitola, Calif., has been brushing twice a day for three months with a charcoal toothpaste she bought online for \$15. "It does make a mess," she says. The black residue rinses from lips and gums, but it adds an extra step to morning routines to clean the sink.

Even so, she thinks her teeth seem whiter. "It's counterintuitive, that you are going to get dirtier before you get

cleaner," she says.

Dentists are grinding their teeth at the use of the abrasive product. "It may whiten teeth in the short run, but will eventually wear into the dentin," the next layer below the enamel, which is yellow, says Matthew Messina, a dentist in Columbus, Ohio, and a consumer adviser for the American Dental Association.

A 2017 review in the Journal of the American Dental Association says there is insufficient evidence to show dental products with charcoal are safe or effective for your teeth. A big concern is that there aren't any well-controlled human studies to show their safety, says John K. Brooks, a professor at the University of Maryland School of Dentistry and lead author on



Rachel Funchess demonstrated a charcoal tooth powder.

the paper, although he says the first recorded use of charcoal in oral hygiene has been credited to Hippocrates in an-

cient Greece.

"Activated" charcoal, which has been treated to become more porous, has long been used as a remedy in poisoning cases, since it binds to ingested toxins before they are absorbed by the body.

That reputation as a detoxifier has given rise to many consumer products. Procter & Gamble last month launched charcoal-based shampoos and conditioners across hair-care lines including Pantene, Head & Shoulders and Herbal Essences. Shiseido's BareMinerals makeup line launched a \$28 makeup brush with "activated charcoal infused into the fibers of the brush." A black tube of Lavanila underarm detox mask features charcoal.

Charcoal is getting a boost from social media, which has

fueled beauty trends from unicorn-inspired makeup and hair colors to facial masks made of glitter and gold.

Ms. Funchess says her charcoal toothbrushing video quickly rose to become her third-most popular from over 60 videos she has posted in the past two years, behind a clothing review and a tutorial on do-it-yourself vanity mirrors.

Beth Manos Brickey, a 38-year-old food and wellness blogger in Long Beach, Calif., says that on days when she is in "selfie mode," she uses her charcoal toothpaste and posts pictures and videos on her Instagram account. Those images "are going to get more attention with the black mouth," she says. "It encourages dialogue."

# Tycoon Builds In Syria

*Continued from Page One*  
wants the furnaces of his Homs steel plant to be a cornerstone of Syrian reconstruction even before a political settlement. He is seeking to enlist foreign investors and donors who generally shun Syria so long as President Bashar al-Assad holds power.

While U.S. entities are barred from making new investments in Syria as a whole, European companies are allowed to do business with Syrian individuals who aren't members of the government, the armed forces, the Assad family or otherwise designated for sanctions. Last year Mr. Foz's umbrella company, Aman Group, sponsored an international trade fair in Damascus.

Sipping tea around midnight at a Beirut restaurant with his bodyguards keeping watch, Mr. Foz, who rarely gives interviews, said he was motivated by national interests, not just his own. From sugar production to car assembly and real estate, he said, he aims to draw refugees back to Syria by creating thousands of jobs.

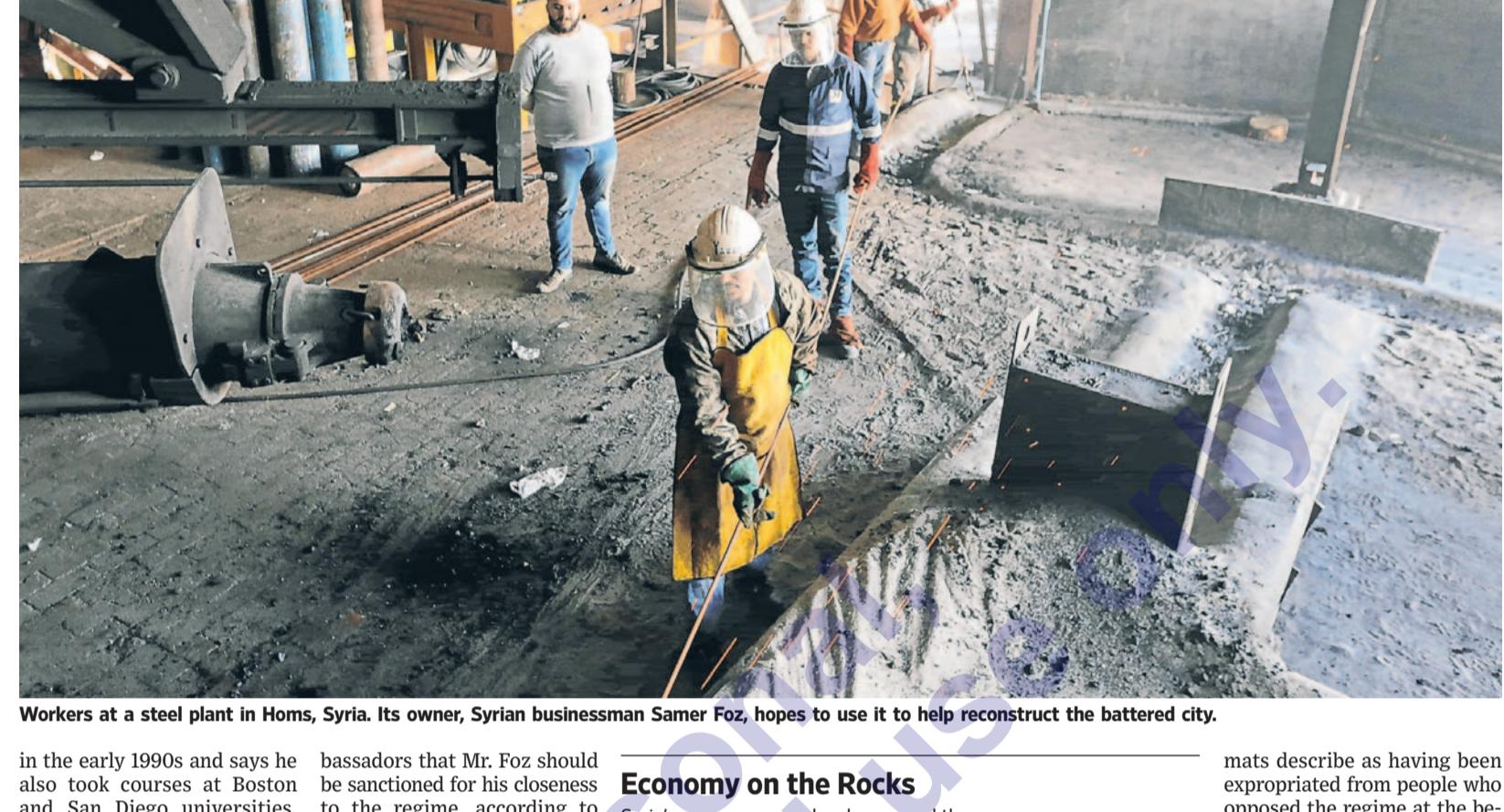
"Once you have made enough money, you begin to think about what you can do for your country," Mr. Foz said, glancing at text messages brought by an associate with a cellphone. "If I don't think about reconstructing my country, who will?"

It isn't possible to estimate Mr. Foz's net worth, and he won't disclose it, but Syrians say he has become one of the country's wealthiest men, with interests that include—in addition to steel, hotels and housing—the manufacture of pharmaceuticals, sugar refining, auto assembly, water bottling and gold mining.

It is an empire he built up after returning from study abroad to a family business his father had started. Mr. Foz's steel plant employs more than 1,000 Syrians, about 100 Indians and a handful of Russian experts.

Jihad Yazigi, an analyst who has followed Mr. Foz's career closely as editor of the Syria Report, a Beirut-based business site, is among those who charge that his business empire offers a financial lifeline to the Assad regime.

"If Western governments and companies start dealing with Foz, they will have taken advanced steps toward normalization of the regime," he said.



Workers at a steel plant in Homs, Syria. Its owner, Syrian businessman Samer Foz, hopes to use it to help reconstruct the battered city.

in the early 1990s and says he also took courses at Boston and San Diego universities. Though France gave him "the best years of my life," he said, it was the U.S. that stirred his ambitions. "In the U.S., you can go very big. In France you can't," he said. "Everything is petit, petit, petit."

Returning to Syria, Mr. Foz expanded the family business by importing agricultural machinery and cement. Lacking connections, it didn't grow much. "We were second-rate, third-rate businessmen," he said.

The outbreak of Syria's political strife in 2011 changed that. Fighting drove out businesses and left a chaotic landscape that favored nimble entrepreneurs who could stay on the good side of the regime and assorted rebel groups.

More than 500 businessmen were kidnapped for ransom by rebel fighters in the first half of 2012, according to Fares Shehabi, chairman of the Syrian Federation of Industry. As

bassadors that Mr. Foz should be sanctioned for his closeness to the regime, according to Western diplomats. No EU member has formally suggested his name, the first step in the sanctions process. Mr. Foz said he has properly been spared sanctions because he invests in industries unrelated to the regime's military affairs, and when he distributed food commodities it was as humanitarian assistance.

"If I am sanctioned, the U.N. should be sanctioned," he said.

Mr. Foz once bought old, vermin-infested wheat from Islamic State, stored it in Turkey, changed the manifest to pass the wheat off as Russian, and sold it back to areas in northern Syria, according to a man in Latakia with a close knowledge of Mr. Foz's business.

Mr. Foz said the story was false, concocted by rivals to harm his reputation. "This is pure hatred among businessmen," he said.

Mr. Foz moved his wife and children to Turkey five years ago to shield them from the Syrian rebellion. He gained citizenship in Turkey by investing there.

In late 2013, the body of an Egyptian-Ukrainian businessman who had failed to deliver a \$14 million wheat shipment to Mr. Foz surfaced in Turkey. Turkish authorities arrested Mr. Foz on suspicion of having ordered the murder of the businessman, Ramzi Matta, and tampering with evidence.

Mr. Foz was freed in May 2014. He said he was cleared after the second of two hearings. A senior Turkish official said Mr. Foz had put up

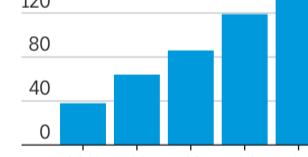
## Economy on the Rocks

Syria's seven-year war has hammered the economy.

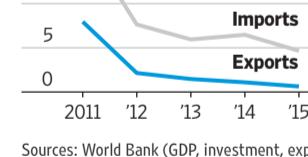
### Annual change in GDP



### Gross public debt as a percentage of GDP



### Exports and imports



Sources: World Bank (GDP, investment, exports, imports); IMF (debt, currency); Syrian Central Bank (currency); traders (currency)

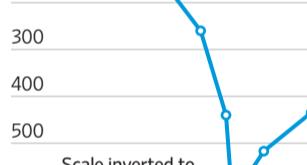
THE WALL STREET JOURNAL.

\$500,000 bail.

The official said about six months after Mr. Foz's release, an Istanbul court sentenced him to four years and two months for evidence tampering. The sentence has been suspended pending appeal, according to the official, whose account squared with Turkish

### Currency exchange rate

0 Syrian pounds to \$1



### Private and public investment as a percentage of GDP



Scale inverted to show weakening Syrian pound

2011 '12 '13 '14 '15 '16 '17

Public Private

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2010 11 12 13 14 15

Exports Imports

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Exports Imports

\$20 billion

# GREATER NEW YORK

## Candidates Make Pitches Before Primary

Two Democrats and five Republicans are vying in Connecticut's gubernatorial race

BY JOSEPH DE AVILA

Connecticut's gubernatorial candidates are crisscrossing the state and hitting the senior centers, parades and ice-cream socials to glad-hand voters as they gear up for Tuesday's primary.

On the Republican side, the race is wide open for the pack of five candidates.

Among Democrats, Greenwich businessman Ned Lamont, who made a name for himself when he beat then-Sen. Joe Lieberman in the 2006 Democratic primary for Senate, is

the front-runner. He faces Bridgeport Mayor Joe Ganim, a popular six-term mayor who was convicted in 2003 for extortion and taking bribes.

The eventual party nominees are expected to face a tough general election. Republicans have a good chance to pick up a governor's seat in Connecticut after eight years of Democratic rule, thanks in part to the low popularity of current Gov. Dannel Malloy. But Connecticut Democrats are banking on a strong turnout in November from voters eager to voice their displeasure with President Trump.

Mr. Lamont has presented himself as a political outsider who will turn around the state's economy and finances while still supporting a pro-

gressive agenda, such as increasing spending on education. Mr. Ganim, however, has painted Mr. Lamont as an out-of-touch millionaire who wants to buy the election, while the mayor claims he has the support of grass-roots Democrats.

"My focus is winning on Tuesday, but more importantly getting this state moving again," Mr. Lamont said in an interview. He has spent \$2.57 million on the primary, much of it his own money.

Mr. Ganim has raised \$779,500 and has \$173,000 left in his campaign coffers, which he said is enough. "We have \$3 million in commitments from existing donors and other supporters who say they will repeat their donations for the general election," he said.

The GOP candidates have made lowering taxes and trimming state spending the focus of their campaigns.

The Republican Party endorsed Mark Boughton, the longtime mayor of Danbury. The other candidate who has held elected office is former Trumbull First Selectman Tim Herbst. Both received grants of \$1.35 million through the state's public-finance program.

Former hedge-fund manager David Stemerman, former executive Bob Stefanowski and tech entrepreneur Steve Obsitnik come to the race from the business world.

While Messrs. Boughton and Stefanowski want to eliminate the state sales tax, the other Republican candidates want to lower it.

Mr. Stefanowski said residents want someone committed to scrapping the state income tax. "Voters want an outsider," he said.

*The eventual party nominees are expected to face a tough general election.*

\$2.87 million on the race so far, mostly his own money. Mr. Stemerman has been the biggest spender in the primary, at \$6.2 million. He has said he would spend at least \$12.8 million of his own money on the race.

"This race is exactly where we need it to be," said Patrick Sweeney, Mr. Stemerman's campaign manager. "This state faces enormous challenges, and voters know David is the one who can handle them with honesty, toughness and an outsider's perspective."

Mr. Herbst is spending the final days before the primary campaigning in eastern Connecticut, courting voters in towns like Plainfield, Mystic and Griswold. "I know we have the momentum on our side," he said.

## Nixon, Mayor Traded Requests

BY KATIE HONAN

If you're a celebrity in New York City with any issue, there's someone you reach out to for an in with Mayor Bill de Blasio: Cynthia Nixon.

Ms. Nixon, a fellow Democrat who is running for governor, forwarded requests from actors and others for several years, emails show.

And the mayor's office relied on Ms. Nixon for connections to celebrities to seek their support for agenda items such as its universal prekindergarten initiative and mayoral control of schools, according to the emails, which were released Friday through a Freedom of Information request and are dated from 2014 through 2018.

Ms. Nixon, best known for her role as Miranda on TV's "Sex and the City," is a longtime education activist, and her wife, Christine Marinoni, worked as a senior adviser for community partnership under former Mayor Richard Buery in the



Actress Sarah Jessica Parker asked Cynthia Nixon to lobby Mr. de Blasio on behalf of a cafe owner.

de Blasio administration.

Ms. Nixon did a little lobbying for her friend and co-star Sarah Jessica Parker, who sent along an email from the owner of her Manhattan neighborhood West Village restaurant Tea & Sympathy in September 2014.

The cafe was struggling with rising rents, Nicky Perry said in the email. Ms. Perry sought out Ms. Parker for help.

"Some are issues related to the very things our Mayor was criticising [sic] [former Mayor Michael] Bloomberg for," Ms. Parker wrote to Ms. Nixon and her wife about Ms. Perry's email, which she forwarded. Ms. Nixon sent it to Mr. de Blasio.

The issue wasn't resolved, Ms. Perry told The Wall Street Journal on Friday. "What I've learned in life and the years I've lived in New York is you better call your politicians, and you better know how to call them and have them do things for you," she said.

A spokeswoman for Ms. Parker didn't respond to a request for comment.

A spokesman for the mayor said Mr. de Blasio didn't give special treatment to celebrities. "We take complaints from people the mayor runs into on the subway and sidewalk much more frequently than we do from celebrities," he said.

A spokeswoman for Ms. Nixon said she has been focused on larger issues in the city. "It's no secret Cynthia fought very hard to elect Mayor de Blasio and to get his education initiatives like universal pre-K passed," the spokeswoman said. "Naturally, as people who work together do, they sometimes spoke about other things."



Owner Juan Diaz said there has been increased traffic since his Brooklyn market, with the help of the pilot program, got new signage, windows and a colorful awning.

## Old-Time Bodegas Get Makeovers

BY MELANIE GRAYCE WEST

Brooklyn bodega owner Manny Valdez knows there is a change in the customers visiting his East New York store. The Spanish brands of food, flour and canned goods aren't selling as well anymore, and some customers are asking for fresh juices, organic vegetables and fancier beers.

So to keep up with the shifting demographic and draw in more foot traffic from the nearby Cleveland Street subway stop, Mr. Valdez, 45 years old, is rolling out a new identity for his 17-year-old store.

Out will go the bulletproof-glass windows cluttered with stickers and signs. Half the dry-goods shelving will go, too. In will come new lighting and floors, a vegetable stand, a fresh juice machine and a deli that can churn out bacon, egg and cheese sandwiches.

A new pilot program in the area, the Commercial Corridor Challenge, is helping stores like Mr. Valdez's adjust to the evolving neighborhood by subsidizing new signs, windows and awnings. The program, funded by the city and corpo-

rate and private donors, aims to strengthen and study commercial areas in rapidly changing neighborhoods.

Mr. Valdez is using it as a chance to make changes to merchandise and other aspects of the store. His Cleveland Deli has a new name: Cleveland Deli and Organic, adding what he said is a nod to his new, younger, health-conscious customers.

"That's what's coming to the neighborhood," Mr. Valdez said. "You have to get ready."

The revitalization program,



Mr. Diaz's market before the storefront upgrades were made.

which is also being implemented in parts of Staten Island and the Bronx, is modeled on research of Philadelphia's commercial corridors. The premise is that a few improved storefronts along a strip can encourage other merchants to tidy up, which will in turn increase perceptions of street safety and drive foot traffic.

Merchants apply for the storefront grants, which can amount to tens of thousands per store. Only a handful of businesses are a part of the program so far while it is in its pilot stage.

Hills Local Development Corp., which is working with merchants.

East New York residents spend \$1.65 billion each year on goods and services in their neighborhood, but spend \$591 million elsewhere, according to a recent report from the New York City Department of Small Business Services, which has provided funding to the program. Along Fulton Street, 11% of storefronts are vacant, according to the city, and 25% of merchants own their building.

Mr. Valdez and another bodega owner, Juan Diaz, 62, are both longtime residents and own their buildings, which sit on opposite high-traffic corners along Fulton Street.

One recent morning, Mr. Diaz watched as new signage and a colorful awning were installed at J&F Mini Market. The cost of the storefront beautification was around \$20,000, with Mr. Diaz chipping in some money—which is required—and the rest funded by the program. He put new windows in recently and "there was more traffic because of the appearance of the store," he said.

But as rents rise, there is a concern that small-business owners will be driven out, said Raquel Olivares of Cypress

neighborhood institutions, people who have been invested in the community for a long time, are able to pivot."

Fulton Street—which runs partly beneath the elevated J line—is part of the East New York rezoning plan that was approved in 2016. The neighborhood has some of the highest poverty and unemployment rates in the city, and the rezoning is intended to bring more density and housing.

Change is coming," said Gregory Schiefelbein, who leads the New York tri-state region for Citigroup Inc.'s Citi Community Development, which provided funding and helped develop the program.

"We want to make sure that

neighborhood institutions, people who have been invested in the community for a long time, are able to pivot."

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But as rents rise, there is a concern that small-business owners will be driven out, said Raquel Olivares of Cypress

## Texts Show Last-Minute Dealing With Schools Pick

BY LESLIE BRODY

On the day New York City's mayor announced the appointment of his first choice to lead the nation's largest school district, City Hall was still texting with this hire over pay issues.

Text messages released Friday through a public-records request show Alberto Carvalho, superintendent of Miami-Dade County Public Schools, still had a lot of unanswered questions. A day after Mayor Bill de Blasio announced him as the new schools chancellor, Mr. Carvalho shocked and embarrassed City Hall by rejecting the job in a televised board meeting in Miami.

New York hired Richard Carranza from Houston to fill the job a few days later.

Mr. Carvalho had questions about his pay on Feb. 27 and



Alberto Carvalho announced March 1 he was staying in Miami.

28, the day Mr. de Blasio unveiled him as his choice. On Feb. 27, Mr. Carvalho asked City Hall to confirm the city would make a tax-deferred annual contribution for him.

A spokeswoman for Mr. Carvalho said over text message the city couldn't make that

payment, and it wasn't part of a package that matched the superintendent's base pay of roughly \$353,000.

"This one has caught totally off guard [sic]," Mr. Carvalho said by text.

A spokeswoman for Mr. Carvalho said by email Friday

that discussions tied to compensation were never a priority and readily settled. She said he has stated unequivocally that his decision to decline the opportunity in New York, "after tentatively accepting" the offer, came as a result of the Miami "community's overwhelming support and insistence that he remain superintendent."

The mayor's press secretary, Eric Phillips, declined to comment on the emails.

Mr. Carvalho sought on Feb. 28 to confirm that he could still be paid honoraria for speaking engagements, as long as he didn't accept them from vendors or others that would pose a conflict of interest. Texts show the mayor's office was looking into that request.

Mr. Carvalho also coordinated a press rollout with the mayor's office.

"I am excited and honored," Mr. Carvalho wrote by text.

The text messages showed City Hall's confidence that mayoral control of the schools would continue. Legislators often use debate over renewing it as a negotiating tool for related education issues. The mayor's two-year extension of mayoral control expires this summer, and it is up to lawmakers in Albany to renew it.

The deputy first mayor texted: "Mayoral control has been renewed 4 times since 2002 and effectively no one wants to go back to the earlier system. Mayoral control will continue."

The day Mr. Carvalho rejected the chancellor's job, Mr. de Blasio said he was disappointed. City Hall had asked Mr. Carvalho earlier for photos of him as a child and young adult for a video introduction.

"I am excited and honored," Mr. Carvalho wrote by text.

## GREATER NEW YORK

## GREATER NEW YORK WATCH

## ROOSEVELT ISLAND

**Pact Lets Complex Tenants Buy Homes**

A New York City housing complex will stay affordable but allow tenants the new option of ownership under an agreement announced by Gov. Andrew Cuomo. The Democrat unveiled the arrangement Sunday for Westview, a 361-apartment complex on Roosevelt Island in the East River.

Westview could have withdrawn from a state program that gave landlords tax and other breaks in exchange for limiting rents. However, the owners, the state and tenants have been negotiating a pullout that would keep apartments affordable.

Mr. Cuomo says the new 30-year deal will let qualified Westview tenants buy their apartments at below-market prices, with limits on resales. Other residents can continue renting at regulated rates. The owners will get tax, mortgage and other benefits.

A message left at the owners' office wasn't immediately returned.

—Associated Press

## MANHATTAN

**Man Is Stabbed On Subway Train**

Police say a man was stabbed on a subway train under Midtown Manhattan, and one suspect is under arrest as inves-

tigators look for another.

It happened shortly after midnight Sunday on an E train at or near the Lexington Avenue/53rd Street station. Police say the 29-year-old victim was wounded in the torso and is expected to survive.

A 21-year-old Queens man has been arrested on assault and other charges. A second suspect is at large.

—Associated Press

## LONG ISLAND

**Street Is Renamed For Parkland Victim**

A Long Island street has been named for a teacher killed after helping shield students from the gunman in last winter's school shooting in Parkland, Fla.

The street where Scott Beigel grew up in Dix Hills was dedicated as "Scott J. Beigel Way." Its original name was Hart Place.

Mr. Beigel was a 35-year-old geography teacher and cross-country coach at Marjory Stoneman Douglas High School. He helped students enter a locked classroom to avoid the gunman.

New York Lt. Gov. Kathy Hochul, a Democrat, was among about 50 people who attended Saturday's ceremony. Linda Beigel Shulman, the slain teacher's mother, was touched to see his name on the street where she still lives. "He lived life and treated people the way he wanted to be treated," she said.

—Associated Press



MARK CHALLENDER/BARCROFT MEDIA/GETTY IMAGES

**A raccoon navigated Central Park in 2017. This summer, raccoons in the park have been hit by an outbreak of canine distemper.**

**New Scourge Prowls Park**

BY CORINNE RAMEY

The zombies have taken Central Park.

Nathan Gamble saw one cross a Manhattan street in broad daylight, brazenly cutting off tourists and horse carriages. Then it walked along a path.

"This one looked like he was moving with purpose," Mr. Gamble, 45 years old, said of the creature. "It wasn't well."

It was a raccoon. Central Park is in the midst of an outbreak of so-called zombie raccoons, with rangers capturing 97 animals that have become sick or died since late June. The virus, called canine distemper, causes raccoons to leave their traditional habitats—trees, garbage cans, nighttime—and venture into the human domain, often in a crazed, disoriented or wobbly state.

The disease is contagious to other animals. Raccoons, dogs, pandas, ferrets, seals, coyotes, skunks and wolves can catch it

by coming into contact with infected feces, urine or saliva.

"The raccoons might have runny eyes or runny noses," said Ann Hohenhaus, a veterinarian at Animal Medical Center in Manhattan. "But you shouldn't be close enough to assess that."

Unvaccinated dogs can catch the virus from raccoons, a fact New York City officials began issuing warnings about last week. Vaccinated dogs typically aren't at risk of catching the disease, Dr. Hohenhaus said.

The health and parks departments advised pet owners to keep their dogs on leashes. "The two agencies are specifically concerned about dogs in the park during dusk and dawn, off-leash hours, after two incidents where dogs had encounters with raccoons," officials said.

Parks department officials are also posting signs and distributing fliers in Central Park. The health department said it can't determine what led to the outbreak.

One morning last week, Tracy Wargo's beagles, Butters and Pixel, went after a raccoon in Central Park. When she intervened, the raccoon latched onto her foot and took a bite.

"It didn't appear sick," said Ms. Wargo, 51. "It was defending itself pretty fervently."

Still, she has changed her usual route and now scans for raccoons during walks. Her foot is still bandaged—"and a little gross"—from the incident, but she is otherwise OK.

Howie Doing the Wonderdog, a 15-year-old "sort of a dachshund-something," saw a raccoon lumbering along a path earlier this month.

Howie appeared unconcerned. But his owner, Denis Woychuk, was worried.

"It was looking dazed and confused," said Mr. Woychuk, who owns KGB Bar, a Soviet-themed establishment in Manhattan's East Village neighborhood. "I hear there are a bunch of them."

He did note the fearless raccoon may simply have been

a New Yorker.

"They're wild animals," he said. "If they're hanging out in the city, they probably just have a 'f--- you' attitude."

One recent afternoon, Jim Mills and his wife strolled through Central Park with their Shih Tzu mix, Logan. Mr. Mills had read on the internet that zombie raccoons had come to New York.

"They act very strange, kind of like you don't want your spouse to act when they've had too much to drink," said Mr. Mills, 67, of Bridgeport, W.Va.

His wife glared at him, then walked ahead, pushing Logan in a teal stroller.

Paul Crichton, who lives in Washington Crossing, Pa., was in Central Park walking Tommy, his 7-year-old Coton de Tulear. That afternoon, he had allowed Tommy to walk across a field without a leash.

"I was breaking the rules," he said. "Then I thought of the raccoons."

He quickly scooped up his dog.



ALEXANDER COHN/THE WALL STREET JOURNAL  
Marchers danced on Sixth Avenue in the Dominican Day Parade.

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# LIFE & ARTS



Left to right, top row: Nora Levid, Gertrudes Tan; middle: Joyette Jagolino, Patricia 'Peachy' Hain; bottom: Connie Arostegui, Teresa Santos.

## 1970s

St. Paul College of Nursing in Manila was an all-girls' private Catholic institution when five of the six women joined it as second-year transfer students in 1972. Classes included anatomy, chemistry, microbiology and public health.

The school, which later became co-ed, was run by nuns, and faith infused the training. Student nurses, who wore crisp uniforms and white stockings, received their first nursing caps with a special mass. Senior students worked the night shift at local hospitals but were expected to be in class the next morning.

Come Friday, the women would kick up their heels at Manila's discos. Gertrudes loved dancing to the Bee Gees and doing the Hustle. Nora, her friend since kindergarten, often joined her. "All of us, we loved to dance, go out," Nora recalled. Her family expected her to be an accountant but she balked. Her dad suggested nursing and she enrolled at St. Paul's.

Connie dreamed of going to America. She planned to be an accountant like her mother but her father convinced her that nursing would be her ticket to the U.S.

After the six graduated in 1976, they asked a U.S. hospital recruiter to be hired as a group. There was no point staying in the Philippines, where a nurse's salary "wouldn't buy you a pair of shoes," Peachy said. Filipino nurses were in high demand in America and the women were placed with a Missouri institution then known as the Kansas City College of Osteopathic Medicine.

Adjusting to their new country wasn't easy. Kansas City was a sleepy contrast with crackling Manila and the women, who were living in a converted floor of the hospital, were homesick. "The first three months were horrible," Gertrudes recalled. "We were crying together. We missed home. We missed our families."



Gertrudes Tan received her nursing cap at a school ceremony in 1973.

## 1980s

Early in the decade, each woman found her professional niche, from pediatrics to intensive care. Except for Peachy, they also were getting married and some were starting families. They became godmothers to each other's children.

Nora, newly married to a Cedars-Sinai colleague, was assigned to the ICU. On her first day in the unit, she fainted: She was pregnant with a "honeymoon baby" and didn't know it. After maternity leave, she worked the night shift to be with her baby during the day.

Practices and mores at the hospital were different then. Smoking was allowed in the wards and "everybody smoked," Peachy said. When physicians approached the nurses' station, at times, "they expected us to stand and give them our seat," Peachy said. If doctors were unhappy, "some would yell at us." During rounds, Nora had to walk behind doctors, carrying patients' charts.

That hierarchy eased in the ICU, where nurses and doctors were on a closer footing. Nora loved the work, though it was physically demanding. "We were there at the bedside to clean the patient, give them a bath, tend to their wounds," she said. It was an opportunity to get to know the person. Later, when those tasks became the purview of aides and assistants, Nora worried that patient care would suffer. Would the lesser-trained aides catch early signs of infections or bed sores?

The intensity of the job took a toll. Nora's marriage became strained during a period when she and her husband were working different shifts.

In 1985 the hospital banned smoking. Other changes followed as the feminist movement of the '70s took hold and nurses demanded fair treatment. Over time, white uniforms gave way to scrubs, which were seen as more egalitarian.

## 1990s

By the early- to mid-1990s, there was upheaval in the workplace that the women once considered their immutable home in America. Like hospitals across the country, Cedars-Sinai was squeezed by managed care, and patient rolls plunged. Peachy remembers that hospital rooms were turned into offices. There were layoffs and hundreds of positions were eliminated, according to reports at the time. But the women hung together and all six held on to their jobs.

The decade was particularly tough on Gertrudes. In 1991, she resigned from Cedars-Sinai, took her three young children and went to Manila to be with her husband, who had left the household. She returned about a year later: The marriage had ended.

Devastated, she turned to the



At Cedars-Sinai recently, clockwise from bottom right: Nora Levid, Connie Arostegui, Teresa Santos, Joyette Jagolino, Gertrudes Tan and Patricia 'Peachy' Hain.

group. "If I needed someone to speak with, if I felt like crying, I would call any one of them," she recalled. Cedars-Sinai hired her back and eventually even restored her seniority. It was as if she had never left.

During the late 1990s, Peachy helped start an effort to improve doctor-nurse relations, and persuade physicians that nurses "weren't only there to take orders" and instead were "integral parts of the care team."

## 2000s

The women's parents, many still in the Philippines, had grown old. In 2001, Connie learned that her mother was desperately ill. After her death, Connie was despondent and leaned on her husband and the group to get through her grief, she says.

The women rallied around her, as they did with any member in distress. A couple of years later, at 53, Connie suffered a stroke and became a patient at Cedars-Sinai. She learned to speak and walk again but no longer was able to work. She took early retirement from the hospital.

By then, Cedars-Sinai was past its 1990s retrenchment and in expansion mode. The hospital's transplant program was flourishing and it performed record numbers of heart transplants. Hollywood donors such as Steven Spielberg helped fund a pediatric research center, while Barbra

Streisand both contributed to and raised millions of dollars for a women's heart center.

Life on the wards also was changing. With efficiency the watchword, patient care became heavily dependent on new technologies. As insurers and Medicare pushed for rapid discharges, doctors and nurses felt frustrated by the swifter pace. Patients were discharged so soon, it was hard to form meaningful ties with them. "When I began as a nurse, I was able to spend more time with patients," Peachy said. "I got to know their families, their pets. We were not only rushing, rushing, rushing."

Today, almost half the nurses at Cedars-Sinai are Asian, many of them Filipinos, the hospital said. Peachy, an executive director of nursing, oversees 900 nurses and aides while Joyette has become an associate director of the hospital's Comprehensive Transplant Center. Teresa's daughter studied nursing and works in her mom's old unit, where everyone calls her "Little Teresa." Gertrudes and Nora work in the anesthesia pre-op evaluation center. Gertrudes's twin boys became nurses.

Gertrudes said the women should buy a condo where they can live and care for each other when they are elderly. Her friends are considering it. Teresa loves the idea, saying such a setup would be "like the Golden Girls." Last month, they gathered at Gertrudes's home to celebrate Nora's 65th birthday. When 1970s hits started playing, the women got up to dance. Forty years after training together, they could all still do the Hustle. Connie, cane in hand, held onto Peachy as they brought out their best John Travolta, moving to the music and pointing to the sky.

### HEALTH

## A Sisterhood of Nurses

In 1977, six nurses from the Philippines came to work in America; the field of medicine has changed dramatically since then, but their friendship has not

BY LUCETTE LAGNADO

**A**s a girl in Manila in the late '60s, Teresa Santos set her heart on becoming a nurse because she was dazzled by the starched white uniforms and jaunty caps nursing students wore. "One of these days," she promised herself, "I will be in that group." She trained in her native Philippines and in 1979, was hired by Cedars-Sinai in Los Angeles.

Five classmates from the same nursing college joined her at Cedars-Sinai: Connie Arostegui, Patricia 'Peachy' Hain, Joyette Jagolino, Nora Levid and Gertrudes Tan. Over the past 40 years, the six women have been not just friends and colleagues but family. What carried them through personal and professional crises in their adopted country and back home were the bonds they formed with one another through their work.

Together, they weathered the dramatic changes that have swept health care. Joyette, now an associate director of the Comprehensive Transplant Center at Cedars-Sinai, has worked in transplant units and seen the development of anti-rejection drugs which improved survival. Others labored in

ICUs and witnessed the introduction of life-saving technologies. But the women also saw medicine lose a measure of the human touch, they say, as more machines moved into the field. Hospitals trimmed costs and focused on efficiency. Patients went home sooner and their shorter stays left nurses little time to bond with them.

At a time when doctors and nurses are feeling burned out, the women remain passionate about their work. "The fundamentals of nursing haven't changed," Joyette said. "We care as we did 40 years ago." When they began their careers, there was a nursing shortage in America. Hospitals were turning to the Philippines for recruits because of the country's rigorous nursing programs. In turn, the new hires looked to escape political and economic turmoil at home through work in America.

A recent milestone—Nora's 65th-birthday party—has the women reckoning with age. Peachy won't even consider leaving Cedars-Sinai. Now a senior nursing executive, she wants to teach the next generation. After all, she said, "they are the ones who will be taking care of me when I am old and gray and sick." Joyette, Connie, Peachy, Nora, Teresa and Gertrudes are still looking after one another. This is their story.

## LIFE &amp; ARTS



ABIGAIL SAXTON FOR THE WALL STREET JOURNAL

WHAT'S YOUR WORKOUT? | By Jen Murphy

# All the Way Down on One Wheel

**RYAN KREMSATER** hears a lot of trash talk for someone brave enough to fly down a mountain bike trail while balancing on one wheel. "It's hard to get acceptance from other sports because unicycling looks weird," he says. "I've gotten used to the 'You're missing a wheel' jokes."

Unicycling is more commonly associated with circus or street performers. But, Mr. Kremsater, 26, is an athlete pushing the boundaries of the niche sport of

mountain unicycling. Based in Abbotsford, British Columbia, Mr. Kremsater is an environmental geologist, a job that provides constant inspiration. "I assess terrain stability and am always noting interesting features I could ride, like logs or cliff drops," he says.

His introduction to one-wheel riding began at age 10, when his daredevil uncle bought himself a unicycle to ride while recovering from a broken collarbone. Mr. Kremsater then asked for his own.

Despite practicing every day for weeks, he couldn't complete a single revolution.

Two years later, "One Tired Guy," an extreme film starring Canadian off-road unicycling pioneer Kris Holm, inspired him to start practicing with re-

newed determination. "You need a certain level of pain tolerance and patience to get it," he says. "It's not like riding a bike. No one gets it on their first try."

He started riding in his basement, using the walls for balance, then graduated to pavement. "Even a short distance, like 200 meters, is exhausting," he says. "Unlike a bike, you can't coast. You're constantly pedaling and you don't have a brake." In the spring of 2004, one month after he learned to ride, he hit the trails with the Vancouver Unicycle Club.

After competing for years, he now eschews competitions to pursue freeriding, which he considers the "more artistic" side of the sport. That could mean landing 13-foot drops or cycling knife-edge ridges. "My goal is to ride terrain that no one's ever ridden," he says.

#### The Workout

Much like mountain bikers, mountain unicyclists spend a lot of time out of the saddle. When landing a drop or riding steep, bumpy terrain, they hold a handle that attaches beneath the seat with one hand and use the other to help stay

balanced. Because there's no suspension or added stability from a second wheel, the rider feels every root, rock or slope change and must adjust their balance accordingly.

Mountain unicycling requires all of the stabilizing muscles a person doesn't normally notice or use, Mr. Kremsater says. "A lot of these muscles are in the core, but the legs, hips and shoulders are significantly involved as well," he says. "When I am trying to train and fine-tune my balance, I really notice which muscles I have control over and which I don't."

He says strength, long-distance stamina and a good range of motion allow him to ride more varied terrain. He maintains his fitness with a mix of trail running, rock climbing, volleyball, tennis and Alpine skiing. He practices yoga twice a week.

He tries to go for a trail ride on his mountain bike or mountain unicycle up to three times a week and occasionally does some urban riding. He says his skill level has advanced to a point where he often rides alone on steep, technical terrain. He rides year-round, in rain and snow.

When he's working on a new skill, he'll practice it up to 30 minutes a day. He's been practicing hopping up steps with his right foot forward to gain better control with his non-dominant riding stance.

#### The Gear & Cost

He is sponsored by Kris Holm Unicycles. He has eight unicycles with varying wheel sizes designed for everything from street riding to all-mountain terrain (\$575 to \$1,700). A helmet, elbow and knee pads, and gloves with wrist guards are essentials. He also owns a 2018 Kona Process 165 mountain bike (\$4,000). He likes the extra padding and grip on Adidas Five Ten Impact Pro mountain bike shoes (\$160). He rides in clothing by sponsor Red-Bear Apparel.

#### The Playlist

"From a safety perspective, when I'm in nature, I want to be able to hear a bear coming or a mountain biker behind me," he says. "From a mental standpoint, listening to my breathing and the tire scrape or slide gives me important feedback I'd miss out on if I had music on."

## INFLUENCERS

## FROM 'THE SIMPSONS' TO A HARD-PARTYING PRINCESS

BY JOHN JURGENSEN

**"THE SIMPSONS"** and "Futurama" creator Matt Groening's new cast of characters has a familiar look—goggly eyes and overbites—but his first animated series in almost 20 years takes a leap in tone and setting.

Instead of satirizing contemporary culture, "Disenchantment," launching Aug. 17 on Netflix, takes place in a fantasy world of elves, ogres and sorcery.

Main character Princess Bean is a hard-partying fairy-tale princess (voiced by "Broad City" star Abbi Jacobson) who goes on a quest with two sidekicks, Elfo (Nat Faxon), who flees the relentless cheer of his fellow elves, and Luci (Eric Andre), a diminutive demon sent to shadow Bean.

While "The Simpsons" mirrored traditional family sitcoms that started fresh each week with a new plot, "Disenchantment" gave Mr. Groening and his collaborators the chance to spin an ongoing story. As Princess Bean skips out on a royal marriage arranged by her loutish dad, the first episode ends on a literal cliffhanger. Netflix has ordered two seasons of 10 episodes each.

Mr. Groening's influences ranged from "Dying Earth," a futuristic book series started by Jack Vance in 1950, to the surrealistic action movies of filmmaker Stephen Chow, including "Shaolin Soccer."

Mr. Groening's weekly "Life in Hell" cartoon strip led to "The Simpsons," now the longest-running prime-time scripted series in TV history. The Wall Street Journal recently spoke with Mr. Groen-

ing, 64, about his shifting style of satire and how he finds humor in misplaced anger. Edited excerpts:

#### Why dive into fantasy?

It started when I was a kid, just reading fairy tales and watching classic Disney movies. The first movie I remember seeing was "Bambi." I was delighted by the talking animals but my older sister had to carry me out of the theater screaming during the forest fire scene. Genre comedy is hard. I

I have a rule that the main characters are easily identifiable even as a silhouette.'

learned that on "Futurama." Just parodying the genre itself gets old pretty fast. Our goal was to make this a real world. [Executive producer] Josh Weinstein and I plotted it like a drama then added jokes. We were very worried that this might be a completely wrong way to go at first.

In addition to being a serial story, what made the rhythm of this show different?

We don't have to reset after each episode, and we have more time than I've ever been used to in the last 30 years—25 to 30 minutes per episode as opposed to a little over 20 minutes on "The Simpsons" and "Futurama." Those extra several minutes are where the best stuff comes from, the free jokes. When you're doing a net-

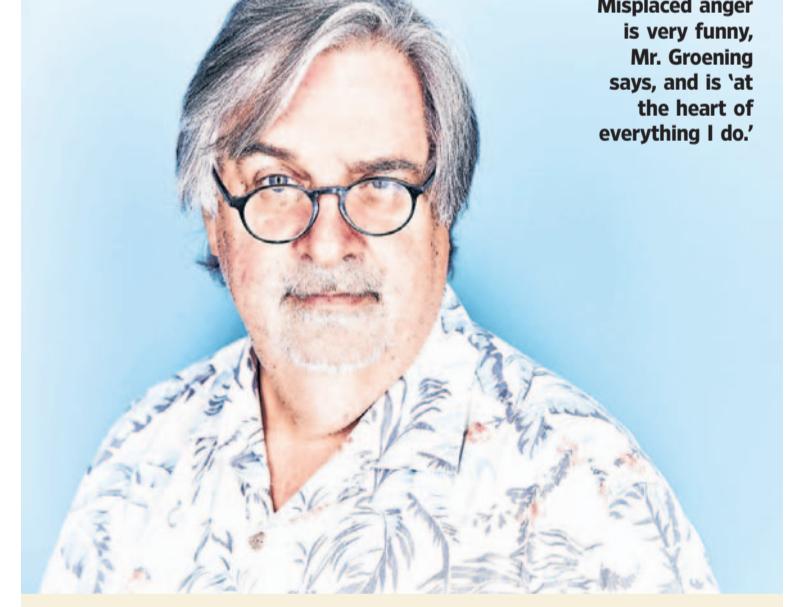
work TV series with frequent commercial breaks, you're servicing the story at 90 miles per hour to keep people on track, so it's really nice to be able to slow it down here and there. I also love what has been happening in television comedy in general, where there doesn't have to be a punchline every other line, and you can be even more amusing in a way when you withhold the punchline.

**Audiences know the Simpsons as well as they know some real people in their lives. Where do you begin in inventing new characters from scratch?**

I think character design is really important. It's got to be a character you can stand to look at. I have a rule that the main characters are easily identifiable even as a silhouette. That came from an article I read as a kid that talked about the brilliance of the design of Mickey Mouse. Even if he's facing sideways, you see the silhouette of those two big ears. As for writing the character, when Abbi Jacobson did the voice of Bean in audition, suddenly we had clarity.

**How has your point of view changed since your angry young days writing the "Life in Hell" strip?**

When I first did "Life in Hell" [starting in 1977] I made the main character, a rabbit named Binky, very angry and his rants coincided with my own feelings about the world. People really didn't care for it. I did it for six months that way, with this goofy rabbit shaking his fist at the world. Then I turned it around and made him the victim, made bad things happen to him. The second I turned him into an



Misplaced anger is very funny, Mr. Groening says, and is 'at the heart of everything I do.'

#### The Serial Satirist

**Name:** Matt Groening

**What He Does:** Cartoonist and a creator of 'The Simpsons,' 'Futurama' and the new Netflix series 'Disenchantment.'

**How He Got There:** While struggling in Los Angeles in the late 1970s, the Oregon native developed the 'Life in Hell' comic strip, using bug-eyed bunnies and other characters to explore feelings of alienation and angst. Published in alternative weekly newspapers and books, the strip ran until 2012.

**His Big Break:** In 1987, TV producer James L. Brooks asked Mr. Groening to make animated shorts for 'The Tracey Ullman Show.' The characters he created, with names borrowed from own family members, debuted in their own half-hour series, 'The Simpsons,' in 1989.

**His Obsession:** A series of 'really funny Chinese vampire films that started in the 1980s called "Mr. Vampire." They featured hopping vampires that can only detect you if you're breathing.'

idiot who got his own comeuppance, people started liking it. You need to have a point of view, but you have to realize that one of the funniest things in the world is misplaced anger. That's at the heart of everything I do.

If this show were premiering on a broadcast network, like your others did, what would they probably want you change?

Some of the language is a little

much for network television. It has some nudity in it, though it's people who you don't want to see naked. Our original concept was a little coarser and a little more risqué. We went in that direction and it didn't feel right. It felt too easy. There are words you can use that will automatically get a laugh. But it's more fun to skirt the edge, more fun to walk in the footsteps of Ernst Lubitsch than Russ Meyer.

## LIFE &amp; ARTS

## ART REVIEW

## Dazzling Art With a City Connection

BY JUDITH H. DOBRZYNNSKI

*Chicago*

**DURING HIS 69** years, John Singer Sargent visited Chicago just twice: in 1876, when at age 20 he came with his family, and then in 1916 when he stopped briefly on his way to a painting expedition in the Rocky Mountains.

His paintings came much more frequently, appearing in nearly two dozen exhibitions during his lifetime, starting in 1888 at the Inter-State Industrial Exposition and ending at the Art Institute of Chicago's "Thirty-Seventh Annual Exhibition of American Paintings and Sculpture" in 1924, a few months before he died. Local collectors, from Martin A. Ryerson, Annie Swan Coburn and Charles Deering to the McCormick and Marshall Field families, became his patrons. Three years before Sargent sold his most famous painting, "Madame X," to the Metropolitan Museum, Chicagoans tried to buy it for the Art Institute. No records indicate why they failed, but civic leaders remained intent on building a cultural reputation to match the industrial might of the nation's "Second City."

"John Singer Sargent and Chicago's Gilded Age" at the Art Institute aims to present all aspects of his work—society portraits, genre scenes, landscapes, watercolors and charcoal sketches—with that local twist. Every item here has a Chicago connection via ownership, subject or exhibition history, starting with "Street in Venice" (1882), a grim little light-and-shadow study of working-class life, whose appearance at the 1888 Exposition marked the U.S. debut of Sargent's work beyond the East Coast.

He got much more attention two years later, when the Art Institute put his enormous, daring portrait of a Spanish dancer, "La Carmencita" (1890), in its Third Annual. Not everyone liked it, but no one missed it. There she stands in a bright gold costume, arms akimbo, haughtily meeting the viewer's eyes; it is both a throwback to Old Masters like Velázquez and a flashy, contemporary (notice the sketchy, Impressionistic details of her dress) work. If it does not register that way now, just look at William Merritt Chase's "Carmencita," painted at the same



Clockwise from above: John Singer Sargent's 'La Carmencita' (1890), 'The Fountain, Villa Torlonia, Frascati, Italy' (1907) and 'Mrs. George Swinton (Elizabeth Ebsworth)' (1897)

time, in the Met's collection—it captured her in action, but looks conventional, stodgy by comparison.

"La Carmencita" drives home a point many Sargent exhibitions make nowadays—that far from being old-fashioned and superficial, merely a maker of flat-

length female portraits that wrongly cemented that repose. "Mrs. Hugh Hammersley" (1892) perches on the edge of a sofa, gorgeously attired in a lace-trimmed, magenta velvet dress that stresses her tiny waist. Poised, young American "Daisy Leiter" (1898), dressed in a white silk gown and billowing shawl, seems ready to marry a British aristocrat, which she did. And "Mrs. George Swinton (Elizabeth Ebsworth)" (1897), a swirl of white satin, stands regally beside a chair of light pink that is echoed in the folds of her dress, the color of her lips and her manicured nails. They are stunning.

But even in portraiture, Sargent had more range than that. A standout here, "Portrait of a Boy" (1890)—a naturalistic view of Augustus Saint-Gaudens's 10-year-old son—bears Sargent trademarks, like the brilliantly painted whites and pinks of the boy's face, hands and neck bow, but also conveys the tension between his restless boredom and privileged life. "Joseph Jefferson" (1890) is an expressive oil sketch, probably made in a single sitting. Three charcoal sketches—made for patrons after Sargent, feeling confined and underestimated, gave up commissioned oil portraiture in 1907—are lovely.

By far the most glorious late works here are watercolors he created between 1908 and 1917, particularly those—like "Terrace, Vizcaya" (1917) and "The Loggia, Vizcaya" (1917)—painted when he visited the Florida home of James Deering, Charles's half-brother. They are all sunshine, shadow, space and texture, as fresh as they were a century ago.

With this exhibition arranged thematically rather than chronologically, visitors see Sargent in the round, one facet at a time. The need for a Chicago connection, however, prevents it from being a true retrospective, as many of his best paintings, like "Carnation, Lily, Lily, Rose" (1885-86), have no such link and are thus absent.

Moreover, curator Annelise K. Madsen decided to situate Sargent in the artistic firmament with works by friends and rivals—Claude Monet, Giovanni Boldini, James McNeill Whistler, Anders Zorn, Dennis Miller Bunker and Walter Gay, among them. Hung both interspersed with Sargents and in a gallery of their own—constituting a third of



the paintings on view—they often serve the Chicago-rising narrative, but seem like interlopers. The "Sargent-esque" ones can be confusing. Less—or none—might have been more.

"Sargent and Chicago's Gilded Age" is nevertheless

full of visual pleasures (including some rarely seen works from private collections). Talented from a very young age and, in the words of Bunker, "busy all the time—at white heat always," Sargent was always a dazzler, and still is.

**John Singer Sargent and Chicago's Gilded Age**  
Art Institute of Chicago, through Sept. 30

Ms. Dobrzynski writes about the arts for many publications.



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## SPORTS



Brooks Koepka joins Tiger Woods, Jack Nicklaus, Ben Hogan and Gene Sarazen as the only players to capture the PGA and the U.S. Open in the same season.

## PGA CHAMPIONSHIP

## Koepka Wins the PGA

The 28-year-old American took his third career major, holding off a charge by Tiger Woods

BY BRIAN COSTA

ST. LOUIS—All day, Tiger Woods was reminded of the number. “Fifteen, Tiger!” fans yelled at him as he walked by. “Number 15, you got this!”

By his early 30s, that’s what major championships had become for him: just one more in a running tally, an exercise in historical accounting. But even on a day when Woods was good enough to contend for another, he received a reminder of why No. 15 will be infinitely harder than the first 14.

It came in the form of a 28-year-old golf cyborg named Brooks Koepka, who methodically and with scant evidence of human emotion held on to his lead and won the PGA Championship on Sunday at Bellerive Country Club. And it highlighted the competitive reality Woods faces as he continues a career renaissance at the age of 42.

There are simply many more players capable of beating him now than there were 10 years ago, when he last won a major. In a field of 156, all it takes is one.

Koepka shot a 4-under-par 66 to finish at 16 under, two shots ahead of Woods and three shots ahead of Adam Scott. It was his third career major title, coming off victories at the 2017 and 2018 U.S. Opens. And it established beyond any dispute the case he had been building for a while: Koepka is among the premier players of his generation.

Koepka is only the fifth player to win the U.S. Open and the PGA Championship in the same season, joining Woods, Jack Nicklaus, Ben Hogan and Gene Sarazen.

Though seldom mentioned among the likes of Jordan Spieth and Rory McIlroy, he now has as many major titles as Spieth and is just one shy of McIlroy’s total. He’s two short of tying Phil Mickelson. Somehow, he has done all this while winning only one regular PGA Tour event in his life.

On the 18th green, Koepka reacted with his characteristic jubilation, which is to say he removed his ball from the hole, briefly tipped his cap and walked away. To clear up any possible confusion, Koepka said later, “It was enjoyable.”

Woods, meanwhile, pumped his

fist emphatically after draining a 19-foot birdie putt on the 18th hole to finish with a 64. By then, he knew he had little chance of winning. But this was as much of a win as Woods could have had, short of actually winning.

A year ago, after four back surgeries, he wondered with good reason if he would ever play again. His last procedure, which fused discs in his lower back, was more about his quality of life, with winning majors having been reduced to a pipe dream.

This summer, he contended at two majors and put himself in position to play for the U.S. at the Ryder Cup in September. “I never would have foreseen that a year ago,” Woods said.

Bellerive may be a forgettable course as major hosts go, but the crowds were as large and energetic as most golfers will ever see. “There were no negative comments, no one was jeering, no one was making snide remarks, everyone was just very positive,” Woods said. “They’re excited, yeah. They sometimes pick sides, yes. But they were respectful.”

Koepka is the latest proof of the

depth of the competition Woods will need to beat if he is to ever win again. He is built like a linebacker, lifting weights with at least as much devotion as he hits golf balls. The morning of the final round of this year’s U.S. Open, he said he did 14 reps bench-pressing 225 pounds. “Not that impressive,” he said, “but I can get to 315.”

It isn’t surprising that he hits the ball the length of three football fields. On a simple course that favored brute force off the tee, Koepka was an ideal fit. But he has also become a more complete player in recent years with his touch around the greens. He ranked 23rd for the tournament in strokes gained putting.

Koepka’s 72-hole total score of 264 set a PGA Championship record. It came just months after a wrist injury forced him to miss the Masters.

“When I look at what I’ve done in the past two months, it’s incredible,” he said. “Looking where I was, sitting on my couch watching the Masters, to think I would do this? I would have laughed at you and told you there was no way, no chance.”

## THE COUNT

## WHEN SIZE DOESN'T MATTER

One of the biggest puzzles for fantasy football players is how to evaluate running backs.

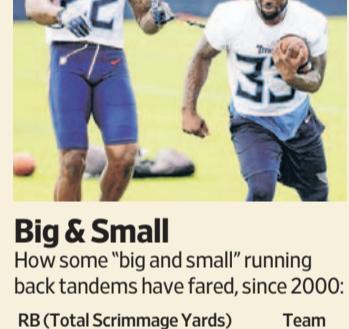
Take the Tennessee Titans: When you look at Derrick Henry and Dion Lewis, it’s hard to believe they both play the same position. Henry is 6-foot-3 with a listed weight of 247 pounds, while Lewis is 5-foot-8, 195 pounds.

Yet the Titans plan to use both backs this season as “1A and 1B,” according to Titans offensive coordinator Matt LaFleur. While the last time two backs of such disparate size shared at least 100 carries each was 2010, there have been eight of these tandems this century, according to Pro-Football-Reference, of one back weighing 200 pounds or less and the other 240 pounds or more. While the bigger back in these pairings would figure to be the more durable ball carrier, it turns out the small back has been much more productive on teams packing a 1-2 punch.

So history says the odds strongly favor the 27-year-old Lewis being the “1A” in this backfield. Tennessee did give him a four-year, \$20 million contract (plus incentives) after three seasons in New England. If the pattern holds, despite appearances to the contrary, it’s likely going to be the 24-year-old Henry who ends up being the change-of-pace back.

Henry though, seems determined to throw his weight around, telling Titans.com: “I definitely want to be dominant this year.”

—Michael Salfino



## Big &amp; Small

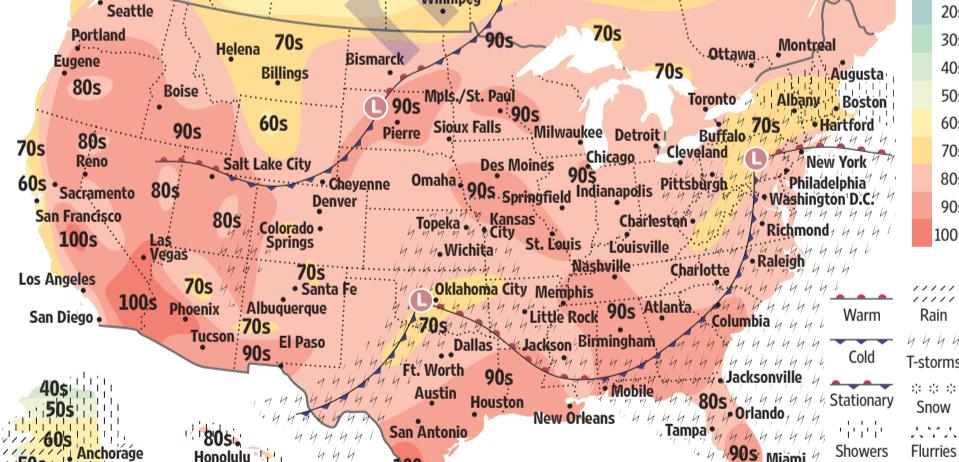
How some “big and small” running back tandems have fared, since 2000:

RB (Total Scrimmage Yards)	Team
Ron Dayne (2,015 yards), Tiki Barber (5,151 yards)	NYG (2000-2002)
Mike Alstott (1,469 yards), Warrick Dunn (2,559 yards)	TB (2000-2001)
T.J. Duckett (2,408 yards), Warrick Dunn (5,348 yards)	ATL (2002-2005)
LeRon McClain (1,025 yards), Ray Rice (727 yards)	BAL (2008)
Len White (789 yards), Chris Johnson (1,488 yards)	TEN (2008)
Brandon Jacobs (2,600 yards), Ahmad Bradshaw (3,460 yards)	NYG (2009-2011)

Source: Pro-Football-Reference

MARK HUMPHREY/ASSOCIATED PRESS

## Weather



## U.S. Forecasts

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

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 61 52 r 60 51 sh

Atlanta 91 69 pc 92 72 pc

Austin 95 74 pc 95 74 pc

Baltimore 83 67 t 85 68 t

Boise 95 62 pc 98 67 pc

Boston 77 72 sh 82 69 pc

Burlington 84 68 sh 82 65 sh

Charlotte 88 68 pc 90 69 s

Chicago 90 69 s 91 72 s

Cleveland 83 64 pc 86 69 pc

Dallas 84 70 t 87 72 pc

Denver 89 58 pc 86 61 s

Detroit 85 66 s 89 68 s

Houston 95 75 pc 94 74 pc

Indianapolis 85 65 s 88 69 s

Kansas City 89 68 pc 79 65 s

Las Vegas 105 84 s 104 84 s

Little Rock 83 69 pc 86 73 pc

Los Angeles 86 69 s 86 70 pc

Miami 91 76 pc 91 76 t

Milwaukee 85 69 s 89 71 s

Minneapolis 92 71 s 84 66 t

Nashville 91 66 pc 93 69 pc

New Orleans 92 75 sh 92 75 pc

New York City 81 73 t 83 70 pc

Oklahoma City 76 68 r 82 70 r

## International

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 70 61 t 71 62 pc

Athens 90 72 s 92 72 s

Baghdad 108 81 s 108 82 s

Bangkok 90 78 t 88 79 t

Beijing 90 75 pc 86 76 c

Berlin 88 62 pc 76 60 sh

Brussels 70 60 t 74 59 pc

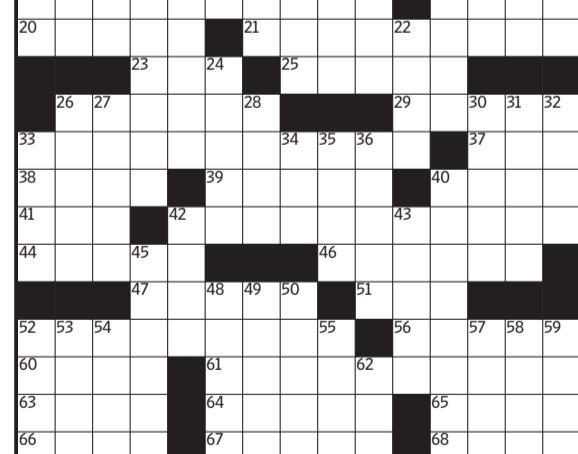
Buenos Aires 65 49 pc 60 39 s

Dubai 103 91 s 105 92 s

Dublin 69 55 c 69 59 sh

Edinburgh 63 53 sh 66 56 sh

## The WSJ Daily Crossword | Edited by Mike Shenk



## FRONT LOADS | By Lewis Porter

## Across

- 1 Harry Potter's is shaped like a lightning bolt
- 5 Top of a wave
- 10 Try for a fly
- 14 Top-notch
- 15 Health insurer being acquired by CVS Health
- 16 Horse's gait
- 17 Aztec practice
- 19 Peru's capital
- 20 Pardon
- 21 Coastal region of Virginia
- 23 1960s attorney general, initially
- 25 Hands over
- 26 Zombies and vampires, for example
- 29 1979 Pro Bowl MVP Rashad
- 33 Pep rally performer
- 37 Number before dos
- 38 "no ideal"
- 39 Spanish national hero
- 40 Regarding
- 41 Belly
- 42 As a group
- 44 Chases away
- 46 Enters again, as data
- 47 Shout to a TV camera
- 51 "vous plait"
- 52 Emphasized, typographically
- 56 Some sneakers
- 60 Dust Bowl figure
- 61 Laundry needs, and the starts of 17, 21, 33, 42- and 52-Across
- 63 Granny's nickname
- 64 Ahead of time
- 65 Caboose's position
- 66 Fabric colorer
- 67 Make (of) (jot down)
- 68 Collections Down
- 69 "ideal" (veille)
- 70 Sudden seizure of power

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

## Previous Puzzle's Solution



The contest answers come from a different language: French (ROMAN à CLEF), Afrikaans (ROOIBOS), Russian (PERESTROIKA), Sanskrit (MANDALA) and Italian (TERRA COTTA). The first letters of these languages spell the contest answer.

## OPINION

## Warner's Plan to Ruin the Internet

INSIDE  
VIEW

By Andy Kessler

Virginia Sen. Mark Warner made millions in the murky world of government-issued cellular licensing. He parlayed his riches into a governorship and U.S. Senate seat. Today, from his perch as vice chairman of the Senate Intelligence Committee, Mr. Warner has produced a 20-point plan to take on Facebook, Google and other tech giants with "potentially insuperable competitive advantages over new entrants." Insuperable! Of course most of his proposals would end up locking the big guys in place while freezing innovation.

No matter. The shallow-analysis pundit class jubilated. Mr. Warner and Democrats could "crack down on Big Tech," "tame social media," and "knock Silicon Valley into shape." Woo-hoo. The cheerleaders' only complaint is the lack of a 21st proposal: breaking up the tech giants. Still, Mr. Warner wants to show that techland has gotten too big for its breeches and that the center of power radiates from the Hill—not the Valley. But he forgets that there's one market to rule them all.

Good luck getting through Mr. Warner's 23-page report. It's filled with impossible-to-implement mandates (identify bots), silly bromides (address-

ing the safety and security of at-risk individuals), and dangerous power grabs (updating Section 230 of the Communications Decency Act). If even a handful of these proposals become law, faceless bureaucrats would control the internet instead of energetic entrepreneurs. No one would win under this new internet. And compliance costs would be so massive that no new startups would emerge.

Mr. Warner appears to have a John Kerry-like admiration for the power of European Union regulators. Europe's stringent General Data Protection Regulation was one of the biggest power grabs in recent history and has lighted a fire under U.S. legislators hoping to emulate it. It would be a huge mistake. GDPR almost assures that no new innovations will come out of Europe.

And the Continent is already feeble—of the top 100 global technology companies, only 13 are in Europe. Bet you can't name three. Heck, half are local consulting companies that shouldn't even count. Why set up a company in Europe when the rules are so bent toward excess expense and certain failure? An American GDPR would turn the U.S. into Europe, making America's technology industry french toast. But that's one of Mr. Warner's goals.

Consider the sop to lawyers. One of the magical characteristics of the online world is that anyone can post anything. Section 230 of the

Communications Decency Act provides immunity to the Facebooks, Googles and Twitters of the world with one simple sentence: "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." This allows platforms to host almost anything, as well as block content based on community standards, without being sued.

**The senator has 20 points. Even Woodrow Wilson didn't need more than 14.**

Mr. Warner proposes to change all that and "make platforms liable for state-law torts." Specifically, "a revision to Section 230 could provide the ability for users who have successfully proved that sharing of particular content by another user constitutes a dignitary tort." I can imagine campaign contribution manna and long lines to file class-action suits in the plaintiff paradise known as the Eastern District of Texas. But no one would ever create an online platform again.

Then there's the loss of anonymity. About half of Mr. Warner's proposals could end namelessness on the internet as it's understood today. Forcing

platforms to determine origins of posts, requiring disclosure of political ads, and onerous information fiduciary rules would all create a new internet paradigm. Get ready for universal ID and real identities for all online clicks. User trust for media platforms is fought for and earned over years. Americans don't want politicians' blessings to determine trusted content, lest the U.S. end up with the BBC—or worse, Pravda.

Mr. Warner has flexed his congressional muscles and made a point. Now he can go away. China's industrial policy and Europe's GDPR are recipes for failure against our relatively unfettered free-market approach. Facebook's dropping \$120 billion within a week of Apple's hitting \$1 trillion in market value show the power of markets to squeeze failure and invigorate innovation.

New ideas come from new insurgents. Google didn't spin out of CBS. Amazon didn't simmer inside Sears. iPhones weren't incubated at IBM. Why handicap ingenuity? Warner-like policies only stagnate innovation while the future happens elsewhere, like China. That's dangerous.

Mr. Warner's bashing of technology may seem populist, but unlike hating the phone company—one ringy dingy, two ringy dingy—the posting majority are happy using Facebook and Twitter, warts and all. Politicians beware: You break the internet, you own it.

## Canada Backtracks on a Carbon Tax

AMERICAS  
By Mary Anastasia O'Grady

Canadian Prime Minister Justin Trudeau's Liberal government announced last month it will reduce a carbon tax on industry that is set to go into effect next year. The reason for the backtrack has to do with climate change, but not the kind associated with global warming.

Mr. Trudeau is reacting to shifting political winds stirred by Canada's investment climate, which has turned stone cold. He faces an election in October 2019, and Liberals will have trouble winning unless investors warm to Canada as a destination for capital again.

The question is whether the scaling back of the carbon tax is too little, too late.

The initial carbon-tax proposal, which takes effect next year, promised to levy companies on 30% of their emissions at 10 Canadian dollars (US\$7.66) a metric ton, rising to C\$50 a metric ton in 2022. The revision now sets the taxable emissions at 20%. The Journal's Paul Vieira reported from Ottawa on Aug. 1 that "government officials are prepared to tinker further with the carbon-pricing regime should domestic industrial sectors bring evidence demonstrating [heightened] competitiveness risks" due to developments in the global marketplace."

Canada's ability to attract capital suffered a setback when oil prices fell hard in 2015. Under Mr. Trudeau, who took office in November of that year, it hasn't caught up. In an April 13 blog post, Jason Clemens and Niels Veldhuis of the Vancouver-based Fraser Institute noted that Canadian foreign direct investment amounted to C\$31.5 billion in 2017, down 56% from C\$71.5 billion in 2013. The authors added: "Since peaking in the fourth quarter of 2014, total business investment adjusted for inflation—excluding residential housing—is down almost 17.0 percent. Private-sector investment in factories and other structures is down 23.3 percent. And investment in intellectual property is down 13.3 percent."

The causes of this capital strike seem to be taxes and regulation, as more than one business leader has noted. Suncor Energy CEO Steve Williams said in February that his company is "having to look at Canada quite hard. The cumulative impact of regulation and higher taxation than other jurisdictions is making Canada a more difficult jurisdiction to allocate capital in."

For prospective investors, the business climate in Canada is naturally compared with that of the U.S. Recent U.S. tax cuts, including accelerated depreciation, and President Trump's deregulation push, are increasing the pressure on Canada to step up. In an April interview with the Canadian Press, Royal Bank of

Canada president and CEO Dave McKay described the competitiveness problem behind what he called "significant" capital flight and called on the government to address it. "If we don't keep the capital here, we can't keep the people here—and these changes are important to bring human capital and financial capital together in one place," he said.

**Justin Trudeau's Liberals try to stop a stampede of capital out of the country.**

The new carbon tax is only one of the green policies hurting Canada's competitiveness. Ontario has long been the nation's manufacturing hub. But in 2005 the province began phasing out the use of coal for electricity generation, and in 2009 it passed the Green Energy Act, designed to force industry and consumers into renewable energy. The net effect has been skyrocketing electricity prices in the province and declining manufacturing output.

A May 8 paper by Fraser analysts Elmira Aliakbari and Ashley Stedman titled "The Cost of Pipeline Constraints in Canada" blames "environmental and regulatory impediments as well as political opposition" for delays in the expansion of the nation's pipeline infrastructure. This has

depressed prices for Canadian heavy crude, creating a drag on growth, the authors show. Energy company Kinder Morgan recently sold its assets in the Trans Mountain pipeline to the Canadian government because of continuing opposition to its completion by British Columbia and others.

Elsewhere in Canada there has been aggressive pushback against the federal carbon tax. Ontario, under new political management since June, and Saskatchewan have gone to court to challenge the federal government's authority to impose the tax. Prince Edward Island, New Brunswick and Manitoba have their own proposals to price carbon and are all on record against a federal take.

Write to O'Grady@wsj.com.

## Consequences for Unethical Prosecutors

By John Grisham

The vast majority of prosecutors are honest, ethical professionals who play by the rules. During my 10-year career as a criminal-defense lawyer, I dealt with prosecutors daily and never knew one to step out of bounds.

But the great flood of exonerations have revealed the glaring truth that some prosecutors cheat and even break the law. It has been proved, repeatedly, that prosecutors across the U.S. have (1) concealed evidence that would benefit the accused; (2) fabricated evidence that would convict the accused; (3) made false statements to judges, juries and defense attorneys; (4) offered perjured testimony; (5) cut sleazy deals with jailhouse informants who will testify to anything in return for leniency; (6) employed junk-science "experts" who mislead jurors; and (7) intimidated witnesses.

What happens when a prosecutor is caught? Rarely anything. Civil lawsuits by the wrongly convicted are next to impossible because the Supreme Court ruled in *Imbler v. Pachtman* (1976) that prosecutors are immune from suit in virtually all cases, no matter how egregious their actions.

**They can't be sued. New York lawmakers try a new approach to a vexing problem.**

Trial judges can impose sanctions for misconduct in some cases, but they almost never do, and state disciplinary schemes for prosecutors are generally ineffective.

A Chicago Tribune series, for instance, analyzed more than 11,000 U.S. homicide cases involving prosecutorial misconduct between 1963 and 1999 and found reversals in 381 cases because prosecutors either presented false evidence or concealed exculpatory information. Sixty-seven of those defendants had been sentenced to death—yet not even one state's disciplinary agency penalized any of the prosecutors. A more recent survey conducted by the Innocence Project looked at five diverse states over a five-year period (2004-08) and identified 660 cases in which courts found prosecutorial error or misconduct—and only one prosecutor who was disciplined.

It is sadly ironic that those we trust to put away criminals are thoroughly unaccountable when their own unethical behavior is discovered. Only a handful of prosecutors have faced meaningful sanctions for deliberate misconduct that led to the incarceration of innocent people.

The failure to regulate prosecutorial conduct enables more misconduct and wrongful convictions, which cause

irreparable damage to the innocent and their loved ones, diminish public trust in the system, and cost taxpayers millions of dollars.

New York state is on the precipice of becoming the national leader in holding prosecutors accountable by establishing a Commission on Prosecutorial Conduct, which would have the power to investigate allegations and recommend or issue sanctions against prosecutors who break the law. Republicans and Democrats in the state Legislature came together on this issue because truth and fairness transcend partisanship. They passed Senate Bill 2412, which is now on Gov. Andrew Cuomo's desk.

Governor, this bill is a critical starting point for New York and the states that will follow its lead. Justice requires your signature.

**Mr. Grisham is a novelist and a member of the Innocence Project's board of directors.**

BOOKSHELF | By Philip Delves Broughton

## The March Of Macron

## Revolution Française

By Sophie Pedder  
(Bloomsbury, 297 pages, \$28)

The presidency of France's Fifth Republic was tailored for Charles de Gaulle. Subsequent presidents have tried to alter it to their own personalities, with varying degrees of success—the jacket billows out, the pants sag around the knees. But when Emmanuel Macron burst from political obscurity and into office in 2017, he seemed to throw out de Gaulle's old threads and replace them with his own slim-cut navy suit, the uniform of France's young professional class.

In the span of one astonishing year, from 2016 to 2017, Mr. Macron created his own political party, La République en Marche, and took out his rivals on the left and the right. He out-campaigned and raised more money than the stagnant major parties. He canvassed voters door to door, a technique that may be standard in many countries but is an act of

scandalous populism in France. And he used digital databases to identify potential voters, something Paris's political barons considered too outrageously modern. On the night of his election, Mr. Macron was 39 years old.

Sophie Pedder, the Economist's Paris bureau chief, has followed Mr. Macron since 2012, when he was appointed economic adviser to then-President François Hollande. Ms. Pedder tracked Mr. Macron through his time as minister of economy and finance all the way to the Elysée Palace, watching him apply his rare intellect and enormous energy to the challenge of achieving power and now modernizing France. He emerges from her account as a most unusual character, but perhaps the man his country needs.

Mr. Macron shares many political parallels with Donald Trump, who was elected the year before, though the two men are wildly different. Mr. Macron is highly educated and cultured. He quotes Molière and Hegel in his speeches, and plays Chopin to relax. At summits, he takes his own notes in blue felt-tip pen. He is a devotee of the philosopher Paul Ricœur and embraces political and intellectual contradiction, peppering his conversations with the phrase *en même temps* ("at the same time") as he flicks between counterarguments. But the problems he inherited will resonate with anyone who has studied Mr. Trump's ascent: the gulf between the country's modern, progressive cities and the smaller towns and countryside left behind; the social and economic abandonment of the *misère blanche*—the poor whites.

Postwar France experienced *les trente glorieuses*—three decades of glorious growth. But that was a long time ago, and France has been hobbling along ever since. "In 2002 France and Germany shared comparable levels of GDP per head and unemployment," Ms. Pedder writes. "Fifteen years later, Germans were 17 per cent richer on average and their jobless rate was less than half that in France. The last time a French government balanced its budget was in 1974."

**In the span of one year, Macron created his own political party, took out his rivals on the left and the right, and became president of France.**

Sylvain Fort, Mr. Macron's speechwriter, tells Ms. Pedder that "the history of France is one of rupture. France is a revolutionary country and only advances by breaking with the past." Mr. Macron sees his mission as forcing a new political rupture to follow the economic break caused by technology. In 2015 he told Ms. Pedder that France needed to "build a form of neo-progressivism, structured around the idea of individual progress for all, in a way that combines agility with security. . . . We have to rethink the framework, and undertake an ideological renovation. It will happen. We need to show the way."

The existing political parties and their leaders, Mr. Macron felt, hadn't a clue. They were still fighting the ideological battles of the 1970s and '80s as the economy around them crumbled. Mr. Macron had watched as the approval ratings of his erstwhile patron, Mr. Hollande, fell into the low single digits. So Mr. Macron decided to form his own party, assembling a young team, working in secret out in the Parisian suburbs. They came up with the name "En Marche," which reflected the candidate's initials and the most rousing line of "La Marseillaise": "Marchons, marchons."

"The decision to launch En Marche set Macron on a collision course with the Socialist barons, marginalized him from all the power networks on the left, and deprived him of any party funds," Ms. Pedder writes. At the time Mr. Macron was "an unconvincing public speaker . . . and seemed to lack the common touch. His chances of mounting a presidential campaign seemed utterly remote."

Yet as he ramped up his operations, voters responded. They didn't seem to mind that he had graduated from the École Nationale d'Administration, the famed finishing school for France's political and business elite, or that he had been a banker at Rothschild & Cie. He was different and credible as a politician who might actually change France. He won as much support from public-sector workers as his opponent on the hard left.

France's natural leftists were convinced when he said France had to act. "What our country needs," Mr. Macron said in a 2015 speech, "is to rediscover a taste for the future, rather than a morbid fascination for an uncertain past."

The president has had a tumultuous first year in office. Though elected to change France, he has faced enormous obstacles. There have been rolling public-sector strikes that brought France's transportation system to a halt. High-school students opposed to selective admission by universities blocked access to the universities during final exams. Street protests against Mr. Macron have been smaller than demonstrations against past administrations, but they have also become more violent and tinged with anarchy.

There are candidates on the political extremes hoping to take advantage as Mr. Macron stumbles. But as Pascal Lamy, the French former head of the World Trade Organization, tells Ms. Pedder, the president's "method is motion." He seems to grasp the challenge of modern politics with a sophistication unmatched by most of his peers. Ms. Pedder has written a terrific first draft of a history with significance far beyond the borders of France.

**Mr. Delves Broughton is the author of "The Art of the Sale: Learning From the Masters About the Business of Life."**

## OPINION

## REVIEW &amp; OUTLOOK

## A Lifeline for Turkey

**L**ike King Lear raging on the heath, Turkey's Recep Tayyip Erdogan is lashing out at Donald Trump, financial markets, the almighty U.S. dollar and anyone else he can find to assign blame for his country's currency and debt crisis. Someone should introduce him to economist Steve Hanke, who is offering the Turkish strongman the best lifeline available to stop the panic.

Turkey is confronting a run on the lira of the kind the world has seen many times in emerging markets. A country borrows too much to spur growth in an era of low interest rates and easily available credit. Much of that debt is in U.S. dollars, but the cash flow to finance it is earned by local companies in local currency. By some estimates about half of all Turkish debt is owed in hard currencies.

That debt becomes much harder to finance when the local currency falls against the dollar. Investors flee the local currency, inflation accelerates, and still more investors flee. Unless the country can stop the run on its currency, a full-blown debt crisis and economic contraction become likely.

Mr. Erdogan is blaming Donald Trump's sanctions and tariffs for the lira crisis, but the U.S. President was lighting a match on already dry tinder. The core problem is years of monetary mismanagement and overborrowing. The Turkish strongman wanted to win an election to change the constitution and consolidate his power, and he leaned on the central bank to keep interest rates low. He won his election but like most authoritarians he thinks he can bully markets the way he does the military.

Mr. Erdogan is floundering for a solution. He wants Turks to buy lira with their gold and hard currency, but that would make more Turks poorer as the lira keeps falling. He claims he won't let interest rates rise, but the central bank will have little choice other than to raise rates to stop the panic. He also says he won't accept an international bailout, though unless he stops the panic he will have

## Erdogan needs to give up a discretionary monetary policy.

to come begging to the International Monetary Fund (IMF).

Enter Mr. Hanke, who nearby offers the monetary rescue known as a currency board. The idea is to restore confidence in the lira by fixing the currency to a foreign-currency anchor. A country that adopts a currency board essentially abandons

control of discretionary monetary policy. It adopts an exchange-rate policy by linking to a hard currency with more credibility. For Turkey at the current moment, that would mean linking to either the euro or the dollar.

This would be humbling for a proud man like Mr. Erdogan to accept, but the irony is that linking to the dollar would be his best protection against the unpredictable policies of Mr. Trump. As long as Turkey has a fiat currency, Mr. Trump can use tariffs and sanctions to fuel the panic. But the U.S. President doesn't control U.S. monetary policy.

Once confidence in Turkey's monetary policy is restored with a dollar or euro link, the lira won't move. Mr. Erdogan and his advisers can focus on fixing their other economic problems, such as overborrowing and spending. This solution certainly beats going to the IMF, which will offer its patent medicine of fiscal contraction, and perhaps capital controls.

Mr. Trump might not realize it, but a Turkish currency board would also work best for the U.S. The President seems to be enjoying Mr. Erdogan's pain so he can win the return of American pastor Andrew Brunson, who has been unjustly held in Turkey.

But Mr. Trump has a larger interest in avoiding financial contagion to other countries from the Turkish crisis. The U.S. isn't an economic island and needs the world to prosper if he wants to maintain the 4% U.S. growth of the second quarter. The world is awash in dollar debt after a decade of quantitative easing that has kept interest rates artificially low, and a currency crisis could quickly become America's problem. The U.S. Treasury should also get Mr. Hanke on the phone.

## Saving New Jersey, if That's Possible

**I**f the first step to recovering from an addiction is admitting you have a problem, at least a few Democrats in New Jersey are sobering up. Behold recommendations last week by a bipartisan legislative commission to scale back public-employee benefits.

Democratic Senate President Steve Sweeney convened the legislators and economists in February to examine changes to state spending and taxes. Mr. Sweeney worried that the new federal limit on the deductibility of state and local taxes will make it harder for Democrats to soak the wealthy to pay for unsustainable promises to workers.

Lo, the state's pension and retirement health benefit liability is four times the size of its annual budget, and pension payments are forecast to double over the next four years. "We want to make sure that government spending is efficient and effective," Mr. Sweeney said.

Democrats recently raised corporate and individual income taxes—again—so it's no surprise that the commission punted on serious tax reforms. But the commission's recommendations on pension and health benefits could save taxpayers money, though still not commensurate to the problem.

One idea is to shift new workers to hybrid

pension plans that include a modest pension as well as a defined-contribution component. State employees and retirees currently receive platinum-plated health benefits with a 97% actuarial value. The commission recommends shifting all employees and retirees to "gold" plans with an actuarial value of 80% that are comparable to what the most generous private employers offer.

This change alone would save taxpayers \$587 million annually—about \$140 million more than this year's tax increase is expected to raise. Other recommendations include capping unused sick and vacation leave at \$7,500 at retirement and encouraging towns to share public services.

The legislature will probably junk the recommendations as it did those of a 2005 benefits review task force chaired by none other than current Governor Phil Murphy, who at the time had recently retired from Goldman Sachs. Mr. Murphy, who has since become a de facto spokesman for the state's public unions, sniffed at Mr. Sweeney's report this week.

But Mr. Sweeney is spoiling for a debate, and the Assembly majority leader and budget chairwoman signed onto the report. "We're in a crisis right now, it's here, it's now," Mr. Sweeney declared. Alas, Mr. Murphy is still in denial.

## The Repression of the Uighurs

**C**hina's ethnic Uighurs are disappearing. Over the last two years and with little world attention, the authorities have detained hundreds of thousands of the Muslim minority in the country's northwest, leaving family members to wonder where they are and why they were targeted. A network of internment camps could hold hundreds of thousands, according to Adrian Zenz, a scholar who has studied the campaign, but officials deny the camps exist.

Information is now trickling out. A handful of prisoners released from the camps have fled abroad and described the mistreatment. Guards subject the detainees to re-education sessions urging them to renounce Islam and love the Communist Party. Resisters are abused or held in solitary confinement.

Many of the detained had been abroad or have relatives who are. Others seem to be picked at random. Some are released after a few weeks, while others are held indefinitely. The arbitrary nature of the detention increases the terror. The prominent Uighur ethnographer Rähile Dawut, who preaches tolerance and isn't involved in politics, disappeared last December on a trip to Beijing from Urumqi and hasn't been heard from.

These extreme measures are part of a wider program to control the northwest region of Xinjiang where Uighurs and the smaller Kazakh minority make up more than half of the population. Last year the region's security budget nearly doubled and 30,000 new police officers were deployed to urban areas.

The authorities have also installed face-recognition cameras in public places. Residents must install tracking devices in their cars and

monitoring software on their phones. A region-wide DNA database is under construction using blood samples taken during mandatory "health screening."

The authorities say they are cracking down on Islamic fundamentalism. Some small-scale terrorist attacks may have been inspired by Islamic State or al Qaeda, and the Syrian government claimed that 5,000 Uighurs fought with Islamic State.

But Uighurs in general adhere to a moderate form of Islam and have long resisted radicalization. If that is changing, it is due in large part to the government's punishment of any expression of Islamic faith. In recent years the authorities have forbidden Uighurs to fast during Ramadan, grow beards or give their children Islamic names. Officials search their homes for religious materials, and many mosques have been demolished.

Florida Senator Marco Rubio, who wrote about the crackdown on these pages Friday, is one of several lawmakers calling for the U.S. to sanction the officials responsible. Vice President Mike Pence has condemned China's treatment of Muslims. On Friday a United Nations panel on racial discrimination reviewed evidence that China's human-rights abuses are violating international covenants.

The Uighurs' plight has wider significance. China's supreme leader Xi Jinping is using propaganda campaigns, surveillance and detention to an extent China hasn't seen since Mao Zedong. Chinese police are pioneering new techniques and surveillance technology in Xinjiang and deploying them across the country. The U.S. has many important issues with Beijing, but the systematic repression of the Uighurs reveals the nature of Xi Jinping's government.

## China's mistreatment of the Muslim minority deserves world notice.

## LETTERS TO THE EDITOR

## Don't Fiddle With Minimum Wage; Dump It

Rep. Terri Sewell and Jim Kessler propose "A Better Minimum Wage" (op-ed, Aug. 8) policy that would adjust the federal minimum wage to reflect regional cost-of-living differences.

If cost-of-living is folded into the federal minimum wage, why not do the same with all federal benefit programs and income-tax rates? The cost of living in Washington, D.C., and surrounding suburbs is 40% to 50% higher than in the Carolinas, Georgia and Florida. Should a low-income family in Jacksonville, Fla., get as much federal assistance as one in Alexandria, Va.? Should a household with \$70,000 of income in the latter have to pay the same federal tax rate as one in the former? Democrats are well aware that Americans in high-cost, high-tax progressive states and cities are voting with their feet and moving to red states, but blue states and cities still can jack up taxes and minimum wages as much as their pro-growth hearts desire.

A better alternative to making a bad policy a little better may be to leave it alone and let it wither into oblivion. Blue states and cities can and have picked up the slack and can prove that their way is undeniably best.

SCOTT PIERCE  
Hendersonville, N.C.

The true minimum wage is zero. And that is what someone will earn if his or her labor services aren't worth whatever a so-called minimum-wage law arbitrarily says it should be.

Thus, every such law keeps some people from getting a job or earning anything.

What's possibly worse is that minimum-wage laws take away individual liberty, freedom and rights. I own my

own labor services and should have the right to sell them for whatever price I agree to with a prospective employer.

If I choose to sell my labor services for \$2 an hour, that's my choice. What gives a legislator the right to say that I may not?

I can volunteer to work for nothing and won't violate the law, but I may not legally decide for myself to agree to a rate that satisfies both me and my employer. This is plain wrong.

DAVE GARTHOFF  
Stow, Ohio

Suppose I am living in Manhattan and work remotely for a company in Alabama. Am I to be paid the Alabama minimum wage or that for Manhattan?

ANNE LOWERY  
Northport, Ala.

Setting a minimum wage at all determines which jobs will be available and which will not. A \$15 minimum wage eliminates job opportunities forever—firms can't pay people more than the value they bring to the firm. This varies with the strength of the economy. When demand is strong and there are lots of customers, a restaurant worker can generate more revenue per hour than when the economy is weak or in recession. Compensation rises and falls, but having a fixed floor (a minimum wage) insures that if we aren't in the best of times, workers who might be hired at a lower wage won't be hired at all, making them rely on welfare for support and denying them the "on the job" training that a first job provides.

BILL DUNKELBERG  
Cape Coral, Fla.

## How Best to Keep Those Wolves From the Door

Regarding Cori Petersen's "Wolves Attack Wisconsin With Washington's Help" (Cross Country, July 28): The Wisconsin Department of Natural Resources' (DNR) own statistics show that even with the continuing recovery of the state's wolf population, the confirmed instances of wolves preying on livestock decreased 29% in 2016-17 from 2015-16, and decreased again in 2017-18. Nonlethal prevention is more effective, and scientific studies overwhelmingly demonstrate that randomly killing wolves increases conflicts with livestock.

The USDA adds that wolves and all other native carnivores combined account for less than 1% of the livestock inventory losses in the Great Lakes region. Health problems, birthing complications and weather are the real culprits.

When wolves in the Great Lakes region lost Endangered Species Act (ESA) protections between 2012 and 2014, trophy hunters, trappers and

houndsmen killed almost 1,500 wolves in Minnesota, Michigan and Wisconsin.

A 2014 Wisconsin DNR survey of nearly 9,000 residents, heavily weighted to rural areas, found that the vast majority value their wolves and don't want to see them trophy-hunted or trapped. The rest of us value wolves too, according to studies and demonstrated by the exponential growth of wildlife-watching tourism in America.

Wisconsin's wolves are a prime example of how a strong ESA is critical to ensuring that rare species aren't subjected to irresponsible killing, threatening them to extinction.

KITTY BLOCK  
Acting President and CEO  
Humane Society of the United States  
Washington

The Fish and Wildlife Service should consider relocating the wolves to areas where they could be most useful. Examples are Florida and Texas where feral hogs are out of control, damaging property and the environment, polluting streams and ponds and causing erosion.

There are at least 500,000 pigs that would be a challenge to the wolves. In Texas, they even hunt feral hogs by helicopter. In most states it is open season on them, and the wolves would help.

PETER J. BROCK  
Sun City Center, Fla.

## Electric-Vehicle Owners Get Unfair Pass on Road Taxes

"Big Oil Reinvents Engines to Survive" (Business & Finance, July 16) mentions that some utilities are pushing regulators for approval to charge all electricity customers for the cost of installing car-charging stations, instead of just station users themselves. An even bigger electric-car subsidy goes unmentioned. When are electric-car drivers going to be asked or forced to help pay for the cost of the roads they drive on? Funds from state gas taxes are static or declining, giving us more and more potholes. Why do electric cars get a pass?

WAYNE SELTZER  
Las Vegas

## Pepper ... And Salt

THE WALL STREET JOURNAL



"It's a long way to Enlightenment. You might need some cash."

## Grandchildren as a Reward For Having Patiently Served

Regarding Allan Ripp's "The Singular Joy of Grandchildren" (op-ed, Aug. 1): As a 55-year-old grandfather of six (with another on the way), I am reminded of the wisdom of my late father, who told me that grandchildren are the reward for not killing your kids.

JEFFREY E. WEISS  
Los Angeles

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

## OPINION

# Erdogan Can Save the Turkish Lira

By Steve H. Hanke

The Turkish lira floats, but not on a sea of tranquillity. Since Recep Tayyip Erdogan became president in August 2014, the lira has shed 66% of its value against the U.S. dollar. Since May 14, when Mr. Erdogan announced he was taking Turkey's monetary reins into his own hands, the lira has plunged 31%.

Turkey's annual inflation rate reached 85% last Friday by my measurements, which use high-frequency data and account for price changes in all commodities, services and assets. This is nothing new. Inflation has ravaged Turkey for decades. The average annual inflation rates for the 1970s, 1980s, 1990s and 2000s were 22.4%, 49.6%, 76.7%, and 22.3%, respectively.

Those horrendous numbers mask the periodic lira routs. In 1994, 2000-01 and the past few months, the lira has been torn to shreds. On May 28, when the lira traded at 4.58 to the dollar, I predicted a collapse to 7. Friday's close was 6.43.

**He should form a currency board—a monetary-reform measure that's been tried 70 times and never failed.**

As fantastic as it may sound, particularly for Turks, there is a way to save the lira from its death spiral and crush inflation immediately. Turkey should adopt a currency board. A currency board issues notes and coins convertible on demand into a foreign anchor currency at a fixed rate of exchange. It is required to hold anchor-currency reserves equal to 100% of its monetary liabilities, and it generates profits from the difference between the interest it earns on its reserve assets and the expense of maintaining its liabilities.



The Turkish president addresses supporters in Rize, his hometown, Saturday.

By design, a currency board has no discretionary monetary powers and cannot issue money on its own credit. It has an exchange-rate policy—the exchange rate is fixed—but no monetary policy. Its operations are passive and automatic. The sole function of a currency board is to exchange the domestic currency it issues for an anchor currency at a fixed rate. Consequently, the quantity of domestic currency in circulation is determined entirely by market forces, namely the demand for domestic currency. Since the domestic money is a clone of its anchor, a currency-board country is part of an anchor country's unified currency area.

A currency board requires no preconditions and can be installed rapidly. Government finances, state-owned enterprises and trade need not be reformed before a currency board can issue money.

Currency boards have existed in some 70 countries. The first was installed in the British Indian Ocean colony of Mauritius in 1849. No currency board has failed. This perfect record includes the National Emission Caisse, established in northern Russia in 1918 during Russia's civil war. The Caisse issued "British ruble" notes,

backed by pounds sterling and convertible into pounds at a fixed rate. The father of the British ruble was John Maynard Keynes, a British Treasury official at the time.

Despite the civil war, the British ruble never deviated from its fixed exchange rate with the pound. In contrast to other Russian rubles, the British ruble was a reliable store of value. Naturally, the British ruble drove other rubles out of circulation. Unfortunately, its life was brief: The National Emission Caisse ceased operation in 1920 after allied troops withdrew from Russia.

Contrary to popular belief, Argentina's monetary regime—which was installed in April 1991 and collapsed in December 2001—was not a currency board but an unusual arrangement called a "convertibility system." Like a currency board, convertibility maintained a fixed exchange rate between the peso and its anchor currency, the U.S. dollar. That nominal anchor smoothed hyperinflation.

But the convertibility system's deviations from currency-board orthodoxy allowed it to behave more like a central bank than a true currency board. These deviations were significant and allowed it to engage

in discretionary monetary policies. In an October 1991 article for these pages, I argued that Argentina should abolish its "central bank" and replace it with a currency board.

Turkey can look to an immediate neighbor for a currency-board success story. In 1997, Bulgaria was gripped by hyperinflation. The lev had collapsed, and the monthly inflation rate had soared to 242%. As the president's adviser, I designed a currency board that was installed on July 1. With that, the lev became a clone of the deutsche mark. Inflation was crushed immediately, lev interest rates plunged, a hard budget constraint was put on Bulgaria's fisc, and the economy boomed. Since the installation of the currency board, fiscal deficits have been tightly controlled. Bulgaria's fiscal discipline and debt reduction have made it a star performer in the European Union.

To make the Turkish lira as good as gold—or some other anchor currency of choice, meaning the euro or U.S. dollar—Mr. Erdogan should announce today that Turkey will install a currency board in 30 days. As part of that announcement, he should state that until the currency board is installed, the lira monetary base will be frozen and the lira will be permitted to freely float. At the end of the 30-day period, a fair exchange rate will be chosen to lock in the lira to its new anchor. That is the procedure we employed in Bulgaria, and it worked like a charm.

The effect of such an announcement would be dramatic. In 1998 President Suharto appointed me his special counselor and announced that he was considering a currency board for Indonesia. That day the rupiah appreciated 28% against the greenback. An announcement by Mr. Erdogan would similarly send the lira soaring and inflation plunging.

*Mr. Hanke is a professor of applied economics at the Johns Hopkins University.*

## NDAs Can Help Harassment Victims

By Stanley D. Bernstein And Stephanie M. Beige

The latest #MeToo exposé, involving CBS head Leslie Moonves, has drawn new attention to the use of nondisclosure agreements in sexual-harassment cases. Mr. Moonves denies the allegations detailed in a *New Yorker* story, but several former employees of CBS News allege that the network has a history of concealing harassment. They claim Jeff Fager, executive producer of "60 Minutes" and a former CBS News chairman, created a culture that protected harassers and retaliated against victims. Reporters have uncovered numerous out-of-court settlements of sexual-harassment claims against Charlie Rose and others, all with accompanying NDAs—agreements that the settling party will not publicly disclose the allegations or the settlement.

**Those who speak up can suffer reputational harm. They don't want others discussing what happened.**

In these instances, NDAs were used to silence victims and protect accused harassers. Thus, some favor eliminating NDAs on the ground that exposing the details of past settlements will prevent employers from protecting serial harassers, warn potential future victims of harassers' past conduct, and empower victims to come forward who may otherwise feel isolated and powerless.

But we must be careful not to ignore the victim who doesn't want the details of her claim made public. NDAs can play an important role in protecting victims, without allowing harassers to continue unchecked.

Victims of sexual harassment fear they have a lot to lose by coming forward. Once a woman reports workplace harassment, her job environment often changes, becoming uncomfortable at best and unbearable at worst. Victims who speak up are often labeled "troublemakers" or "sensitive," and suffer real reputational harm: *Be careful what you say around her, that's the one who reported Joe.* Not surprisingly, many victims, especially highly paid professionals at large institutions, simply want to move on. They don't want to discuss the harassment again—and, most important, don't want others discussing it.

If the goal is to encourage women to come forward and report harassment, organizational leaders should expand confidentiality to protect victims early in the internal complaint process. By helping ensure that the details of the harassment don't become the subject of water-cooler gossip, NDAs can encourage women to report without fear of backlash.

Victims should be able to report sexual harassment internally through the proper channels and, with the aid of a carefully drafted NDA from the outset, not only receive an appropriate remedy, but also be protected from ridicule and retaliation.

How, then, if the conduct remains confidential, can you prevent harassers from continuing their illegal conduct, especially if they move on to another employer?

This newspaper recently reported on a high-powered attorney with a long history of complaints against him who was able to move from one powerful law firm to another without any warning about his history. The current litigation environment discourages employers from being truthful about past misdeeds, lest they find themselves at litigation risk from the harassing former employee. Legislation is critical to immunize past employers from the consequences of giving full and truthful information to potential employers. Absent legislation, potential employers should insist that every job applicant grant access to his entire personnel file, foregoing the possibility of litigation or retribution.

Confidentiality is a critical tool that protects victims as well as the wrongly accused. Instead of banning confidentiality, businesses and corporations must change workplace culture. The powerful men exposed by #MeToo were able to continue their misconduct not because their victims signed NDAs, but because their employers and boards failed to act effectively in the face of repeated allegations of sexual harassment.

*Mr. Bernstein and Ms. Beige are attorneys at Bernstein Liebhard LLP representing victims of sexual harassment and discrimination.*

# The Phony Numbers Behind California's Solar Mandate

By Steven Sexton

California's energy regulators effectively cooked the books to justify their recent command that all homes built in the Golden State after 2020 be equipped with solar panels. Far from a boon to homeowners, the costs to builders and home buyers will likely far exceed the benefits to the state.

The California Energy Commission, which approved the rule as part of new energy-efficiency regulations, didn't conduct an objective, independent investigation of the policy's effects. Instead it relied on economic analysis from the consultancy that proposed the policy, Energy and Environmental Economics Inc. Its study concluded that home buyers get a 100% investment return—paying \$40 more in monthly mortgage costs but saving \$80 a month on electricity. If it's such a good deal, why aren't home buyers clamoring for more panels already? Most new homes aren't built with solar panels today, even though the state is saturated by solar marketing.

The Energy Commission is too optimistic about the cost of panels. It assumes the cost was \$2.93 a watt in 2016 and will decline 17% by 2020. Yet comprehensive analysis of panel costs by the Lawrence Berkeley National Laboratory estimated the average cost of installed panels to be \$4.50 a watt for the 2- to 4-kilowatt systems the policy mandates. That is \$4,000 more than regulators claim for a 2.6-kilowatt model system in the central part of the state, where 20% of new homes are expected to be built. Berkeley Lab further estimates that costs fell a mere 1% between 2015 and 2016, far short of the 4% average annual decline the regulators predict.

Now consider the alleged savings on energy bills. The commission's analysis assumes California will

maintain its net energy-metering policy, which effectively subsidizes electricity produced by a rooftop solar panel. Residential solar generators are paid as much as eight times what wholesale generators receive, according to a grid operator's analysis of publicly available data. Dozens

**A state-hired consultant lowballed the costs and assumed massive subsidies in estimating benefits.**

of states are rethinking these generous subsidies, paid by ratepayers, because they shift the costs of maintaining the electric grid to relatively poor nonsolar households. The California Public Utilities Commission is set to revisit this regressive policy in 2019—before the solar mandate takes effect.

If the subsidies are removed, solar adopters would be in the red. This is why the electricity generated by the solar mandate should be valued at the cost of its replacement from the grid—not at the subsidized rate households receive. In a presentation at the National Bureau of Economic Research earlier this year, I estimated the value of rooftop generation for each of California's ZIP Codes using one year of price data from the grid operator. The average electricity value of the solar mandate's model system is \$12.50 a month, far less than the \$80 benefit the regulators claim.

Moreover, using statistics to estimate which power plants would respond to additional solar generation, my colleagues and I also estimated the total value of the pollution avoided by the mandate's model system to be only \$6 a month. Even accepting the Energy Commission's

optimism about solar panel costs, the policy's public benefits are only half as large.

Were state regulators interested in science-based policy to increase solar generation, they would acknowledge that economies of scale allow large-scale solar farms to generate twice the electricity of the solar mandate at the same cost. Inefficient but subsidized rooftop solar limits the market for utility-scale solar by depressing the wholesale electricity prices big generators receive. Even community arrays atop schools and parking lots would be less costly than the commission's mandate.

Regulators should tailor policy to reflect routine variation in the value of solar generation across the state's congested electricity grid. Solar panels are most effective when installed

where transmission constraints make supply relatively scarce—not on every roof in California.

Though the solar mandate is unlikely to deliver huge savings to consumers, it certainly will raise the price of new and old homes. This couldn't come at a worse time: Rising housing costs are putting the dream of homeownership further out of reach of low- and middle-income Californians. Sacramento politicians accuse the Trump administration of ignoring science and forgoing expert, independent review in pursuing its environmental and energy agenda. They should look in the mirror.

*Mr. Sexton is an assistant professor of public policy and economics at Duke University.*

## A Lost Love and an ObamaCare Alternative

By Carolyn Bolton

The man I intended to spend the rest of my life with died in a plane crash in 2010. It was devastating, so much so that I lost interest in my job, as the point of it was little more than paying down debt and saving for a future that wasn't meant to be. I quit the job and was offered Cobra, which would have let me retain my health insurance up to 18 months after my resignation.

But at more than \$500 a month, Cobra was more than I could afford. I had \$1,500 to my name, and it had to last for as many months as possible while I grieved and figured out what to do with my life without Joshua. A newly leased sedan, car insurance and student-loan payments left little room in my budget for health insurance.

My saving grace was that, apart from my bereavement, I was a healthy 22-year-old who—aside from dental cleanings and annual physicals—didn't frequent the doctor's office. But the possibility of something happening to me while I was between jobs weighed heavily on my conscience, as I didn't want to become a burden to my family.

At the time, ObamaCare was newly enacted and hadn't rolled out in full. I was able to purchase a short-term health-insurance plan for a fraction of what Cobra would have cost. It didn't have all the bells and whistles of a full plan, but it was enough to ease my mind and protect me for six months against financial ruin in the event of illness or injury. It was perfect for my needs at that difficult time in my life.

Health and Human Services Secretary Alex Azar announced a finalized rule change to ObamaCare that once again makes short-term, catastrophic health-insurance plans available—a revision that will bring formerly marginalized Americans like me back into the health-insurance fold.

The rule change, effective in October, acknowledges that people—especially the young and families in special circumstances—don't want a one-size-fits-all health-insurance "market" that's clunkier than basic cable. It will be a boon to the insurance industry and the otherwise

**A short-term catastrophic policy helped me through a difficult time in my life.**

sidelined consumers it serves, as people will once again be allowed to purchase and renew yearlong catastrophic plans that were capped at three months when ObamaCare was implemented.

This overdue rule change will meet the needs of those who find themselves in trying situations like mine. In an era when there are more than 60 Ben & Jerry's ice-cream flavors, customizable soda machines programmed to behave like mixologists, and IKEA solutions for every nook and cranny imaginable, it's about time Americans are again allowed a health-insurance option that can better fit their palate and their pocketbook.

*Ms. Bolton is a digital-media professional and former newspaper reporter based in Alexandria, Va.*

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THE WALL STREET JOURNAL.

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**Elliott Management has taken a stake of 8% in the struggling TV-ratings company**

BY CARA LOMBARD

Activist investor Elliott Management Corp. has taken a big stake in Nielsen Holdings PLC and plans to push the TV-ratings company to sell itself.

The New York hedge fund owns more than 8% of Nielsen, worth at least \$640 million, people familiar with the matter said Sunday. Elliott, which

has been launching campaigns at a blistering pace this year, could unveil the new effort as soon as Monday.

Multiple private-equity firms already have expressed interest in Nielsen, the people said.

Nielsen, which measures how people shop and consume media such as radio and TV, has been hurt by a rapidly changing retail environment. The company has a market value of almost \$8 billion and is the S&P 500's third-worst performer in 2018, with its shares off around 40% so far this year.

Nielsen's stock price tumbled 25% in a single day last

month after the company reported a weak second quarter and lowered its revenue estimates for the year. Chief Financial Officer Jamere Jackson said in July the second quarter "was one of the most challenging quarters for our business in over a decade." He cited challenging conditions for consumer-packaged-goods clients, which hurt its "buy" business, which measures retail and consumer behavior.

The company also said Chief Executive Mitch Barns would step down at year-end and initiated a search for his successor.

New York-based Nielsen

also said at the time it will consider selling the "buy" segment, which provided nearly half of its \$6.6 billion in revenue last year. The remainder comes from its core television-and-media ratings businesses, called its "watch" segment. That has been doing significantly better.

Elliott believes the "buy" segment has failed to keep up with competitors such as IRI, which has invested in data-intensive offerings, while Nielsen has continued to rely on its employees to provide analysis to clients, the people said.

The hedge fund wants Nielsen to initiate a strategic review of

the entire business rather than just the "buy" segment.

A Nielsen spokeswoman said the board continues to evaluate how to best position the business and welcomes the views of its owners, including Elliott.

Information-services companies have been popular among private-equity buyers recently.

Dun & Bradstreet Corp. this month said it would be taken private and Thomson Reuters Corp. agreed to sell a stake in its financial unit to a group led by Blackstone Group LP earlier this year.

Nielsen was taken private by several buyout firms in 2006 and went public again in 2011.

## Mystery Shadows A Digital Currency

BY PAUL VIGNA AND STEVEN RUSSOLLO

A rapidly growing digital currency that claims to be backed by U.S. dollars has become a cornerstone of the volatile cryptocurrency market. The problem: There isn't hard evidence the cash supporting it exists.

Tether, whose main selling point is its tie to the U.S. dollar, has grown dramatically over the past year—its daily trading volume of around \$3 billion trails only bitcoin's \$5 billion. Tether also has become a "crypto bank" for cryptocurrency businesses that have trouble maintaining real-world banking relationships, providing liquidity and a place to park assets, according to a new study from blockchain research firm Chainalysis.

Tether has assumed this role because of its link to the dollar. Unlike other cryptocurrencies that fluctuate wildly in value, one tether generally equals one dollar. This makes it a sort of digital-dollar substitute.

That is also why it is important that Tether has dollar reserves backing each of its approximately \$2.5 billion worth of coins in circulation.

But Tether has never produced an audit showing it has the purported reserves. The company that controls tether maintains it has the reserves, yet it has never named the banks it uses to hold these funds, nor said where they are based and regulated.

Last year, Tether hired accountants Friedman LLP, based in New York, to audit the reserves. The firm issued a preliminary report last year, but Tether says it released Friedman before a final audit was completed. Friedman declined to comment.

Leonardo Real, Tether's chief compliance officer, said that since then the company has had difficulty finding a reputable firm willing to take on a cryptocurrency client. He declined to say why Friedman was let go.

"There's nothing to hide here," said Mr. Real. "It's not three managers just cranking out money randomly in a dark basement somewhere."

In June, Tether hired law firm Freeh Sporkin & Sullivan LLP, co-founded by former Federal Bureau of Investigation Director Louis J. Freeh, which issued a report stating

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## The War on Sugar and Changing Tastes Claim a Casualty: Global Prices

Over the past five years...



## Drillers Spend Heavily to Extend Oil Boom

BY REBECCA ELLIOTT AND BRADLEY OLSON

American oil companies primed to reap the benefits of rising prices after years of wringing more from wells for less—are seeing profits erode as costs rise.

Those operational challenges make balancing lofty growth objectives and demands for fiscal restraint increasingly difficult. If the com-

panies continue to stumble, the result could be a higher cost of capital to finance the continuing U.S. energy boom or a slower pace of growth.

Two-thirds of U.S. oil producers failed to live within their means in the second quarter, even as oil rose above \$70 a barrel. Collectively, 50 major U.S. oil companies reported in their second-quarter results that they have spent \$2 billion more than they took

in, according to an analysis of free cash flow by FactSet.

As oil prices have risen, profits "have improved, but they're not there yet in terms of making money," said Todd Heltman, a senior energy analyst at investment firm Neuberger Berman Group LLC. "The realization is setting in that it's going to take longer than investors thought for them to generate free cash flow and deliver more power-

ful earnings."

### Pioneer Natural Resources

Co., one of the biggest operators in the Permian Basin of West Texas and New Mexico, told investors a year ago it ex-

pected to largely make up for rising operating costs with "efficiency gains" such as producing more from each well. Last week, Pioneer reversed course and raised its annual spending forecast to \$3.3 billion to \$3.4 billion, from \$2.9

billion, to produce roughly the same amount of oil.

"We've had a more significant increase in cost issue than we would have assumed," Pioneer Chief Executive Tim Dove told investors. Some of the new spending will push up output next year, he said.

The drilling frenzy has increased demand for materials such as sand and water that are used in hydraulic fractur-

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PERSONAL TECHNOLOGY | By David Pierce

## Security App Dashlane Makes Browsing Easier

Here's one you might have heard before: You should use a password manager. A good password manager helps create strong passwords, is safer than reusing the same ones and can keep you—blah, blah, blah.

Stick that next to "Go to bed earlier" and "Cookies are bad for you" in the brimming file of good advice you'll take...later.

How about this, though? You should use a password manager because it makes using the internet easier. It makes logging in faster and means never having to enter your credit-card number again—the added security is just a bonus.

Right now is the perfect time to make the leap. The coming version of Apple's iOS software includes new hooks that allow password managers to log you into websites and apps on your

phone, something Google's Android already supports.

Many operating systems and browsers include their own password managers, but I recommend getting something that works across all your devices. The big three are LastPass from LogMeIn, AgileBits' 1Password, and Dashlane.

I've tested them all, and Dashlane—after a recent update—has become my favorite. At \$5 a month, it's slightly more expensive than its competitors, but it now offers an arsenal of security tools: a virtual private network, or VPN; a dark-web tracker; and protection against identity theft.

The first thing Dashlane or any password manager needs is passwords. You can enter them one by one, but I recommend just setting up the app and installing the companion extension for your browser. When you log into any site, Dashlane will

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## Nasdaq Faulted Over Tesla

BY AKANE OTANI

There is a nagging question on Wall Street after Tesla Inc. Chief Executive Elon Musk's buyout tweet last week: Why did Nasdaq let trading in Tesla shares continue for more than an hour afterward?

Mr. Musk tweeted at 12:48 p.m. ET on Tuesday that he had "financing secured" for a buyout of Tesla at \$420 a share, a 16% premium to the share price at the time. The remark set off a frenzy of trading in Tesla shares, even as investors were struggling to discern whether the tweet was legitimate and what precisely it meant.

It wasn't until 2:08 p.m. that Nasdaq Inc. acted to halt trading in Tesla shares. In that 80-minute interim, investors who bought and sold the shares were potentially disadvantaged by the lack of clear information about the company, some investors said.

Typically, exchanges halt trading in a company's shares when it tells them it is about to release "material news," or information that could sway investors' trading decisions. An exchange typically keeps

### Interruption

Tesla's share price



trading halted until a disclosure provides some clarity.

Other investors wondered why the exchange kept the halt in place for more than an hour and a half, and then why it chose to resume trading at 3:45 p.m.

It is the latest episode to raise questions about the governance of U.S. markets.

"We don't know what efforts Nasdaq engaged in to get

a more discrete picture of what was happening," said Harvey Pitt, former chairman of the U.S. Securities and Exchange Commission and chief executive of consulting firm Kalorama Partners LLC. "All of this is unprecedented, it's not consistent with careful and thoughtful approaches to a difficult subject."

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## Nasdaq, Tesla Irk Investors

Continued from the prior page

The decision-making behind the trading halt isn't the only mystery surrounding Mr. Musk's tweets. The SEC is looking into their truthfulness, The Wall Street Journal reported.

Nasdaq rules require listed companies to notify its Market-Watch division, via an electronic disclosure system, at least 10 minutes before publicly releasing "certain material news announcements" between the hours of 7 a.m. and 8 p.m. ET. Typically, the heads-up allows the exchange to coordinate with the company and evaluate whether to halt trading "pending news"—which compliance experts say levels the playing field for investors making trading decisions.

With Tesla, the time lag between Mr. Musk's tweet and Nasdaq's decision to halt trading suggests the exchange was blindsided by the CEO's tweet—which would constitute a violation of Nasdaq rules, several traders and regulatory experts said.

A Tesla spokesman declined to address whether Tesla had alerted Nasdaq ahead of Mr. Musk's tweet.

Nasdaq declined to comment on its communications with Tesla around the tweet.

"In general, when a company discloses news that's potentially material, whether by tweet or otherwise, Nasdaq's procedure is to contact the company immediately," said Joe Christinat, a Nasdaq spokesman. Nasdaq doesn't need a company's permission to halt trading in its shares.

Companies found to have



CALLAGHAN O'HARE/BLOOMBERG NEWS

Tesla CEO Elon Musk last month. He tweeted Tuesday that he had financing for a buyout of Tesla.

violated exchange rules can be publicly reprimanded or even delisted, according to Nasdaq guidelines.

Some contend Nasdaq should have moved sooner,

**A time lag before the trading halt suggests Mr. Musk's tweet blindsided Nasdaq.**

given the publicity and the spike in Tesla shares that followed both the tweet and a Financial Times report earlier that day about a Saudi sovereign-wealth fund building a \$2 billion stake in Tesla.

"Everyone I spoke to was wondering" why Nasdaq didn't halt Tesla earlier, said Michael Antonelli, equity sales trader at Baird.

Others say Tesla shouldn't have been allowed to resume trading.

"Trading should have been halted immediately and should not be resumed until Musk either presents or shows the absence of a written commitment to funding," said David Rocker, a retired hedge-fund manager who said the SEC and Nasdaq responses were insufficient.

"A continuation of trading at this point is a disservice" to everyone holding or trading the shares.

Stock exchanges, for much of their existence, have operated as nonprofit organiza-

tions, each with its own listing standards that companies had to meet to be members. But as Nasdaq and the New York Stock Exchange became for-profit public companies in the 2000s and competition heated up to lure listings, some critics contend the exchanges have become beholden to the companies they list.

Unusual trading and unexplained halts are no small matter for U.S. markets that have long been considered the best in the world, experts say.

Reena Aggarwal, a finance professor at Georgetown University and director of the school's Center for Financial Markets, said, "If investors start losing trust in an exchange, then trading is going to move on from there."

## Mystery Shadows A Currency

Continued from the prior page that it believed tether had full dollar backing. But the report, critics noted, wasn't an audit and the law firm wouldn't identify the banks it contacted to verify the reserves. Eugene R. Sullivan, a senior partner in the law firm, declined to comment, saying the report speaks for itself.

Mr. Real said Tether plans to release more evidence of its reserves.

The opaque way in which tether are created also causes concern among investors and market participants.

Unlike other cryptocurrencies, there isn't a set amount of tether in circulation.

In theory, demand drives new issuance. Cryptocurrency exchange Bitfinex places orders for new tokens with Tether and wires dollars or euros to the company's bank account, according to both companies. Tether sends the newly created tokens to Bitfinex, which distributes them to investors.

Investors have little visibility into the process. Bitfinex shares ownership and management with Tether, and it is the only entity through which Tether issues tokens.

"It's sort of the central bank of crypto trading," said David Gerard, a programmer and author of "Attack of the 50 Foot Blockchain." Yet "they don't conduct themselves like you'd expect a responsible, sensible financial institution to do."

Kasper Rasmussen, the director of communications at Bitfinex, said Tether isn't a bank nor is it trying to be one, but that it does adhere to "applicable laws and regulations."



ANDREW HARER/BLOOMBERG NEWS

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A worker at a Texas sand mine used by Permian Basin drillers.

Continued from the prior page

ing, driving up prices.

Recently reported second-quarter earnings, more than a dozen shale companies either lowered this year's production targets, said they would have to spend more to extract roughly the same amount of oil and gas, or missed analyst expectations for growth. To be sure, many continue to expect their production to increase compared with last year, but they are having to spend more to meet those goals.

Among them was Noble Energy Inc., which this month revised its annual capital spending plan to \$3 billion, up from \$2.7 billion to \$2.9 billion, while saying it likely would hit the lower end of its targeted production range.

The company had incorporated some service-cost increases into its initial spending budget, said Gary Willingham, Noble's executive vice president for operations.

"But we also assumed that given our track record," he said, "we'd be able to offset a large part of that with effi-

cies." That has proved more difficult than expected, he said.

The days of rapid efficiency improvements appear to be waning industrywide. Producers during the global commodities downturn figured out how to produce more from each well for less money. Since 2016, though, the oil price at which operators can turn a profit drilling a new shale well has leveled off in some parts of the Permian and increased by an average of 17% in others, according to Rystad Energy.

"You can't continue to get 50% better every year," Randy Foutch, chief executive of La-

redo Petroleum Inc., said in an interview. "We will get better, but I don't expect it to be at that kind of rate."

Laredo increased its yearly spending forecast by \$45 million, or about 8%, while holding its oil-output target steady, although it raised production goals for natural gas and natural-gas liquids. The company said it was spending more now to produce more next year.

Some see the weak quarterly performance and operational challenges in the Permian, which now pumps more crude than Kuwait, as indicators that the pace of growth in

U.S. oil production is about to slow down considerably.

U.S. oil production fell slightly in May, the latest month tracked by the U.S. Energy Information Administration, and has remained at just below 10.5 million barrels a day since March. Last week, the EIA cut its forecast for average daily crude output in 2018 by 100,000 barrels. Federal forecasters expect the U.S. to produce an average of 11.7 million barrels a day in 2019.

Some see that forecast as too high and predict that U.S. oil growth will moderate because of service costs, slower technological gains, pipeline constraints in the Permian and pressure on producers to keep spending in check and emphasize profits over growth.

A slowdown in Permian oil output could push crude prices above \$100 a barrel before the end of the year as supply fails to meet rising demand, according to Leigh Goehring, managing partner of Goehring & Rozencwajg, a small investment firm focused on natural resources.

"Many companies have promised to live within cash flow and grow by 10% or 20%, and it's looking more and more like some are going to have to choose between the two," Mr. Goehring said. "If the Permian growth engine slows, there aren't many other easy sources of global supply."

Investors have little visibility into the process. Bitfinex shares ownership and management with Tether, and it is the only entity through which Tether issues tokens.

"It's sort of the central bank of crypto trading," said David Gerard, a programmer and author of "Attack of the 50 Foot Blockchain." Yet "they don't conduct themselves like you'd expect a responsible, sensible financial institution to do."

Kasper Rasmussen, the director of communications at Bitfinex, said Tether isn't a bank nor is it trying to be one, but that it does adhere to "applicable laws and regulations."



ANDREW HARER/BLOOMBERG NEWS

## BUSINESS NEWS

# Neuberger Gets Stake In British Investor

BY DAWN LIM  
AND WILL LOUCH

European private-equity shop **Bridgepoint** is selling a minority stake in itself to **Neuberger Berman Group** unit **Dyal Capital Partners** to help finance the firm's expansion plans, said people familiar with the matter.

Dyal has agreed to buy between 15% and 20% of Bridgepoint, which manages more than \$18 billion (\$20.6 billion).

In return, Dyal will get a cut of the London firm's profits. Bridgepoint made its name backing companies including sandwich chain **Pret a Manager Ltd.** and **Dorna Sports SL**, a Spanish company that owns the exclusive rights to motorcycle racing series MotoGP.

The deal gives the firm a multibillion-dollar valuation, said the people familiar with the matter. The Financial Times earlier reported some details of the stake sale.

Dyal, led by former Lehman Brothers deal makers Michael Rees and Sean Ward, is one of several firms dedicated to buying stakes in alternative asset managers. It has raised \$6 billion so far for its latest fund and expects to keep raising money until year-end, two people familiar with the fund-raising said. It has already committed some \$3 billion of that pool to deals, one of

# \$20.6B

Total amount managed by private-equity firm Bridgepoint

those people added.

Private-equity firms have increasingly turned to selling stakes in themselves to access capital to expand and help finance their commitments to the funds they raise.

U.S. firms including **Vista Equity Partners**, **Leonard Green & Partners** and **Francisco Partners** have all sold stakes in themselves in recent years, although such deals have been less common in Europe.

Bridgepoint plans to use money from the sale to fund its expansion outside Europe, one of the people said. The firm, which previously focused on European companies, opened an office in New York two years ago and plans to establish a presence in San Francisco this year, the person added.

The money will also help the firm launch new investing strategies to complement its €5.7 billion buyout fund, the person said. Bridgepoint is currently raising its first credit fund, The Wall Street Journal previously reported.

Bridgepoint is led by William Jackson, an Oxford University-educated deal maker who has been at the firm for over three decades.

No Bridgepoint executives will cash out as a result of the deal, and the money will remain on the firm's balance sheet, according to another person familiar with the matter.

Dyal plans to pay the money in installments over several years.

# Cities Leery of Scooter Sharing

Services raise issues for localities stung by Uber and Lyft; startups are confident

BY ELIOT BROWN

Shortly after two startups dropped hundreds of scooters on the streets of Denver without permission in May, frustrated city officials responded swiftly with vehicles of their own. A platoon of workers in vans and pickups scooped up more than 300 of the scooters and impounded them.

As shared-scooter companies **Bird Rides Inc.** and Lime, flush with investors' cash, race into new cities around the U.S., they are finding city officials emboldened to enact regulations that limit the companies' rapid growth. Urban authorities from Miami to Portland, Ore., are capping their numbers at a few hundred per company, or in some cases blocking the deployment altogether.

This could prove a big challenge for Bird and Lime, which have drawn nearly \$900 million of investment between them with ambitions of launching thousands or tens of thousands of scooters on the streets of hundreds of U.S. cities. Sixteen-month-old Bird was recently valued by investors at \$2 billion, and 20-month-old Lime at \$1.1 billion—the two fastest U.S. startups to pass a \$1 billion valuation, according to data tracker PitchBook. The closely held companies don't disclose financial data.

Multiple other scooter startups have formed recently, and ride-sharing companies **Uber Technologies Inc.** and **Lyft Inc.** are planning a push into the space.

Bird and Lime, a unit of **Neutron Holdings Inc.**, say they are confident that cities will see the value of their services for reducing car traffic and expanding transit options. Users find the electric-motor-powered, kick-like scooters with an app, pay at least \$1 a ride and leave them on the sidewalk when they are done.



Cities like San Francisco and Washington, D.C., are capping the number of scooters at least initially to a few hundred per company.

"It's good for society to have fewer cars on the road and more electric scooters and forms of other transportation," said Travis VanderZanden, Bird's chief executive.

The companies' tactics recall the battles of Uber and Lyft, which barreled into cities to first win popularity from consumers before regulators began to devise new rules for online ride-hailing services. Those fights largely resulted in laws favorable to the companies.

The more aggressive response by cities this time is based partly on how much easier it is to enforce rules with scooters—officials can easily locate and impound them with a smartphone and a truck.

Many cities also feel they were too acquiescent with Lyft and Uber. And they have seen in places like China that dockless bike share—a similar technology to scooters—has led to clogged sidewalks and rivers littered with discarded bikes, said Susan Shaheen, a professor at University of California Berkeley who studies

## Seeking Answers As Scooters Arrive

City transportation officials across the country generally say they welcome the scooter technology as a tool to reduce car use and expand transit availability. But they want to be the ones writing the rules.

In Los Angeles, which plans to allow thousands of scooters per company, the city was in the process of negotiating with Bird in June, when "they just dumped a bunch of Birds downtown," Los Angeles Mayor

transportation.

Cities are saying, "we need to have more control over what's happening on the streets because of past experience and lessons learned," she said.

At least seven cities have impounded scooters, blocking their entrance until regulations are in place. Others including Miami and Indianapolis have sent cease-and-desist letters to

Eric Garcetti said. "We had to send them a cease and desist."

Travis VanderZanden, Bird's CEO, said Bird takes a collaborative approach with cities.

There is hardly consensus in the fledgling scooter industry on the right playbook. Two, Skip Scooters and Spin have crafted strategies based on playing by city rules.

A decision is looming in San Francisco, where officials plan to award up to five scooter companies permits. Industry insiders are watching whether Bird and Lime, which entered the market despite the city's requests to wait for rules, will be penalized.

the companies to halt their deployments as they considered regulations.

A growing number of others—including Austin, Texas, San Francisco and Washington, D.C.—are capping the number of scooters at least initially to a few hundred per company—far below the companies' targets.

In Denver, the scooters were impounded after they

Emily Warren, Lime's policy director, said cities want to make sure users are keeping sidewalks clean and safe, and the companies are accountable. An overall cap "is just not the only way, or best way, to accomplish that," she said. Lime and Bird have pushed a "utilization cap" instead, which requires that scooters be used multiple times a day on average.

Bird and Lime point to cities such as Santa Monica, Calif., and Memphis, Tenn., that have less-restrictive policies. David Estrada, Bird's chief legal officer, said cities with restrictive policies will ultimately be the minority.

were dropped into our city without permission or a permit to operate," said a spokeswoman for the city's Public Works department. The city has since drafted regulations as part of a pilot program for scooters to operate that initially would limit the companies to 250 scooters each.

*Nour Malas contributed to this article.*

## BUSINESS WATCH

### UBER TECHNOLOGIES

#### Philippines Clears Deal With Grab

Philippine competition authorities have cleared the way for Southeast Asian ride-hailing firm **Grab Inc.** to dominate the local market, approving its deal with **Uber Technologies Inc.** but imposing restrictions and threatening fines for breaches.

Uber said in March that it would relinquish its battle for Southeast Asia's riders, exchanging its local operations for a 27.5% stake in Grab.

Friday, the Philippine Competition Commission said Grab would, among other conditions, be required to bring average rates for ride acceptance and cancellation back to levels comparable to those before the Uber deal. Prices will stay within a controlled range to prevent any "extraordinary deviation."

Uber didn't immediately respond to a request for comment. Grab lauded what it called the PCC's "pro-innovation approach and forward-looking decision."

*Jake Maxwell Watts contributed to this article.*

### APA GROUP

#### Directors Back Hong Kong Offer

An almost \$9.5 billion bid by Hong Kong's **CK Infrastructure Holdings Ltd.** for one of Australia's main gas-pipeline operators has won over the company's board, putting the deal's fate in the hands of regulators.

On Monday, the CKI-led consortium and pipeline operator **APA Group** said they had formalized a conditional bid made mid-June. APA directors are recommending shareholders accept the offer.

But CKI will first need to satisfy Australia's antitrust regulator and clear the country's Foreign Investment Review Board.

APA operates more than 9,000 miles of gas pipelines in Australia that connect to 1.3 million homes and businesses.

*Robb M. Stewart contributed to this article.*

# Papa John's Offers Financial Help to Franchisees

BY JULIE JARGON

**Papa John's International Inc.** said it would provide financial assistance to its U.S. franchisees through the remainder of the year as it tries to turn around the business it says has been hurt by its founder's remarks.

Relations between the pizza chain and founder John Schnatter have become increasingly fraught in recent weeks. Papa John's domestic sales have been sliding ever since Mr. Schnatter last fall criticized the National Football League for its handling of players' national anthem protests. Mr. Schnatter, who stepped down as CEO in December and agreed to tempo-

rarily remove himself from ads, has blamed his successor, Steve Ritchie, for the sales problems and the company has blamed him.

In an effort to help franchise owners who are now struggling, Papa John's said Friday it will reduce franchisees' royalty payments, food prices and online fees and also provide funds to help them with marketing and remodeling.

The company has been trying to distance itself from Mr. Schnatter in the months following his use of a racial slur in May during a call with a marketing agency that was intended to prepare him for returning to advertising and public appearances. Papa

John's banned him from appearing in future ads and marketing and cut off his use of office space at the company's Louisville, Ky., headquarters. Mr. Schnatter stepped down as chairman last month but has since said he regrets the decision and that he doesn't plan to back away from the company, of which he still owns 29%.

The pizza chain earlier this week reported its third consecutive quarterly sales decline, with a 6.1% drop in North America same-store sales, and lowered its full-year sales and profit outlook.

The report fueled another round of finger-pointing. Mr. Schnatter issued a statement saying, "The company is try-

ing to deflect attention from the source of the problem—management's ongoing failures with regard to financial performance—and blame me for its problems."

The company said it was time to move on from Mr. Schnatter.

Vaughn Frey, president of the Papa John's Franchise Association, said in a statement on Friday: "We believe it is time for the founder to move on. Steve is pursuing the right initiatives to reinvigorate growth and recognizes the importance of working together to move forward successfully. We appreciate the assistance we're receiving from our franchisees and believe the assistance program will help mitigate the

impact that the founder's inexcusable words and actions have had on franchisees."

Mr. Schnatter doesn't appear to have the support of investors, either.

Stephens restaurant analyst Will Slabaugh said in a note to investors last week that he feels Mr. Ritchie's plans for new marketing and value offerings "present a much greater chance for success [versus] remaining tethered to Mr. Schnatter's image" and that "this opinion is overwhelmingly shared by the investment community."

Papa John's shares are down 49% in the past 12 months.

*Waverly Colville contributed to this article.*

## TECHNOLOGY

WSJ.com/Tech

# Qualcomm Gets Taiwan Patent Win

By TRIPP MICKLE

**Qualcomm** Inc. notched a victory in its effort to preserve its patent-licensing business as it reached a settlement with the Taiwanese government that revokes a previous finding against the chip maker and saves the company nearly \$700 million in fines.

The settlement comes as the world's dominant supplier of chips for smartphones seeks to chart a new path following a tumultuous year that involved fending off a takeover effort by rival **Broadcom** Inc. and abandoning its takeover of **NXP Semiconductors** NV amid trade tensions between the U.S. and China.

Chief Executive Steve Mol-

lenkopf is pursuing an ambitious plan to lift earnings and reduce the company's dependence on smartphone-related chip sales.

Qualcomm's issues in Taiwan spiked in October when Taiwan's Fair Trade Commission fined the company \$773 million and ruled Qualcomm violated the country's laws by unfairly licensing its patents, a decision that could have upended Qualcomm's business by forcing it to license its intellectual property to other chip makers.

The settlement revokes Taiwan's ruling, Qualcomm said. In its place, Qualcomm said it has pledged to negotiate in good faith with Taiwanese handset makers including **HTC**

and agreed to let Taiwanese authorities intervene to resolve any negotiation-related disputes.

Qualcomm also said it committed to invest an undisclosed amount of money over the next five years in Taiwan by collaborating on 5G technology with chip makers and others, funding research-and-development projects with universities and developing a Taiwanese center for operations and manufacturing engineering.

Under the agreement, Taiwan will keep \$93 million in payments from Qualcomm toward the fine assessed last year, but the remaining amount was waived, according to the chip maker.



Chief Executive Steve Mollenkopf hopes to reduce Qualcomm's reliance on smartphone-chip sales.

ROBERT LEVER/AGENCE FRANCE PRESSE/GETTY IMAGES

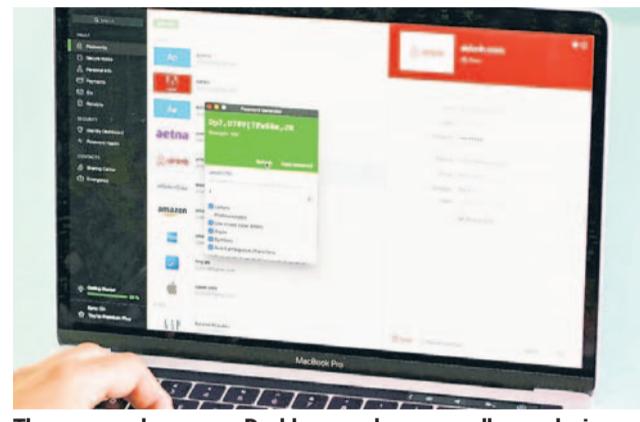
## Dashlane Improves Browsing

Continued from page B1  
just ask if you want to save your credentials.

You also can save credit-card information, passport numbers and more. Everything stays safe behind your master password, which I recommend making as complicated as you can muster. You'll be able to use your fingerprint or face to unlock Dashlane quickly on newer phones, tablets and computers, but you still have to enter the password from time to time for security.

Once your accounts are stored in Dashlane, you can even get Dashlane to log you into websites automatically. Next time you pay for something, too, you can simply click to choose a card.

One warning on that



The password manager Dashlane works across all your devices.

front: Security researchers have found "invisible fields" on some websites, which steal extra information by taking advantage of auto-filling technology. Dashlane says it doesn't fill in these hidden fields, and has other security mechanisms such as requiring a master password when sharing financial data.

I added 221 passwords into Dashlane, and the app immediately generated a score of my "password health," looking for weak or

reused ones. I scored a not-too-hot 72. Dashlane was able to automatically change some of my passwords, though that required giving the app access to my email, and I spent an hour changing the rest. For a brief, beautiful moment, my password health sat at a perfect 100. Now, because of an old Dropbox hack, I'm down to 99.

Dashlane's latest version includes a new Identity Dashboard, which the company uses to provide a rough

overview of your online health. I added my Gmail account, home address and other info to Dashlane, and the service began crawling dark-web databases to see if my information had been compromised.

Indeed, 10 alerts showed up, each detailing which information had been taken. I was able to quickly change a few passwords and see which other accounts needed to be changed, too. Going forward, if any of my info appears in these leaked databases, the service will notify me so I can take action.

Among Dashlane's other tools, a new built-in VPN stands out. Because it encrypts your internet traffic and obfuscates your location, it'll keep you more secure on public Wi-Fi. If you use it at home, it can keep your data out of the hands of your service provider, which might sell it. Just bear in mind, Netflix and other apps with protected content won't stream when you use the VPN, and VPNs

might not work on your corporate Wi-Fi.

The VPN uses Hotspot Shield from **AnchorFree**, a VPN provider that says it stores virtually no user data. (Hotspot Shield typically costs between \$3.50 and \$13 a month on its own.)

**D**ashlane's most expensive plan, at \$10 a month, also offers credit monitoring and as much as \$1 million in identity-theft insurance.

Keeping your data safe is a good thing, as is knowing when it has been compromised. But what if you never had to give out your data in the first place?

As Dashlane, 1Password and the rest mature, they're moving to protect more, but you can supplement their core services with features such as Abine's Blur suite, which blocks web trackers and provides disposable phone numbers, emails and credit cards.

In the meantime, if you have to trust a service, make

it one whose entire business is predicated on that trust. Some VPN providers do collect user and activity data, and you should avoid using them. "We've never sold and we've never collected user data," said David Gorodyansky, chief executive of AnchorFree, Dashlane's VPN partner.

Similarly, Dashlane says it designed everything from its servers to its password policies with hacker-proofing in mind. Nothing is ever completely safe, of course, but you should feel better knowing that these companies protect your data as if their existence depends on it.

If you buy an Eero home network and get 1Password bundled in, or want LastPass because it's only \$2 a month, that's fine. But I like that the new Dashlane puts so many features into one easy-to-use system. Come for the auto-fill, which makes quick work of the internet's seemingly endless forms. Stay for the peace of mind that comes from being safer online.

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## BUSINESS NEWS

# 'The Meg' Takes a Big Box-Office Bite



The shark thriller 'The Meg' was an American-Chinese co-production.

## Estimated Box-Office Figures, Through Sunday

FILM	DISTRIBUTOR	SALES, IN MILLIONS		
		WEEKEND	CUMULATIVE	% CHANGE
1. <b>The Meg</b>	Warner Bros.	\$44.5	\$44.5	--
2. <b>Mission: Impossible—Fallout</b>	Paramount	\$20	\$162	-43
3. <b>Christopher Robin</b>	Disney	\$12.4	\$50	-49
4. <b>Slender Man</b>	Sony	\$11.3	\$11.3	--
5. <b>BlackKklansman</b>	Focus Features	\$10.8	\$10.8	--

\*Friday, Saturday and Sunday Source: comScore

Associated Press

Adding to Hollywood's sizzling summer, the shark thriller "The Meg" opened well above expectations with

an estimated \$44.5 million in ticket sales, while Spike Lee had his best debut in a decade. "The Meg" had been forecast by some analysts for closer to half that total. An

American-Chinese co-production between Warner Bros. and China's Gravity Pictures, it also did well in its debut overseas, taking in \$50.3 million in China and totaling \$96.8 million internationally, according to studio estimates Sunday.

With an international cast led by Jason Statham and featuring Li Bingbing, Rainn Wilson and Winston Chao, "The Meg" cost at least \$130 million to make.

Following hits like "The Shallows" and "47 Meters Down," the shark movie—43 years after Steven Spielberg's "Jaws"—has been showing surprising bite at the box office. Jeff Goldstein, distribution chief for Warner Bros.,

said late summer was ideal timing for "The Meg."

After two weeks at No. 1, "Mission: Impossible—Fallout" slid to second place in its third weekend with \$20 million. The Paramount Pictures release starring Tom Cruise has pulled in \$162 million in three weeks.

Spike Lee's critically acclaimed "BlacKkKlansman" also opened strongly with \$10.8 million in 1,512 theaters. The Focus Features release, which took the Grand Prix at the Cannes Film Festival in May, was timed to the anniversary of the violent clashes between white nationalists and antiracism counterprotesters in Charlottesville, Va.

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## If You Owned a U.S. Dollar LIBOR-Based Instrument Between August 2007 and May 2010 Lawsuits and Settlements Totaling \$340 Million Could Affect You

There are lawsuits impacting individuals and institutions that entered into over-the-counter financial derivative and non-derivative instruments directly with 18 banks and that received payments tied to U.S. Dollar LIBOR. Settlements totaling \$340 million have been reached with Deutsche Bank Aktiengesellschaft and HSBC Bank plc. Earlier settlements were reached with Barclays and Citibank. The remaining 14 Non-Settling Defendants include: Bank of America, Bank of Tokyo-Mitsubishi, Citizens Bank, Credit Suisse, HBOS, JPMorgan Chase, Lloyds, Norinchukin, Rabobank, Royal Bank of Canada, Royal Bank of Scotland, SocGen, UBS, and WestLB.

A Litigation Class continues to assert claims against Bank of America, N.A. and JPMorgan Chase Bank, N.A. The lawyers for the Litigation Class will have to prove their claims in Court and a trial will be scheduled for a later date. The Litigation Class is seeking to recover money for its members.

## What are the lawsuits about?

The litigation claims that the banks manipulated the U.S. Dollar LIBOR rate during the financial crisis, artificially lowering the rate for their own profit, which resulted in class members receiving lower interest payments for their U.S. Dollar LIBOR-based instruments from the banks than they should have. Plaintiffs assert antitrust, breach of contract, and unjust enrichment claims. Deutsche Bank, HSBC, Bank of America, and JPMorgan Chase deny all claims of wrongdoing.

## Who is included in the lawsuits and Settlements?

There are two groups that are impacted by these lawsuits.

**Litigation Class:** You are included if you (individual or entity) reside in the U.S. and directly purchased certain U.S. Dollar LIBOR-based instruments (interest rate swaps or bond/floating rate notes) from Panel Banks (Deutsche Bank, HSBC, Barclays, Citibank, Bank of America, Bank of Tokyo-Mitsubishi, Credit Suisse, HBOS, JPMorgan Chase, Lloyds, Norinchukin, Rabobank, Royal Bank of Canada, Royal Bank of Scotland, SocGen, UBS, and WestLB), or any of their subsidiaries or affiliates; and pursuant to the instruments, a Panel Bank paid you interest indexed to a 1-month or 3-month U.S. Dollar LIBOR rate set at any time between August 2007 and August 2009. (This means you must have owned the instrument(s) between August 2007 and August 2009.)

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The U.S. Dept. of Justice, Drug Enforcement Administration (DEA) New York gives notice that the property listed below has been abandoned to the custody of the United States and has remained unclaimed. The property shall be held for 30 days from the date of initial publication of notice. Upon expiration of this 30 day period title to the property will vest in the United States. Any person desiring to claim this property must file with the DEA within 30 days. Claims may be filed at the following address:

99 Tenth Ave., NY, NY 10011. Last date to file: 08/13/2018. Property one (1) KEL-TEC 9mm Carbine with laser sight Serial # 00322. Date seized: 02/05/2002. Owner's name: Yuriy PILNEV. Location: 8060 211th Street, Queens Village, NY 11427; Property one (1) Glock 23, .40 caliber, semi-auto handgun with laser Serial # DUB291US. Date seized: 02/05/2002. Owner's name: Yuriy PILNEV. Location: 8060 211th Street, Queens Village, NY 11427; Property one (1) Smith and Wesson 9mm semi-auto Serial # TCR6583. Date seized: 07/18/1996. Owner's name: Jose CANCEL. Location: 158-13 72nd Ave, Apt. 6B, Queens, NY; Property one (1) 9mm Machine pistol Serial # 89-0060302. Date seized: 07/18/1996. Owner's name: Jose CANCEL. Location: 158-13 72nd Ave, Apt. 6B, Queens, NY

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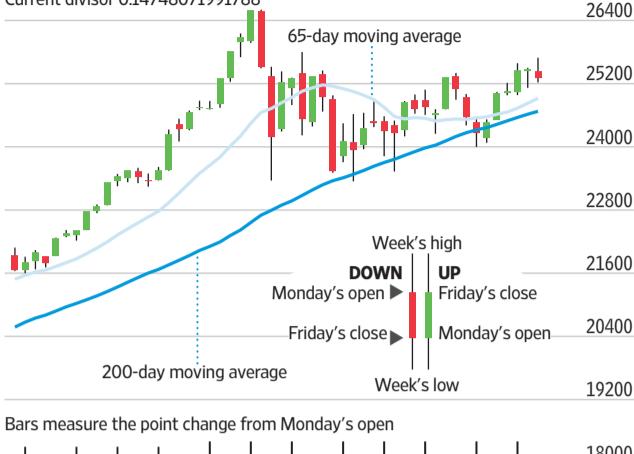
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## MARKETS DIGEST

## Dow Jones Industrial Average

**25313.14** ▼149.44, or 0.59% last week  
High, low, open and close for each of the past 52 weeks



Bars measure the point change from Monday's open



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2833.28** ▼7.07, or 0.25% last week  
High, low, open and close for each of the past 52 weeks



## New to the Market

## Public Offerings of Stock

## IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$) Low/High	Bookrunner(s)
8/13	7/18 Aridis Pharmaceuticals Biotechnology research company.	ARDS Nq	2.0	13.00/ 15.00	Cantor Fitzgerald, Maxim Grp

## Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price(\$)	Offer amt. (\$ mil.)	Through Friday (%)	Lockup provision
Aug 13	Feb 14, '18	Motus GI Holdings	MOTS	5.00	17.8	19.8	180 days
Aug 15	Feb. 16, '18	Farmmi	FAMI	4.00	7.7	-28.8	180 days

Sources: Dealogic; WSJ Market Data Group

## IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	Friday's close	% Chg From IPO date/Offer price	Company SYMBOL	Friday's close	% Chg From Offer price
Mesa Air Grp MESA Aug. 10/\$12.00	11.75	-2.1	Tottenham Acquisition TOTAU Aug. 2/\$10.00	10.17	17
Spartan Energy Acquisition SPAQ Aug. 10/\$10.00	10.07	0.7	Cushman & Wakefield CWK Aug. 2/\$17.00	18.00	5.9
Vaccinex VCNX Aug. 9/\$12.00	11.50	-4.2	Sonos SONO Aug. 2/\$15.00	18.49	23.3
Arlo Tech ARLO Aug. 3/\$16.00	20.11	25.7	Adial Pharmaceuticals ADIL July 27/\$5.00	3.43	-314
Forum Merger II FMCIU Aug. 3/\$10.00	9.98	-0.2	Endava DAVA July 27/\$20.00	27.61	38.1

Sources: Dow Jones Market Data; FactSet Research Systems

## Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Symbol/ Primary exchange	Amount (\$ mil.)	Friday's price(\$)	Bookrunner(s)
Safe-T Group SFET Nq	4.1	n.a.	Chardan Cptl Mrkts

## Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Party City Holdco	Aug. 9	\$156.5	...	MS
Retail	Sept. 2/16			
NeoGenomics	Aug. 9	\$125.0	\$200.0	W. Blair, Leerink Prtnrs
Redhill Biopharma	Aug. 9	\$25.0	\$120.0	Ladenburg Thalmann
Healthcare	Feb. 25/16			
WellCare Health Plans	Aug. 7	\$1,380.0	...	SunTrust, JPM, GS, WFS, BofA ML, Mitsubishi UFJ, BTIG
Zogenix	Aug. 7	\$312.0	...	BofA ML, Leerink Prtnrs, Stifel
Medpace Holdings	Aug. 7	\$247.5	\$75.0	MS
Healthcare	Sept. 1/17			
KKR Real Estate Finance Trust	Aug. 7	\$100.0	\$200.0	Citi, JPM, WFS
Real Estate/Property	July 13/18			
Syneos Health	Aug. 6	\$300.9	...	MS
Healthcare	Dec. 1/15			

## International Stock Indexes

Sources: SIX Financial Information; Dow Jones Market Data

## Commodities and Currencies

Commodity	Last Week Close	Net chg	% Chg	YTD Close
DJ Commodity	614.39	-3.64	-0.59	-1.76
TR/CC CRB Index	191.69	-1.54	-0.80	-1.12
Crude oil, \$ per barrel	67.63	-0.86	-1.26	11.93
Natural gas, \$/MMBtu	2.944	0.091	3.19	-0.30
Gold, \$ per troy oz.	1211.10	-3.10	-0.26	-7.29
U.S. Dollar Index	96.27	1.12	1.18	4.50
WSJ Dollar Index	90.14	1.41	1.58	4.84
Euro, per dollar	0.8763	0.0118	1.37	5.18
Yen, per dollar	110.90	-0.36	-0.32	-1.60
U.K. pound, in dollars	1.28	-0.0231	-1.78	-5.49
52-Week Range	Low	Close	High	% Chg
DJ Commodity	563.57	...	667.35	7.38
TR/CC CRB Index	175.36	...	206.38	6.73
Crude oil, \$ per barrel	45.96	...	74.15	38.53
Natural gas, \$/MMBtu	2.55	...	3.63	-1.31
Gold, \$ per troy oz.	1208.60	...	1362.40	-5.95
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# CLOSED-END FUNDS

[wsj.com/funds](http://wsj.com/funds)

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **NS** signifies fund not in existence. **M** means monthly. **Y** means yearly computed by dividing income dividends paid during the twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, August 10, 2018

52 wk			52 wk			52 wk			52 wk			52 wk					
Fund (SYM)	NAV	Prem Close/Disc	Fund (SYM)	NAV	Prem Close/Disc	Fund (SYM)	NAV	Prem Close/Disc	Fund (SYM)	NAV	Prem Close/Disc	Fund (SYM)	NAV	Prem Close/Disc			
Gabelli Dividend & Incm	<b>GDV</b>	NA 24.13	NA 18.7	BlackRock Utilities Infr	<b>BUJ</b>	20.42	10.68	+1.3	7.6	MS China A Shr Fd	<b>CAS</b>	25.55	21.61	-15.4	6.3		
Gabelli Equity Trust	<b>GAB</b>	NA 6.44	NA 15.6	Cohen & Steers Infr Fd	<b>UTF</b>	24.39	23.26	-4.6	11.5	MS Emerging Fund	<b>MSF</b>	18.50	16.20	-12.4	-1.3		
Genl American Investors	<b>GAM</b>	43.03	36.06	-16.2	16.6	C&S MLP Invn & Engg Opp	<b>MIE</b>	12.20	11.15	-8.6	20.4	MS India Invest	<b>IIF</b>	30.84	26.82	-13.0	-2.2
HnckJohn TxAdv	<b>HTD</b>	24.92	23.54	-5.5	3.4	Cohn & Steers Qual Inc	<b>RPI</b>	13.05	12.19	-6.6	5.3	New Germany Fund	<b>GF</b>	20.74	18.25	-12.0	14.9
Liberty All-Star Equity	<b>USA</b>	6.80	6.52	-4.1	29.3	CohnStrsPfdInco	<b>RNP</b>	18.20	19.50	-10.6	2.4	Svis Helvetica Fund	<b>SWZ</b>	13.58	12.83	-5.5	4.7
Source Capital	<b>SOR</b>	45.46	40.12	-11.7	5.9	Cohen & Steers Tr	<b>RFI</b>	12.94	12.57	-2.9	8.1	Templeton Dragon	<b>TDF</b>	24.15	20.55	-14.9	6.6
Tri-Continental	<b>TY</b>	30.85	27.36	-11.3	17.0	DCLSeligmann Prem Trd Grd	<b>STR</b>	21.22	NA	NA	NA	Templeton Emerging	<b>EMF</b>	16.80	14.52	-13.6	-0.4
<b>Specialized Equity Funds</b>						DNP Select IncomeFund	<b>DNF</b>	9.51	11.04	+16.0	7.3	Virtus Total Return Fund	<b>ZF</b>	11.31	10.69	-5.5	-9.5
Duff&Phelps Gbl UtilnCrd	<b>DPU</b>	17.09	15.36	-10.1	4.4	Wells Fargo Gi Div Opp	<b>EOD</b>	NA	5.48	NA	-1.4	Templeton Global	<b>GIM</b>	7.17	6.21	-13.4	5.1
Adams Natural Rsrcs Fd	<b>AWP</b>	6.75	6.23	-7.7	8.1	<b>Friday, August 10, 2018</b>						NexPoint RI Est Strat	<b>CR</b>	20.79	NA	NA	8.6
AllInzGf NJF Div Interest	<b>NFJ</b>	14.68	12.91	-12.1	6.3	NexPoint RI Est Strat C	<b>CR</b>	20.79	NA	NA	9.5	NexPoint RI Est Strat	<b>CR</b>	20.79	NA	NA	8.6
BirkRk Enh Cap Inco	<b>CII</b>	17.84	16.97	-4.9	20.8	National Muni Bond Funds						NorthStar RE Cap InvAdv	<b>NA</b>	NA	NA	NA	NS
BirkRk Enq Eq Div Tr	<b>BDJ</b>	9.99	9.37	-6.2	13.8	<b>General Equity Funds</b>						PREDEX:T	26.23	NA	NA	NA	NS
Central Securities	<b>CET</b>	34.32	28.32	-17.5	19.4	BlackRock Income Trust	<b>BRK</b>	6.32	5.78	-8.5	5.5	PREDEX:W	26.23	NA	NA	NA	NS
CohSteer Optrndy Fd	<b>FOF</b>	13.78	13.31	-3.4	12.2	BlackRock 2030 Target	<b>BTT</b>	23.63	21.41	-9.4	5.3	Resource RE Div IncA	10.42	NA	NA	NA	8.6
EtnVnc TaxAdvDiv	<b>EVT</b>	23.99	24.20	+0.9	22.0	BlackRock Municipal Trust	<b>BFK</b>	14.04	13.21	-5.9	5.7	Resource RE Div IncC	10.41	NA	NA	NA	7.8
						BlackRock Corp Bond	<b>BTC</b>	14.70	13.19	-10.5	5.1	Resource RE Div IncL	10.58	NA	NA	NA	8.1
						BlackRock Corp Bond Fd	<b>BTC</b>	14.70	13.19	-10.5	5.1	Resource RE Div IncW	10.58	NA	NA	NA	8.6
						BlackRock CorpMuni	<b>BLE</b>	14.73	13.19	-10.5	5.1	SharesPost 100:A	29.27	NA	NA	NA	13.3
						BlackRock CorpMuni Fd	<b>BLC</b>	14.73	13.19	-10.5	5.1	SharesPost 100:I	29.23	NA	NA	NA	NS
						BlackRock CorpMuniI	<b>BLY</b>	14.80	14.01	-5.3	5.9	US Core Real Estate	<b>USQX</b>	25.55	NA	NA	NS
						BlackRock CorpMuniI Qld	<b>BYD</b>	14.45	13.74	-4.9	5.8	US Core Real Estate I	<b>USQX</b>	25.55	NA	NA	NS
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.32	13.88	-5.5	5.6	Versus Cap Mgr Rev Incl	27.83	NA	NA	NE	
						BlackRock CorpMuniI Qld II	<b>BYD</b>	13.47	12.07	-10.4	5.4	Versus Capital Real Astt	<b>VCRX</b>	25.42	NA	NA	NS
						BlackRock CorpMuniI Qld II	<b>BYD</b>	13.26	12.76	-9.3	5.6	Wildermuth Endwmnt	13.22	NA	NA	10.4	
						BlackRock CorpMuniI Qld II	<b>BYD</b>	13.55	12.30	-9.2	5.8	Wildermuth Endwmnt	12.97	NA	NA	9.5	
						BlackRock CorpMuniI Qld II	<b>BYD</b>	13.69	12.30	-9.2	5.8	Wildermuth Endwmnt	13.31	NA	NA	11.0	
						BlackRock CorpMuniI Qld II	<b>BYD</b>	13.80	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	13.80	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	13.94	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	13.94	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.07	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.07	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.20	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.20	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.33	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.33	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.46	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.46	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.59	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.59	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.72	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.72	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.85	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.85	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	14.98	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	14.98	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	15.11	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	15.11	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	15.24	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	15.24	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	15.37	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	15.37	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	15.50	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	15.50	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	15.63	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	15.63	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD</b>	15.76	12.30	-9.2	5.8	BlackRock CorpMuniI Qld II	<b>BYD</b>	15.76	12.30	-9.2	5.8
						BlackRock CorpMuniI Qld II	<b>BYD&lt;/b</b>										

## MARKETS

# Sugar Prices Sour As Demand Drops And Supplies Swell

By JULIE WERNAU

Sugar prices are hovering near a three-year low as food companies around the world reduce the commodity in their products and move toward alternative sweeteners amid health concerns including diabetes, obesity and heart disease.

This raises the possibility of a long-term reduction in demand even as the world's largest producers of sugar are notching record production. Sugar's downward lurch bucks the trend of other agricultural commodities, such as corn and wheat, whose gluts are easing as heat waves sweeping Europe and Asia slash forecasts for this year's harvest.

While futures prices have increased 2% for corn and 28% for wheat, raw sugar futures have declined 31% this year to 10.54 cents a pound on the ICE Futures U.S. exchange.

Sugar is now the worst-performing commodity this year and speculators are betting by nearly 2 to 1 that prices will continue to fall.

**Sugar's poor outlook is striking given other commodities are doing so much better.**

The marked decline in sugar prices is playing out in varying ways around the world. Consumers stand to gain in Europe, where sugar prices tend to track world-market prices, and in parts of the Middle East and Canada, where sugar is imported at world prices.

Consumers in places such as the U.S., Japan and China won't, though. In those countries, the world sugar price wouldn't flow through to consumers of sugar-support programs that increase the prices consumers pay for sugar.

The losers are large producing countries such as Brazil. Producers there are selling sugar at prices that are now below the cost of production, according to analysts.

The downbeat price outlook for sugar is especially striking given that other commodities are doing so much better.

"Currently, sugar is telling us a completely different story about the demand side of the

equation than we're hearing just about everywhere else," said Adam Sarhan, chief executive of 50 Park Investments.

Mr. Sarhan is betting that sugar prices will continue to move lower.

The problem with demand is because of shifting consumer tastes. Consumers are leaving sugary beverages behind. That has major beverage companies shifting priorities.

U.S. soda sales have declined by \$1.2 billion over the past five years, according to Susquehanna Financial Group, while sparkling water sales have grown by \$1.4 billion, according to market-research firm IRI.

Coca-Cola Co. has rolled out new Diet Coke flavors for the first time in its history in an effort to boost sales. In the latest quarter, Coca-Cola reported double-digit growth in its Coca-Cola Zero Sugar product, while its flagship cola rose 3%. In Spain, PepsiCo Inc. said it has brought down the amount of sugar in its products by 29% compared with 2006 and is working toward the goal of two-thirds of its soft drinks containing fewer than 100 calories.

"Consumption in Europe and the United States hasn't grown for years and it isn't likely to because of the proliferation of alternative sweeteners," said Judith Ganes Chase, president of commodities research firm J. Ganes Consulting LLC of New York.

While this potentially heralds a secular shift in demand for sugar, supply of the commodity is increasing.

In its update for July, the International Sugar Organization says a record surplus expected this year, followed by a surplus next year, means excessive stocks of sugar will take time to liquidate. Green Pool Commodity Specialists, a consultancy, projects a 19-million-ton surplus this year, the largest ever; INTL FCStone, a brokerage, says this year's surplus has already offset two years of deficits.

And producers aren't cutting back. Sugarcane farmers in India are expanding their acreage following a raft of measures to boost sugar exports that are encouraging production. That is despite the fact that the country has produced 6.5 million tons more sugar than it uses over the year that ends Sept. 30.



Work at a nuclear power plant in China. The country has 19 reactors under construction, one reason uranium demand is poised to rise.

# Uranium Bulls Are Back

By PAUL GARVEY

A wave of mine closures and the rollout of nuclear-power plants world-wide are fueling bullish bets on the long-depressed uranium market.

Several investment funds have launched this year to wager on a turnaround in the radioactive material used in nuclear reactors. Since the 2011 Fukushima disaster in Japan, uranium had been the worst-performing commodity as countries re-evaluated their reliance on nuclear power.

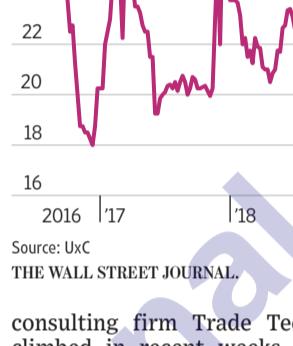
Before Fukushima, uranium prices were trading at about \$70 a pound. In May 2017, they hit \$19.60—a level at which at least three-quarters of the world's uranium production is unprofitable, according to estimates. In the U.S., low uranium prices prompted producers to petition the Trump administration to cap imports. The Commerce Department said last month it has opened an investigation that could lead to tariffs.

Uranium doesn't trade in an open market like many other commodities, and many transactions occur under negotiated private contracts. But an estimated spot price calculated by

## Power Shift

The price of uranium has climbed recently on reports of supply cuts and new nuclear-power plants.

\$28 a pound



Source: UxC

THE WALL STREET JOURNAL

consulting firm Trade Tech climbed in recent weeks to \$25.85 a pound, its highest in more than two years.

China's investments into nuclear reactors and the closure of several uranium mines are spurring the creation of new funds that are betting the uranium market will finally turn.

Marcelo Lopez is running a new \$30 million uranium investment fund at L2 Capital Partners in Brazil. He anticipates

a rally in prices. "I'm seeing the biggest opportunity of our lifetime today in the uranium space," he said.

The recent rise in prices comes in response to supply cuts, which could result in upward pressure for the long term.

Kazakhstan-based **Kazatomprom**, the world's biggest uranium producer, said in December it was cutting output by 20%. Last month, Canada's **Cameco** Corp. announced it would indefinitely suspend operations at its big McArthur River and Key Lake mines.

The impact of Cameco's move on the uranium market can't be underestimated, said Mr. Lopez, adding that it was the "equivalent of Saudi Arabia leaving the oil market."

Supply is dropping at the same time demand is poised to rise. China has 19 nuclear reactors under construction, according to the World Nuclear Association. The country intends to build another 203 reactors. Russia and India are each building six reactors as part of longer-term plans to more than double their existing capacity.

Capacity in the Middle East is forecast to jump from 3.6 gigawatts this year to 14.1 gigawatts by 2028, according to the U.S. Energy Information Administration, as the region looks to reduce its reliance on fossil fuels.

Meanwhile, developed economies, such as the U.S., are likely to maintain nuclear power's share of their electricity production, given constraints in the output of other fuels, analysts say.

"There's no doubt that global energy requirements are increasing dramatically," said Peter Bacchus of Bacchus Capital Advisers, an advisory firm in London. "Uranium has to be part of the solution."

Bacchus Capital was central in the creation and listing of **Yellow Cake** PLC, which made its debut on the London Stock Exchange this month. The company, which buys and stores refined uranium, raised \$200 million. Money manager **BlackRock** Inc. bought a 4.7% stake.

**Tribeca Investment Partners**, a fund manager in Australia with \$1.8 billion in assets, also backed the Yellow Cake IPO and this month launched a uranium-specific fund. It aims to raise about \$74 million to bet on uranium's resurgence.

# GAM to Liquidate \$7.3 Billion of Funds

By LAURENCE FLETCHER

Swiss money manager **GAM Holding** AG said Friday it would liquidate 7.3 billion Swiss francs (\$7.3 billion) of its funds following the suspension of a top bond fund manager last week.

GAM, whose shares are down by almost one-quarter since it suspended Tim Haywood for conduct "of significant concern," said the boards of nine of its funds decided to place them into liquidation, subject to shareholder and regulatory approvals.

The news is the latest blow in a torrid couple of weeks for GAM, which last week was forced to block client withdrawals following what it de-

scribed as a "high level" of investor redemption requests.

GAM said it expects investors to receive their cash "as it becomes available throughout the liquidation process." The affected funds include the Absolute Return Bond, Absolute Return Bond Plus and the Unconstrained Bond funds. The firm said it was working on alternative vehicles for investors who want to stay invested.

"We believe that this decision underscores our commitment to treating all clients equally and fairly and to ensuring that investors receive proceeds in a timely manner," said Tim Rainsford, GAM's group head of sales and distribution, referring to the liquidation.

## Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	US\$ vs.		Country/currency	US\$ vs.	
	Fri in US\$	per US\$		Fri in US\$	per US\$
<b>Americas</b>					
Argentina peso	.0342	29.2310	<b>57.1</b>		
Brazil real	.2588	3.8642	<b>16.7</b>		
Canada dollar	.7611	1.3140	<b>4.5</b>		
Chile peso	.001529	654.20	<b>6.3</b>		
Ecuador US dollar	1	1	<b>1 unc</b>		
Mexico peso	.0529	18.9109	<b>-3.9</b>		
Uruguay peso	.03313	30.1800	<b>4.8</b>		
Venezuela b. fuerte	.000005207100.0001	2024831			
<b>Asia-Pacific</b>					
Australian dollar	.7297	1.3704	<b>7.0</b>		
China yuan	.1461	6.8469	<b>5.3</b>		
Hong Kong dollar	.1274	7.8496	<b>0.5</b>		
India rupee	.01447	69.095	<b>8.2</b>		
Indonesia rupiah	.0000690	14493	<b>7.5</b>		
Japan yen	.009017	110.90	<b>-1.6</b>		
Kazakhstan tenge	.002799	357.22	<b>7.4</b>		
Macau pataca	.1237	8.0846	<b>0.5</b>		
Malaysia ringgit	.2448	4.0850	<b>0.6</b>		
New Zealand dollar	.6579	1.5200	<b>7.8</b>		
Pakistan rupee	.00807	123.950	<b>12.0</b>		
Philippines peso	.0188	53.250	<b>6.6</b>		
Singapore dollar	.7281	1.3735	<b>2.7</b>		
South Korea won	.0008848	1130.17	<b>5.9</b>		
Sri Lanka rupee	.0062516	159.96	<b>4.2</b>		
Taiwan dollar	.03252	30.746	<b>3.6</b>		
Thailand baht	.03000	33.330	<b>2.3</b>		
Vietnam dong	.00004296	23277	<b>2.5</b>		
<b>Middle East/Africa</b>					
Bahrain dinar	2.6501	.3774	<b>0.1</b>		
Egypt pound	.0560	17.8580	<b>0.5</b>		
Israel shekel	.2691	3.7163	<b>6.8</b>		
Kuwait dinar	3.3019	.3029	<b>0.5</b>		
Oman rial	2.5974	.3850	<b>0.01</b>		
Qatar rial	.2749	3.3650	<b>-0.3</b>		
Saudi Arabia riyal	.2666	3.7505	<b>...</b>		
South Africa rand	.0710	14.0760	<b>13.9</b>		
<b>WSJ Dollar Index</b>					
Close	90.14	Net Chg .84	% Chg 0.94	4.84	

Sources: Tullett Prebon, Dow Jones Market Data

**THE TICKER** | Market events coming this week

### Monday

**Earnings expected\***  
Estimate/Year Ago(\$)

Stars Group **0.54**/0.56

Sysco **0.93**/0.70

**Tuesday**

Import price index

June, previous down 0.4%

July, expected down 0.1%

**Earnings expected\***

Estimate/Year Ago(\$)

Advance Auto **1.86**/1.58

Agilent Tech. **0.63**/0.59

CDK Global **0.85**/0.55

Home Depot **2.85**/2.25

Tapestry **0.57**/0.50

Wheaton Precious Metals **0.13**/0.15

**Wednesday**

Mort. bankers indexes

Purch., previous down 2%

Refinan., prev. down 5%

EIA

## MARKETS

## Turkey's Ability to Shock Markets Looks Limited

By Ben Eisen

Some investors and economists are skeptical that Turkey's currency crisis will continue to weigh on global markets.

Though the Turkish lira's 14% slide against the U.S. dollar on Friday rippled through global stocks and currencies, many markets recovered early losses, an indication that Turkey's financial woes are worse than those of other emerging economies but contained in nature.

"Turkey has tended to be more vulnerable," said Torsten Slok, an economist at Deutsche Bank.

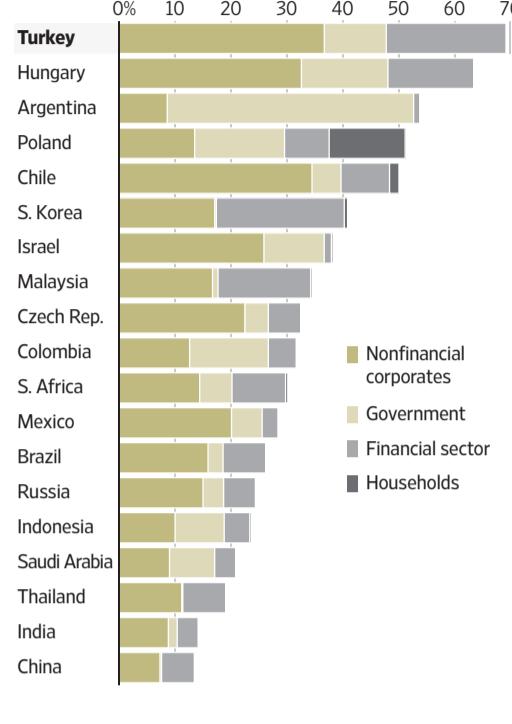
Despite a build-up in emerging-market leverage in recent years, Turkey's debt denominated in foreign currencies is high relative to most of its peers. That external debt becomes more expensive to repay when Turkey's lira slides against those currencies.

Its current-account deficit is also larger than many of its peer emerging markets, such as South Africa and Argentina. A high current-account deficit means its economy requires large inflows of foreign money.

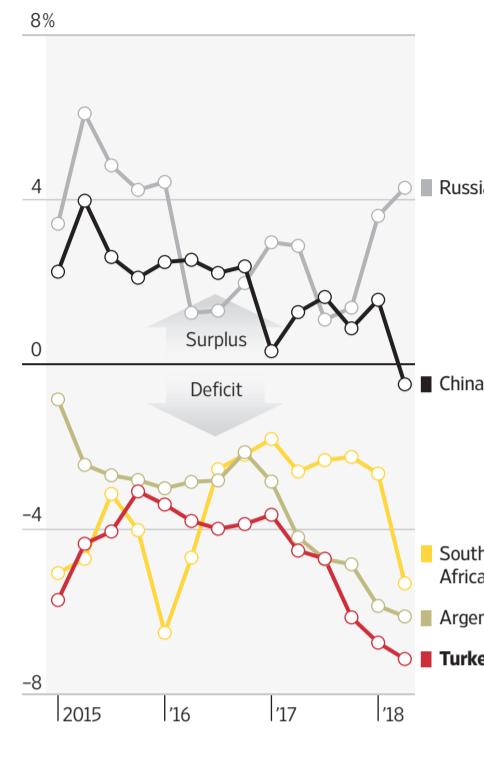
For most investors who buy emerging-markets stocks, their exposure to Turkey is likely to be contained. The MSCI Emerging Markets Index, to which roughly \$2 trillion dollars in assets are linked, has an exposure to Turkey of less than 1%—and it is shrinking. That compares with more than 30% for China.

And while currencies around the world have been falling against the U.S. dollar recently, the lira's fall is among the worst.

## Foreign currency-denominated emerging-markets debt as a share of gross domestic product



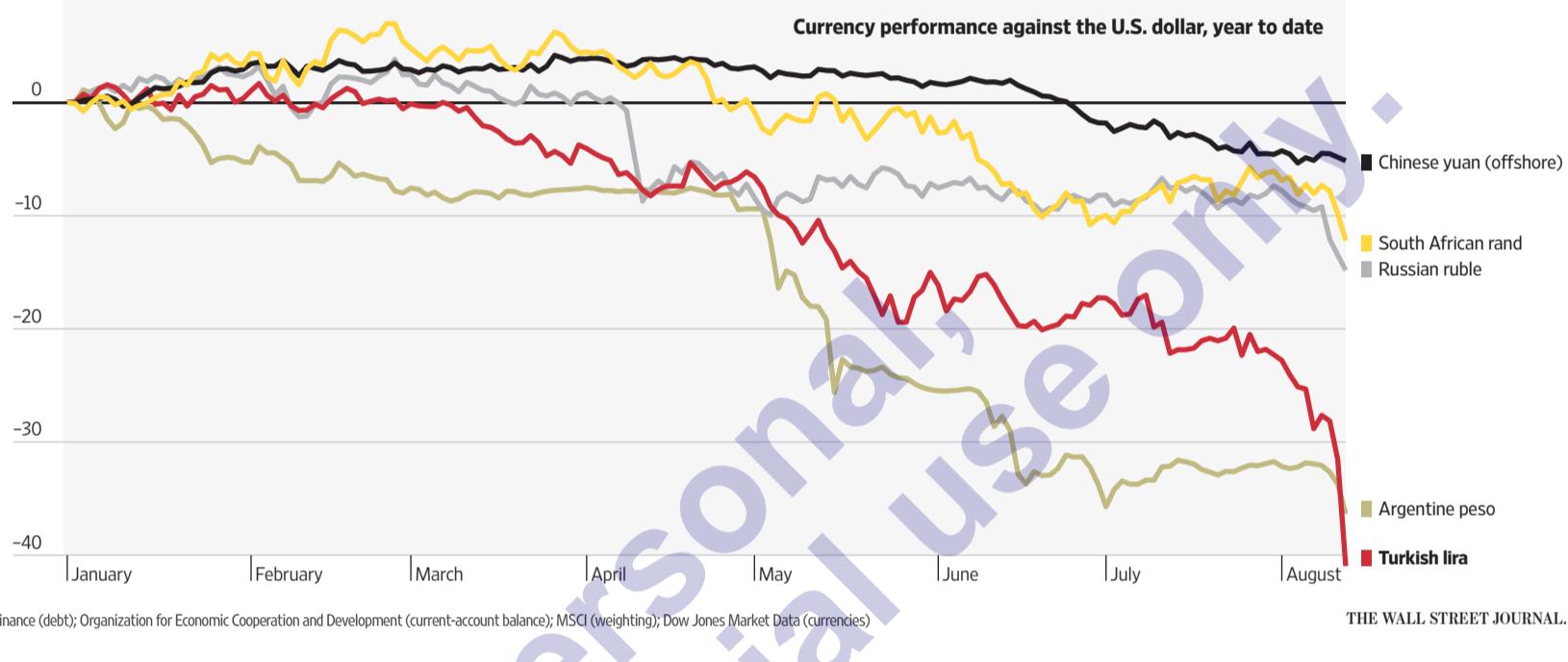
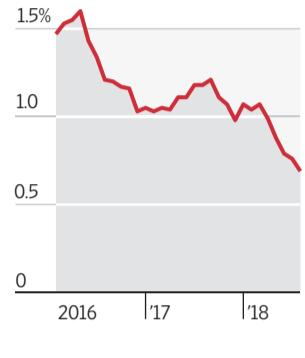
## Current-account balance as a percentage of GDP, selected economies



## MSCI Emerging Markets Index weighting, by country



## Turkey's weighting in the MSCI Emerging Markets Index



Sources: Deutsche Bank via Institute of International Finance (debt); Organization for Economic Cooperation and Development (current-account balance); MSCI (weighting); Dow Jones Market Data (currencies)

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## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

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## Trouble Unlikely to Go Global

Emerging markets are hitting the headlines again: Turkey is in deep trouble, and ripples are spreading across markets. But trouble brings opportunity, too.

The temptation when trouble hits a big emerging-market nation is to treat the asset class as homogenous and dump emerging-market currencies, bonds and stocks en masse.

Yet investors should probably be sanguine. There are few places that look as vulnerable as Turkey, with its wide current-account deficit, high reliance on short-term flows of credit, surging inflation and overheating economy—all exacerbated by the country's apparent inability or unwillingness to respond with orthodox policy, such as higher interest rates.

Turkey's woes aren't enough for a wider emerging-market crisis. Indeed, the country's meltdown is at odds with a broader picture that had started to stabilize, as markets adjusted to a world in which higher U.S. growth and a stronger dollar has been the big change.

While the lira has fallen over 20% in the past month, other currencies like the Brazilian real, Mexican peso and Indian rupee have been much more resilient. Emerging-market asset prices started to move off their lows in July.

Turkey's deepening woes will hurt risk appetite and sentiment. But Turkey will be forced to respond to the markets' concerns at some point. When that happens, a buying opportunity could emerge for the stocks, bonds and currencies of countries that don't face challenges as deep as Turkey.

—Richard Barley

## Fewer Stocks, More Value



Question: How many companies are in the Wilshire 5000 index of all U.S. stocks?

This is a trick, of course:

There are only 3,500, down from a peak of nearly 7,500 in 1997 and roughly 5,000 when the benchmark launched in 1974. There are many reasons to worry about a decline of public companies, but fears about the death of public equity—revived last week by Elon Musk's potential bid to take his electric car maker **Tesla** private—are certainly overdone.

Why worry? Fewer public companies would mean ordinary investors could miss out on good returns from investing in equities. Also, if more firms are in private hands, it is harder for politicians and the public to monitor and influence corporate behavior.

That has real potential consequences for employment, the economy and the environment.

Corporate complaints about being public are well rehearsed. Shareholders focused on quarterly results stymie corporate development and long-term growth.

The costs and governance demands are too onerous. One of Europe's biggest private-equity firms, Partners Group, says public markets suffer excessive "governance

correctness," which restrains entrepreneurial spirit and forces companies to employ independent directors who lack insight. (Ironically, Partners itself is publicly listed.)

The signs of decline are equally well known. Public companies get picked off by deal-hungry private equity or they use debt to buy back their own stock. There has been a dearth of initial public offerings, especially by \$1 billion-plus tech "unicorns," which remain in the hands of founders and venture capital funds.

In the U.S., 2014 was the best year for more than a decade for IPOs, but volumes have been weaker before and since, according to Dealogic.

But is this really a problem with going public? Many entrepreneurs want to keep control of their creations for as long as possible. On top of this, modern businesses simply need less investment to get going, argues Brian Cheffins, a corporate law professor at Cambridge University in a new paper.

Modern-company assets are mostly intangible rather than physical: intellectual property, branding and patents rather than machines and buildings.

Startups today, as in the dot-com boom, still burn large amounts of cash, but

Prof. Cheffins says this is to fund growth, not to build the physical capital needed to launch production. And this funding is now available in many forms: not just private capital but also debt, which is made more attractive by tax advantages and an aging society's desire to take less risk.

But for all the growth in private assets and corporate debt, public stock markets are still bigger. The market value of all U.S. stocks is higher than ever at more than \$30 trillion. That sits against more than \$6 trillion of high-grade U.S. corporate bonds at face value and about \$5 trillion for all private assets under management globally.

Also, more than half of private-equity-owned firms are sold to other corporations, according to PitchBook, a research firm.

U.S. stock markets have fewer companies, but they are bigger. That may mean a concentration of economic and political power, which might be as troubling as a lack of transparency and accountability in private markets. But one thing investors needn't worry about is the death of public-company equity.

—Paul J. Davies

## Social Networks Are Losing Friends

The big social-media companies have become highly valuable by effectively selling access to their rapidly growing user bases. That makes weak user growth numbers especially dangerous for their valuations.

**Facebook**, **Twitter** and Snapchat parent **Snap Inc.** all posted declines in key user bases for the second quarter. Facebook posted its first slip ever in the combined number of daily active users in the U.S. and Europe—markets that drive a majority of the company's advertising business. Snapchat's daily active users fell for the first time in the young company's operating history. Twitter has logged drops before, but this time investors were expecting it to add 2.5 million to its monthly active user base for the June quarter. Twitter instead lost one million.

Investors have driven down their stocks by an average of 16% following their respective second-quarter reports. But all three remain relatively richly valued compared with others in the internet sector. Snap trades at nearly 11 times forward sales following its sell-off, while Facebook and Twitter are around eight times. The Nasdaq internet Index currently averages about 4.3 times forward sales, according to FactSet.

The high valuations indicate that investors seem to view the recent bouts of user declines as a blip, rather than a long-term problem. Facebook and Twitter both cited changes they are making to improve the health and security of their networks as reasons for their recent user declines. Snap, meanwhile, blamed a recent—and highly controversial—redesign of its app.

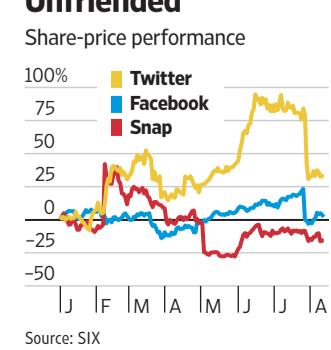
Wall Street analysts also are looking past the recent reports and still expect all three companies to grow their respective user bases. According to analyst projections tabulated by Visible Alpha, the number of Facebook's monthly active users is expected to top three billion by 2022, up from about 2.2 billion today.

Large advertisers likely aren't going to shift their budgets based on a bad quarter, especially after having made major pivots toward social media in recent years. In the second quarter, Facebook's daily active users grew just 1.5%, its slowest pace on record, but advertising was up 42%.

But the risk is that if users continue to bail, social networks will need to earn more cash from those who remain. Admittedly all three have proven adept at that in the past. Facebook, for instance, made about \$22 in ad revenue per average monthly user over the past 12 months—roughly double that of three years ago. But this strategy is limited by the amount of ads that can be crammed into users feeds without damaging their experience. Even the best of friends can only take so much.

—Dan Gallagher

## Unfriended



Source: SIX

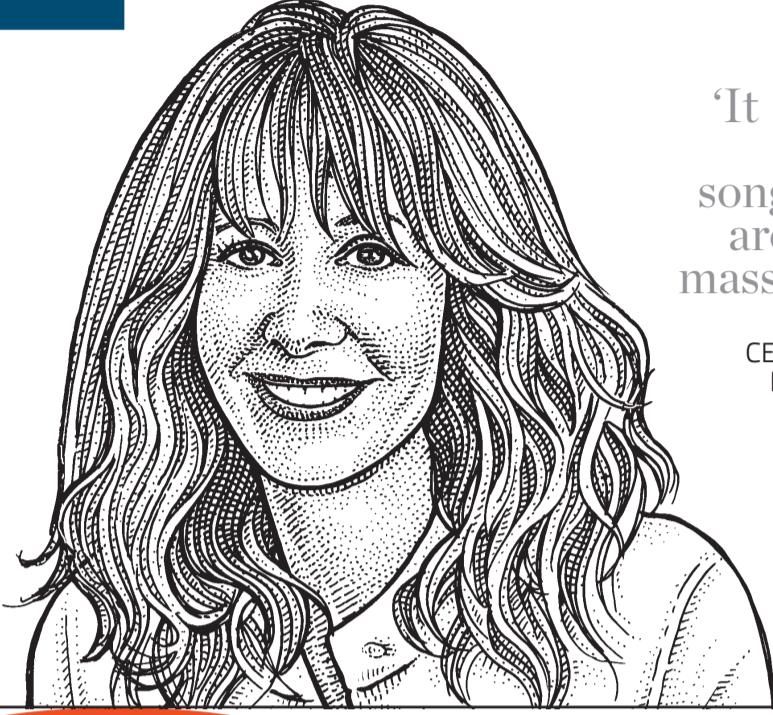
# C-SUITE STRATEGIES

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Monday, August 13, 2018 | R1

## View From The



'It is a difficult time for songwriters who aren't writing massive hit songs.'

**Jody Gerson**  
CEO, Universal Music Publishing Group

R6

'Destination retail centers continue to gain market share.'

**William Taubman**  
Chief Operations Officer,  
Taubman Centers

At WSJ.com/  
LeadershipReport



What are today's pressing issues for CEOs, chief financial officers and others in the C-suite? Hear from the bosses themselves in this report, and join the conversation online.



'The government under the National Flood Insurance Program charges an inadequate rate in most instances.'

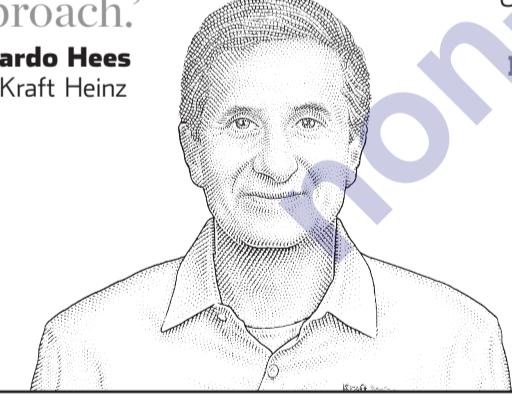
**Evan Greenberg**  
CEO, Chubb

R4

'Not all brands will go to a more natural, healthy marketing approach.'

**Bernardo Hees**  
CEO, Kraft Heinz

R2



'There is a misconception on the accessibility and cost of getting involved in the sport.'

**Amy Choyne**  
Chief Marketing Officer,  
U.S. Tennis Association

At WSJ.com/  
LeadershipReport



'The younger generation is getting more interested in beer, getting influenced by the craft phenomenon.'

**Laurence Debroux**  
CFO, Heineken

R5

'Some people find they miss the old amenities they are used to.'

**Kevin Jacobs**  
CFO, Hilton Worldwide Holdings

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LeadershipReport



INSIDE

### How Bosses Waste Their Employees' Time

Managers are often oblivious to the impact of their words and actions. But they can change.

R2

### Managing the New, Multigenerational Workplace

Bosses need to make older workers feel valued while giving younger ones opportunity to rise

R4

### The Hidden Impact In How We Use Names

In a professional setting, referring to someone by last name only conveys more eminence

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### The Leading Factor Behind A Company's Results: Its People

The best-managed organizations excel in employee engagement and development

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### The Science of Career Hot Streaks

Research shows hot streaks can last for several years. And they can happen in late career.

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## JOURNAL REPORT | C-SUITE STRATEGIES

## How Bosses Often Waste Their Employees' Time

BY ROBERT I. SUTTON

LEADERS DON'T mean to waste their employees' time. Unfortunately, many of them heap unnecessary work on the people below them in the pecking order—and are downright clueless that they're doing it.

They give orders without realizing how much work those directives entail. They make offhand comments and don't consider that their employees may interpret them as commands. And they solicit opinions without realizing that people will bend over backward to tell them what they want to hear—rather than the whole truth, warts and all.

That is what my Stanford colleague Huggy Rao and I have learned from our "organizational friction" project. We're studying why some organizations make the right things too difficult to do and the wrong things too easy to do—and what leaders can do to avoid such missteps.

**The roots of waste**

Before describing how to avoid it, it's important to understand why so many leaders are blind to the ways they waste employees' time.

First, many bosses don't pay enough attention to followers' behaviors, needs and troubles.

The CEO of one firm I studied, for instance, fell in love with new management concepts, such as "lean" operations, and frequently announced new companywide initiatives—often once a quarter. But those announcements typically didn't take into account initiatives from previous quarters. Employees were often asked to drop what they were doing before and start a new mission from scratch.

Each new initiative entailed a new round of training, meetings and paperwork. Even though many employees learned the fine art of "fad surfing"—that is, complying with the changing directives as little as possible and focusing on their core work—they still wasted a lot of time.

At many companies, meanwhile, employees become aware of how self-absorbed their bosses are, and so focus on telling the bosses what they think the bosses want to hear, and on doing things they believe will keep their bosses happy. This leads



A film director we interviewed described how he was dissecting the flaws in a scene for his team. Then one member sighed.

The director called him on it, and the man mumbled that he didn't have anything to add. But when the director nudged him to speak, he made a suggestion about changing the scene that the director praised and implemented.

**A radical change**

As part of embracing complaints, leaders might consider a radical (and often uncomfortable) change in how they define star employees.

Research on psychological safety led by Amy Edmondson at the Harvard Business School shows that the best employees for promoting organizational learning are often those who never leave well enough alone, pointing out mistakes and flawed practices. But those who management rates as top performers are often those who silently do what they're told and what has always been done—and don't annoy their superiors with complaints and questions about flawed practices.

My work with Dr. Rao reveals similar problems: Employees who start big programs are often celebrated, but rarely those who end old, obsolete and ineffective programs and practices. And managers who lord over big teams and keep adding underlings are rewarded with prestigious titles and big raises—even when their ever-expanding army of bureaucrats adds unnecessary rules and procedures that sap time and energy from people who do the most important work.

Instead, the best leaders discourage this addition sickness by praising, promoting and paying employees who remove destructive friction and waste.

As with most positive steps, playing the subtraction game is much like mowing a lawn. Leaders can't just do it once and declare victory. They have to do it on a regular basis, or else the old bad habits will creep back into place.

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to what Dr. Rao and I call "executive magnification," when people bent on buttering up a leader react far more strongly to his or her words or actions than the leader ever intended.

For example, an executive told me a story, perhaps apocryphal, about a CEO who commented that there were no blueberry muffins at a breakfast meeting. He wasn't especially fond of them; it was just small talk. After that, his staff sent strict instructions about this preference to every host. It took him years to discover why there were piles of blueberry muffins every place he went.

In another case, an executive asked his workers why there was a new door in one room. His people took it as a criticism, so they plastered and painted it over to please him. When he explained that he had not meant it as complaint, they put the door back in.

**Not all smiles**

Executive magnification can generate far more troubling waste. In the 1980s, a co-researcher and I studied a retail chain that spent millions on improving employee courtesy. They used training, incentives

and contests to encourage clerks to offer smiles, eye contact, greetings and thanks to customers.

This campaign was launched, in part, because the CEO complained about a rude clerk he encountered. It took a couple of years before he realized his brief rant had triggered a big campaign that he never wanted—and he ordered the company to wind it down.

Another way that executives waste employees' time, slow the work and add to their own burdens is by "cookie licking," a term inspired by sneaky children who lick cookies to deter others from eating them.

Cookie licking happens when leaders of growing companies don't realize or accept that the time has come to delegate responsibilities. For instance, it made sense for one CEO we know to interview every job candidate when her company had 25 employees—but not when it grew to over 500.

Yet she insisted on doing so even though scheduling interviews placed enormous burdens on her assistant and human-resources staffers, as her schedule became more packed. The

company also lost several top prospects, who accepted jobs elsewhere before interviews with the CEO could be scheduled.

A year too late, the CEO decided she was too busy to interview every candidate. But she remained oblivious to how her actions had burdened colleagues and driven away candidates.

**Listening to criticism**

How can leaders stop making these mistakes? How can they recognize that they have created an atmosphere where wasting time is more the norm than the aberration?

They can start by being skeptical when they hear nothing but sunny feedback from followers. They should also be vigilant about their minor complaints and offhand remarks. When they say anything that could be misconstrued as a command or desire for change, it helps to add, "Please don't do anything, I am just thinking out loud."

And when leaders encourage candor and criticism from employees, they should make sure it isn't just lip service, and back it up with actions.

## The Maker of Kool-Aid and Jell-O Thinks Healthy

Kraft Heinz has some of the most iconic American brands. That may be one of its biggest weaknesses.

BY ANNIE GASPARRO

**KRAFT HEINZ CO.** has a large number of famed brands that are locked into Americans' memories. Among them: Kool-Aid, Jell-O, Oscar Mayer.

But that strength, in products not typically associated with healthy choices, may now be a weakness, as consumers seek fresher, more natural foods.

A merger three years ago created the food giant, and now that the integration is over, cost cuts have boosted profit margins. But U.S. sales have been a sore spot, and the company's challenge is to modernize its brands without leaving loyal customers behind.

The Wall Street Journal sat down with Chief Executive Bernardo Hees to talk about Kraft Heinz's strategy for sales growth. Edited excerpts follow.

**Healthy foods**

**WSJ:** How is Kraft Heinz adjusting to demand for healthier, fresher food?

**MR. HEES:** The most important job I need to do related to the brands is have them be relevant. With our Capri Sun drinks, for example, until two years ago I didn't have an all-

natural platform, I didn't have an organic platform. So even with consumers telling me great things about Capri Sun—you all grew up with good memories about the brand—you wouldn't choose it anymore. I didn't have the right product offering. [Kraft Heinz has since begun to address this issue by, for example, introducing organic and no-added-sugar versions of Capri Sun, Oscar Mayer hot dogs without byproducts and Kraft Mac & Cheese with no artificial coloring.]

**WSJ:** When you removed preservatives from the natural and organic varieties of Capri Sun, it caused a mold problem in the juice pouches. How do you handle hiccups like that?

**MR. HEES:** We corrected it immediately. There are a lot of connections between packaging, the product, the right temperature, transportation. We went back and adapted the different components. You try to be as prepared as you can, but you are always going to face something.

**WSJ:** How do you renovate brands without alienating core consumers?

**MR. HEES:** Not all brands will

go to a more natural, healthy marketing approach. You need to understand what your brand is about. Maxwell House is all about the value of hard work—people who wake up in the morning, do their work with honor and go back home to their families. We're not trying to make Maxwell House be something that it's not.

**WSJ:** What is causing the sales slump at Kraft Heinz and in the packaged-food industry?

**MR. HEES:** The challenges we are having are partly due to some tough categories, like packaged meats, and partly due to our innovation efforts to come to market faster. We still need to do much better as a company at that [being fast], but I think we have come a long way in two years.

The speed at which things are changing is new. E-commerce, discounters, club stores; you sell more food in gas stations today than ever before. I'm very pleased with the way I'm seeing things move in our teams. We are much better than two years ago, but we are always pushing for more.

After two years, learning the data and seeing what things work and what doesn't work, we have more confidence about



'We're not trying to make Maxwell House be something that it's not.'

**BERNARDO HEES**

where to invest. We accelerated commercial growth by investing over \$250 million in new channels like e-commerce, food service, hiring more field sales teams. We are going to see top-line growth in the second half. The flowers from the seeds we have been planting for almost a year now, I think, are starting to show up.

**Limited resources**

**WSJ:** You've said your strategy is to make fewer but bigger bets when it comes to product launches. Why?

**MR. HEES:** Resources are a limit. We can't launch everything. We look at it as an innovation funnel. A lot of things get out of the funnel. What we hold back is everything that we think is not going to succeed and is just kicking the can down the road. For example, we had an idea for Ore-Ida Veggie Tots: veggies infused in the tots, so that kids would eat their veggies. We tested it, but it had limited interest from core Ore-Ida Tater Tot parents.

We are playing in many new categories, like with Just Crack An Egg [a microwavable package of diced meat, cheese, po-

tatoes and onions to which the consumer adds an egg before warming]. Probably half of the ideas that go into the innovation funnel don't make it to launch. That is very different from four years ago [when fewer ideas were cut].

**WSJ:** What's difficult about entering new categories?

**MR. HEES:** You need to understand the proposition you're making, what the product brings to the table. Otherwise, it's very difficult to penetrate.

Even retailers are going to tell you, "Wait, why are you launching that?" Understanding the need and what consumers want in new categories is critical. Just Crack An Egg, for example: 70% of breakfast is the consumer eating in the car. But we normally don't feel good about it. You have to take your kids to school or exercise or whatever. With Just Crack, it's all natural, it takes two minutes, and it's good for you. You can take it in the car if you want.

**Comparing speeds**

**WSJ:** How do you compare with peers on your speed at renovating legacy brands?

**MR. HEES:** If you're going to

wait to have 100% of certainty in each one of the product launches, you're probably going to miss the boat. Our renovation of Oscar Mayer hot dogs [eliminating artificial preservatives, added nitrates and meat byproducts] took us nine months from conception to market. Before, it would take us at least two years.

It was critical for us to win the grilling season in 2016. We needed to have it in the market by May. R&D said it wasn't possible. But we did a completely different process. We are probably using 70% or 75% of the [market research and consumer focus group] data, not 100%. If you are 75% certain, you are probably ready to go. The other 25% is just insurance.

**WSJ:** How do you decide which brands to invest in for growth?

**MR. HEES:** We have to define the role of each brand in the overall strategy. You don't have resources to do everything. You focus on things that have the maximum return.

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## Changing the Mix

New and revamped products introduced since the Kraft Heinz merger was announced in March 2015

**April 2015**  
Heinz Mustard is introduced to compete with French's

**April 2016**  
Capri Sun organic launch

**July 2016**  
Devour, a new brand of frozen meals, launches

**August 2017**  
O, That's Good! refrigerated meals introduced in partnership with Oprah Winfrey

**April 2018**  
Food Network Kitchen Inspirations salad dressings, cooking sauces and meal kits launch

**December 2015**  
Kraft Mac & Cheese is revamped: artificial preservatives, flavors and dyes removed

**May 2017**  
Oscar Mayer hot dogs revamped: no added nitrates or nitrites, artificial preservatives or byproducts

**February 2018**  
Just Crack An Egg breakfast bowls launch

**April 2018**  
Heinz Mayonnaise introduced

Faced with a child's illness,  
life stops overnight and parents  
enter a world of fear and worry.  
For parents who don't live  
close to the medical care  
their child needs, there's  
an added stress.



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## JOURNAL REPORT | C-SUITE STRATEGIES

# The Problem With Government Flood Insurance

Evan Greenberg, CEO of Chubb, says federal policies exacerbate risks

BY LESLIE SCISM

LAST YEAR, property insurers endured one of their worst years ever, with up to an estimated \$144 billion owed to policyholders world-wide from disasters including major Atlantic Ocean hurricanes and California wildfires.

**Chubb** Ltd., one of the world's biggest insurers of businesses and known for its coverage of the personal property of the affluent, accounted for \$2.76 billion of the payouts. But its chief executive, Evan Greenberg, says there was no hand-wringing at the company about the costs—the losses were within risk-management expectations. For the full year, Chubb still posted net profit of \$3.9 billion.

Still, Mr. Greenberg has big concerns about the increased frequency and severity of nat-

ural catastrophes. In his annual letter to shareholders earlier this year, he said, "The evidence of climate change is immediately apparent, profound and disturbing."

Mr. Greenberg, who has more than four decades of experience in the property-casualty insurance industry, says the risk environment is becoming more complex, due both to nature and man-made activity: climate change combined with people's growing preference for homes near coastlines.

He believes these risks are exacerbated by government policies that subsidize development and shield people from the true cost of their living choices. In particular, he advocates for changes to the federal National Flood Insurance Program, including a bigger role for the private sector in underwriting flood risk.

Mr. Greenberg spoke with The Wall Street Journal about extreme weather and the changes he would like to see in the government program. Here are edited excerpts of the talk.

**WSJ:** Would you elaborate on your comments about evidence of climate change as "apparent, profound and disturbing"?

**MR. GREENBERG:** Climate change shows up in rising sea levels and in large storms. Patterns of drought, shorter winters and more evaporation are other examples of extreme conditions. There is more evidence right now that hurricanes contain more moisture and are increasing in intensity more rapidly.

**WSJ:** How does climate change impact your operations?

**MR. GREENBERG:** Total insured losses globally in 2017 from



JOHN MADERE

'Property values accumulating along coasts are an evolving problem.'

EVAN GREENBERG

natural catastrophes are the highest on record and the third year since 2005 with \$100 billion or more of aggregate industry catastrophe losses. There were events where industry modeling performed reasonably well, and other events such as the California wildfires that included a fair amount of nonmodeled or poorly modeled loss.

**WSJ:** What do you do to better understand this evolving exposure?

**MR. GREENBERG:** We invest to continually upgrade and refine our modeling and risk-management tools for catastrophes. We're using aerial imagery, modeling and drones to validate flood footprints and assess the impact of storms. We have an enterprise risk-management team with some very smart people, including

Ph.D.s, mathematicians, rocket scientists and climatologists.

**WSJ:** Will state insurance departments approve the large rate increases that insurers may feel necessary for homeowners if extreme weather leads to higher claims costs?

**MR. GREENBERG:** For insurance lines that require filing rates with state regulators, premium increases are based on evidence of loss. You have to be able to justify the rates you charge customers. Some jurisdictions understand this and balance the needs of their constituencies. And some, for politically expedient or populist reasons, choose to ignore the need to raise prices, and I think that's ultimately not in the interests of their constituents.

When we can achieve an adequate rate, we are amenable to both maintaining and increasing our exposure. Where we can't, we will shrink our exposure.

**WSJ:** You've been outspoken about man-made risks such as the concentration of exposures in coastal areas, and you've said you think the government's National Flood Insurance Program contributes to that by underpricing policies.

**MR. GREENBERG:** People want to live near water. Property values accumulating along coasts, along with the increasing size of the population, are an evolving problem. The rise of sea-level temperatures and water levels increases the exposure. The government under the NFIP charges an inadequate rate in most instances. It underprices the cost of risk. It incents people to live in places they otherwise wouldn't because they don't pay the right

price to live with that risk. And it disincentives government from putting money toward infrastructure to mitigate exposure to flood.

**WSJ:** What do you think should happen?

**MR. GREENBERG:** The NFIP is deeply in the red, and it crowds out the private sector from playing a greater role in flood insurance.

Our country requires a more comprehensive solution that includes the expertise and capacity of private insurers. The science around flood insurance has improved. The private sector would charge an actuarially sound rate—that's to everyone's advantage because it brings stability to the system. There is still a role for the government to play to serve those who are less fortunate and have an affordability problem but cannot move. The government should subsidize the cost for those people. That's a societal decision. And it's the right decision.

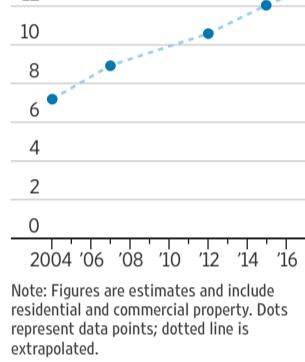
It will take time to develop a private-sector market. The government ought to maintain a role as reinsurer of last resort for extreme events.

[The NFIP says that the majority of its policies charge premiums that fully reflect possible flood events. In a statement, NFIP Chief Executive David Maurstad said that the government is "currently redesigning the rating methodology" to improve it with additional risk data and commercial catastrophe models, with new rates beginning in 2020.]

**Ms. Scism** is a news editor for The Wall Street Journal in New York. Email her at [leslie.scism@wsj.com](mailto:leslie.scism@wsj.com).

## Living on the Edge

The insured value of property in counties along the hurricane-vulnerable Atlantic and Gulf coasts jumped 80% in 13 years.



Note: Figures are estimates and include residential and commercial property. Dots represent data points; dotted line is extrapolated.

Source: AIR Worldwide

THE WALL STREET JOURNAL

## The New, Multigenerational Workplace

BY CAROL HYMOWITZ

THE CHALLENGES OF managing a multigenerational workforce are on full display at **Pitney Bowes** Inc.

There, Brigitte Van Den Houte, vice president of human resources and global talent management, must persuade employees in their 20s that they have a future at the Stamford, Conn.-based company, especially as it makes a push into e-commerce services to offset falling demand for its traditional postage-meter equipment. At the same time, she must encourage veterans 50 and older—who make up about one-third of the workforce—to support and even take direction from the newcomers.

Every few months Ms. Van Den Houte invites a group of young employees to spend a day with seasoned executives who share their knowledge about the company's history and operations and offer advice about how to get ahead. And to spur growth in the e-commerce business, she has helped create mixed-age teams of about 15 employees from different departments with IT, sales, legal and other experience. Decisions are made collaboratively—and young employees have as much say as long-tenured ones.

"The old way of working"—with employees more segregated by age and skills and veterans typically having the most authority—"no longer works," says Ms. Van Den Houte.

### Peers across generations

Most companies have long employed at least a smattering of gray-haired rank-and-file veterans who prefer working to retirement, even when they report to bosses half their age. What's happening now, though, is something entirely new: Older employees—who are living longer and want or need to work longer—are becoming a core part of the labor force. Instead of retiring in their 50s and 60s, they're filling jobs in offices, factories, hospitals and elsewhere.

And that, in turn, is transforming workplace dynamics, forcing managers to accommodate a grayer and more multigenerational workforce. Rather than primarily overseeing a younger workforce, with a

handful of older workers, companies now must deal with large numbers of workers who are up to six decades apart in age. That means they must create opportunities for young employees to advance (or risk losing them) while also making sure veterans, whose skills they need in today's tight labor market, don't feel overlooked. And to maintain productivity and innovation, they must persuade employees of disparate ages to collaborate.

"It's a sea change for employers, causing reversals of authority," says Peter Cappelli, a management professor at the University of Pennsylvania's Wharton School who has re-

versed stereotypes about whether it's the belief that older workers don't understand technology and won't learn new things or that millennials are constantly job hopping," says Joe Casey, an executive coach at Retirement Wisdom in Princeton, N.J., and a former human-resources manager at Merrill Lynch. The reality, he says, is that "there are huge variables within each genera-

sion, and reminded them that they have seniority protection through their union. Eventually a few old-timers retired, allowing some young employees to advance to senior production jobs.

### Wisdom of ages

A team of only young employees may not include anyone who has ever worked for several bosses or has extensive knowledge of a company's practices and culture, while a team with only older workers might not have anyone proficient in social media or big-data analytics. And while young employees sometimes work faster, older ones make fewer mistakes.

Reverse or reciprocal mentoring programs, which pair young and seasoned talent, also promote knowledge sharing across generations. Bon Secours Virginia Health System of Richmond, Va., has formal and informal mentoring programs for its 14,000 employees, one-third of whom are over 50 and who range in age from 18 to 93. Among these: a program that each year identifies about 75 "high potential" employees who are 35 or younger and pairs them with senior executives with whom they meet about once a month.

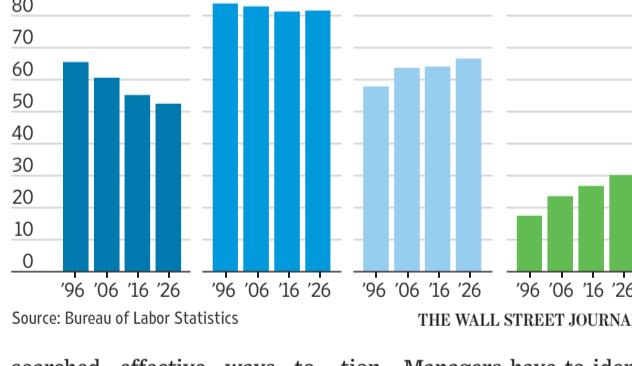
The executives sometimes learn as much as they teach, says Jim Godwin, senior vice president of human resources. His first mentee, an IT employee who was versed in emerging technologies, "taught me a lot about new applications and how to train others to use them, even though I'm pretty tech-savvy," he says.

Managers often think that most benefits are targeted at particular groups of employees. But the evidence suggests that what's beneficial for one age group is usually good for others. Faced with more than 1,000 job openings currently, Bon Secours has retained older employees thanks to compressed workweeks and other flexible arrangements. These also help to retain workers with young children or those juggling work and college or certification programs, says Mr. Godwin.

**Ms. Hymowitz** is a fellow at Stanford Longevity Center. Email reports@wsj.com.

### All Together Now

A growing share of older people are in the work force. Civilian labor-force participation rate by age.



searched effective ways to manage older workers. "Suddenly 20- and 30-year-olds are working with people their parents' and grandparents' ages who are subordinates or peers, not superiors as they used to be. And there aren't just a handful of seniors who are mostly in the C-suite and rarely seen. They're at all ranks."

The numbers tell the story. Millennials, age 22 to 37, are the largest group in the labor force, but older workers are the only group whose workforce participation rate is rising, says the Bureau of Labor Statistics. About 27% of 65- to 74-year-olds had full- or part-time jobs in 2016, and by 2026, 30% are expected to be employed, according to the bureau. Among 55- to 64-year-olds, 64% were working in 2016, and that's expected to rise to about 67% in the next decade.

For managers, the idea of leading teams that include

managers have to identify what skills and strengths each individual employee can contribute and confront their own biases so they can move their teams beyond labels."

Another key issue: getting older workers, often fearful of losing their jobs, to help younger employees. Vanessa Contreras, vice president of human resources and manufacturing at **McRoskey Mattress** Co. in San Francisco, says that when she joined the 119-year-old company a decade ago, 90% of the company's nearly three dozen employees were over 50.

To woo young workers needed for the future, Ms. Contreras promised to train them to do several jobs so they could advance. But she first had to assure veterans that they wouldn't lose their jobs if they shared their knowledge.

She told them the company wasn't planning to cut staff, as it had during the financial cri-

## The Hidden Impact In How We Use Names

BY STAV ATIR AND MELISSA J. FERGUSON

When discussing prominent figures in literature, we may mention such giants as Jane Austen, Hemingway, Dickens and Virginia Woolf. In contemporary politics, perhaps we'll bring up Obama, Trump, Angela Merkel and Theresa May.

Did you notice anything odd about the preceding paragraph? There's clearly a pattern: We referred to the women by full name and to the men by surname alone. That's a tendency that's common in many professional fields—and it could be a disadvantage for women.

In our research, we have discovered that people were more than twice as likely to refer to male professionals by surname only as they were to refer to female professionals that way. We also found that people generally regarded scientists referred to only by surname as more famous and eminent, a judgment that could result in more awards, funding and other career benefits.

Taken together, those findings suggest that the difference in the way we tend to refer to women and men might lead to gender bias in workplaces of all kinds.

### The gender link

In one of our studies, we analyzed hundreds of transcripts of political segments from radio shows from 2014 and 2015. We examined how often pundits referred to politicians by surname only. Surname references made up 30% of all references to male politicians and 13% percent of references to female politicians.

In another study, we asked people to write an essay about a fictional scientist based on information we provided—including a male first name in some cases and a female first name in others. The scientist called Douglas Berson was referred to as simply Berson in the essays more than four times as often as Dolores Berson was, even though the first name was the only difference between the two in the information the study participants were given.

### The fallout

What are the implications of this naming tendency for professionals? Our research suggests that people generally consider someone called only by surname to be more well known and eminent—which could be bad news for those known by their full names, who more often are women.

In a series of experiments, we asked participants to read about a few fictional scientific researchers. Some of the researchers were referred to by only their surname and some by their full name with a gender-neutral first name—Casey Boland, for instance. People consistently judged the surname-only researchers as more famous and eminent in their field than the full-name researchers.

We also found a naming effect when people were asked to judge whether these fictional researchers deserved a prestigious career award. Researchers referred to by full name were deemed deserving by 43% of those who read about them, but when the same researchers were referred to only by surname, they were considered worthy by 49% of readers. Such bias has the potential to affect the career prospects of professionals in general.

So, the next time you and your friends are discussing your favorite up-and-coming politicians, or people in your own field, take note of how you refer to the men versus the women. You might be communicating more than you realize.

Dr. Atir is a postdoctoral researcher at the University of Chicago Booth School of Business. Dr. Ferguson is a professor and chair of the psychology department at Cornell University. They can be reached at [reports@wsj.com](mailto:reports@wsj.com).

## JOURNAL REPORT | C-SUITE STRATEGIES

# A Brewer's Strategy in a Stagnant Market

Heineken's CFO says the company's best shot in the U.S. is to think locally

BY NINA TRENTMANN

**THE BEER MARKET** isn't what it used to be.

Dutch brewer Heineken NV faces stagnating beer consumption and changing consumer tastes in some of its core markets. Craft beers are booming, but consumption of non-craft beer has been declining for years in Western Europe and the U.S.

In response, Heineken—the world's second largest brewer, after Anheuser-Busch InBev SA—has been working to expand its customer base. It has acquired craft-beer makers, focused its marketing strategy on local markets and ventured into new product categories, including zero-alcohol beer and the cannabis-infused seltzer water sold by one of its recent acquisitions, Lagunitas Brewing Co. of California. And earlier this month, Heineken announced the acquisition of a 20.67% stake in China's biggest brewer, China Resources Beer Holdings Co., for \$3.1 billion, as part of an agreement that will give the Dutch brewer access to an extensive distribution network in China, the world's largest beer market by volume.

To help free up money for acquisitions and product development, Chief Financial Officer Laurence Debroux has been streamlining operations and cutting costs. She spoke to The Wall Street Journal about the changing beer market and what Heineken is doing to evolve along with it. Edited excerpts follow.

## Local flavor

**WSJ:** What is Heineken doing in markets where beer consumption is stagnating or falling—for example, in Western Europe or the U.S.?

**MS. DEBROUX:** In the U.S., it is really clear that classical beer consumption is declining and the share of beer compared with other alcohol sold has been going down. What has potential to grow is craft or beer that brings something different—for example, Mexican beer. That's still a quite dynamic part of the market and one where people are going.

What you see is the younger generation is getting more interested in beer, getting influenced by the craft phenomenon.

The whole trend for me is very consistent and in a way very encouraging for a company that has never given up on the diversity of the product. The Heineken brand is still 15% of our volume, but this is a company that has around 300 brands globally—every country with a local portfolio.

**WSJ:** Can you give an example of this?

**MS. DEBROUX:** Ichnusa, which is a very local Sardinian brewery. That's



*'There is probably not much room for brands that don't have a defined personality.'*

LAURENCE DEBROUX

something we have in our portfolio, and we won't sell Ichnusa in the U.S., in the U.K. or in France. Those local portfolios are more complex to manage but are also maybe what makes us more fit to this new world of consuming.

**WSJ:** Given that you also still have traditional customers, how do you make sure that you as a brand transform enough but not too much?

**MS. DEBROUX:** You do that with a portfolio of brands. I believe that in the future, there is probably not much room for brands that don't have a defined personality.

**WSJ:** What is your plan to stop or even reverse the stagnating and downward trend in the U.S.?

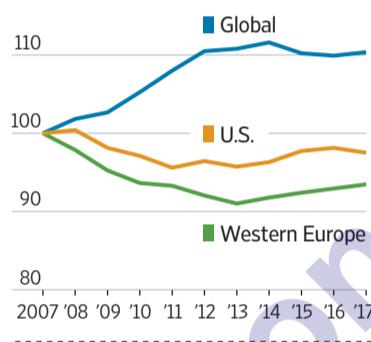
**MS. DEBROUX:** If I look at our more traditional portfolio in the U.S., our market share is 4%. It can be up a little, down a little, but we are a small player in this huge market—which is not a growing market, apart from the craft market.

In the past couple of years, we pretty much stabilized a decline that started perhaps 10 years ago. I do not see massive growth for the Heineken brand. We might be able to strengthen our presence in trendy bars and restaurants, as we have historically been more sold in stores. We can have adjustments, but this is not where the bulk of the growth is, in traditional lager. That's not where the young people are turning.

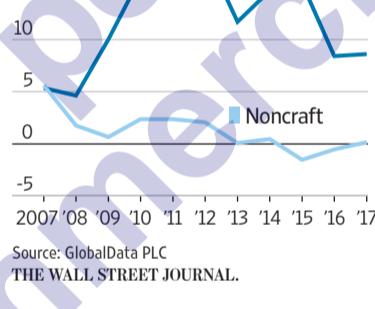
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## Looking for Some Fizz

Beer sales have been weak overall. Sales based on volume in liters, indexed to 2007 = 100.



Even the craft-beer boom has slowed. The percentage change in global sales volume by year:



Source: GlobalData PLC

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Our best shot, being a smaller player, is to understand the trends on a state-by-state, very regional basis and to play along. In the United States, there is such a diversity of people, of behavior, opinions, lifestyles. It is not a supergood idea to put the Tiger brand [a beer brewed in Singapore] into New York. But on the West Coast, we have a high demand for the Tiger brand.

**WSJ:** How does this month's China deal fit into your global strategy?

**MS. DEBROUX:** China is the second-largest premium-beer market and is forecast to be the biggest contributor to premium volume growth in the next five years, driven by its rapidly growing middle class. This strategic partnership will help us to significantly expand availability of the Heineken brand in China.

It fits our overall strategy to lead the premium segment in beer and ciders across the world and to leverage the power of the Heineken brand, supported by a strong portfolio of international premium and local brands.

## Lessons learned

**WSJ:** Your subsidiary Lagunitas recently launched a seltzer water infused with cannabis. Is that a way forward?

**MS. DEBROUX:** We have left them very independent. Because if you acquire a craft brewer like Lagunitas, you have to let Lagunitas be Laguni-

## Tennis, Hotels And Malls: More Online

Go to [wsj.com/leadershipreport](http://wsj.com/leadershipreport) for C-Suite interviews with:

◆ AMY CHOYNE, chief marketing officer of the U.S. Tennis Association, on getting more people to play:

"There is definitely a misconception on the accessibility and cost of getting involved in the sport. Nearly every community has tennis courts to access publicly, from parks to recreation centers to schools. Entry-level tennis can be very affordable."

◆ KEVIN JACOBS, chief financial officer of Hilton Worldwide Holdings Inc., on the importance of design in the evolving hotel landscape:

"We have gotten a lot better at keeping up with the pace of change. But the rate at which the next big idea is put in front of consumers, and they turn to us and ask why we aren't doing it, too, is more rapid than it has ever been."

◆ WILLIAM S. TAUBMAN, chief operations officer of Taubman Centers Inc., on the mall owner's strategy in an increasingly online world:

"The basis of our plan"—a \$500 million renovation of Beverly Center in Los Angeles—"was everything but the department stores. We basically did nothing with the department stores. We just did something with everything else."

tas. That is about the world of craft—Lagunitas does not have consumers, they have tribes. They don't do advertising on TV; Tony [founder Tony Magee] does concerts. That's the way they work. That is not going to influence the whole of how Heineken works, that's not going to be completely transforming the company. It is helping us to understand.

If we acquire them to Heinekenize them, that's not going to work. We will waste our investment, because the tribe that follows them is going to go and we are not going to learn.

The clear choice we have made is not to integrate them. The seltzer water is an experiment, and they will be very limited in terms of where they can sell it, only in California. If you ask me whether it's scalable, probably not. That's not the idea.

**Ms. Trentmann is a news editor for The Wall Street Journal's CFO Journal in London. Email her at [nina.trentmann@wsj.com](mailto:nina.trentmann@wsj.com).**



MANAGEMENT TOP 250 | RICK WARTZMAN AND LAWRENCE CROSBY

# The Key Factor Driving a Company's Results: Its People

The best-managed companies excel in employee engagement and development

AMONG Peter Drucker's most famous maxims was that "any business enterprise has two—and only these two—basic functions: marketing and innovation."

By the former, he meant understanding what the customer needs and values so deeply that "selling" becomes superfluous. By the latter, he meant the creation of better and more economical goods and services, as well as processes and procedures.

At the same time, Mr. Drucker left little doubt about the engine required to make these functions flourish. They weren't going to happen magically on their own.

"The yield from the human resource," he wrote, "really determines the organization's performance."

## Behind the biggest gainers...

The Drucker Institute's gauge of corporate effectiveness certainly seems to back him up on that. Our latest research shows that a company's results are driven, to a major degree, by how well it manages its workforce.

Based on Mr. Drucker's ideas and ideals, our measure serves as the basis of the Management Top 250, an annual ranking of corporate performance produced in partnership with The Wall Street Journal. Inaugurated last December, it aims to provide a comprehensive view of a company's "effectiveness"—defined

to use Mr. Drucker's words, as "doing the right things well."

To come up with our rankings, we evaluated 693 large, publicly traded corporations. The companies were then compared with one another through standardized scores, which have a range of 0 to 100 and a mean of 50.

In calculating our scores, we drew on 37 indicators covering five different areas: customer satisfaction, employee engagement and development, innovation, social responsibility and financial strength.

But while all five interrelate—and it's important for executives to pursue excellence across functions—it is evident from our historical data that the employee category is the key source of change in total effectiveness scores over time.

Our employee metrics capture how well a company conveys to its workers a vision and sense of mission; its pay and benefit levels; job satisfaction; and opportunities for training and promotion.

For our most recent test, we computed effectiveness scores from 2012 and put them up against last year's scores. And we found that the 50 biggest overall gainers on our list during that span shot up by an average of 11.2 points in employee engagement and development.

That's more than one full standard deviation—enough to move a company from the middle of the pack to the top 15%, or from the top 15% to the top 2%.

The gainers also made progress in other categories during that six-year period, but not by a full standard deviation. In financial strength, the average improvement was 7.8

points. The average advance in customer satisfaction was 6.2 points.

## People Power

Looking at the 50 biggest gainers and 50 biggest losers from 2012 to 2017 among 693 companies measured for their overall effectiveness, here are their average changes on a 0-100 scale in that period across five dimensions of performance.



Sources: Drucker Institute, using data from American Customer Satisfaction Index, Bloomberg Finance L.P., Clarivate Analytics, CSRHub, Glassdoor, HIP Investor, PayScale, Satmetrix Systems, Supply Chain Resource Cooperative, Sustainalytics, Temkin Group and wRatings

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nificant drop in their employee score.

Two companies illustrate the phenomenon. Lam Research Corp., the semiconductor equipment maker, was the third biggest gainer overall, soaring 19.2 points in total effectiveness from 2012 to 2017. The company, which ranked No. 72 in last year's Management Top 250, went up in all five categories, but it made its largest leap—22.8 points—in the employee area. Meanwhile, heavy equipment manufacturer Caterpillar Inc. was the third biggest loser overall, with an effectiveness score that tumbled 13.8 points from 2012 to 2017. Ranked No. 225 last year, its scores went down in all five categories. Yet its largest falloff was 14.2 points in employee engagement and development.

"Following our peak in 2012, Caterpillar experienced an unprecedented four-year downturn in our business and the company undertook significant restructuring and cost reduction actions," Caterpillar said in a statement. "We recognize that this was a challenging time for our employees. In 2017, we launched a new corporate strategy that includes a focus on profitable growth and a high-performing, productive and engaged culture. In 2018, the Caterpillar team achieved record first-quarter and record second-quarter profit per share. We are very proud of our employees' dedication and resilience."

As we've pointed out—and it bears repeating—the best managers keep a close eye on all five dimensions of performance. But if you're trying to figure out where to focus first, you can't go wrong by taking good care of your people.

**Mr. Wartzman** is the director and **Mr. Crosby** is the chief data scientist at the KH Moon Center for a Functioning Society, a part of the Drucker Institute. They can be reached at [reports@wsj.com](mailto:reports@wsj.com).

## JOURNAL REPORT | C-SUITE STRATEGIES

# Why This Is a Difficult Time to Be a Songwriter

Universal Music Publishing's CEO says it doesn't have to be this way

BY ANNE STEELE

JODY GERSON arrived at **Universal Music Publishing Group** as chairman and CEO in 2015, just as streaming became key to the music industry's viability. The second-largest music publisher's revenue has risen 30% since then. But Ms. Gerson wants to push that number higher—by getting streaming services to pay songwriters more to license their music.

While the music industry is rebounding thanks almost entirely to the rise of services like Spotify and Apple Music, revenue is still a fraction of what it was in the heyday of CD sales. Unless they make huge hits that get streamed millions of times, songwriters are getting much smaller cuts in the streaming economy.

"I am hopeful that we'll get it right," says Ms. Gerson. "I think that the idea that music is as accessible to everyone around the world as it is now is a positive sign. I think that eventually we'll get the fees to where we want them to be."

In June, legislation that would revamp the music-li-

censing system for the digital age and raise songwriters' fees won the unanimous approval of the Senate Judiciary Committee, paving the way for a full Senate vote on the bill.

The central part of the Music Modernization Act calls for the formation of a single entity—run by major publishers and funded by music-streaming services—charged with creating a comprehensive database of musical works and those who own the rights to them. The legislation would streamline the complicated way those services get access to millions of songs and pay for the rights to carry them in part by granting them blanket licenses for downloads and on-demand streaming of songs listed in the database.

In a conversation with The Wall Street Journal, Ms. Gerson discussed the proposed legislation, why hits are key in streaming—and why it is important to look beyond them. Edited excerpts follow.

## The music scene

**WSJ:** What is your hope for the Music Modernization Act and what it will do for streaming royalties?



JOHN MICHAEL FUJIOKA

'The fees are not where we want them to be.'

**JODY GERSON**

**MS. GERSON:** My hope is that there's one entity that makes it easier for digital platforms to license. The bottom line is, having music so accessible to so many people is going to be a good thing. Before, when you bought a single or you bought a cassette or you bought a record, you paid for it once. Now every single time somebody streams a song, that song has the potential to earn.

where we want them to be. We get paid much less than the labels. The overall pie needs to grow with the success and the increase in subscriptions [to services such as Spotify]. Also, because so many songs are written by many songwriters, it cuts into the already limited amount of money that the writers are seeing. When you think historically about songwriting, there were two songwriters at the most, one who wrote the melody and one who wrote the lyric. Now you have songs where you have five, six, seven songwriters, and that is going to hurt the economics of being a songwriter.

**WSJ:** Is it a good or a bad time to be a songwriter?  
**MS. GERSON:** I think it is a difficult time for songwriters who aren't writing massive hit songs. When I first came into the industry, you could write a cut on a big album, like for Whitney Houston, and it would sell a lot of records, and you could make a lot of money as a songwriter. But unless you're writing hit singles or you have pieces of songs on enormous numbers of streamed product, it is very difficult right now.

**WSJ:** What challenges are songwriters seeing in getting paid in the streaming era?  
**MS. GERSON:** The fees are not

promotions, where there are a very limited amount of slots, and those slots are the only slots that can guarantee you a hit single. While the streaming services are kind of all-you-can-eat, I worry that all-you-can-eat cuts into the potential of the best songs being heard. I don't know if it devalues by having so much to choose from. Does it devalue music, or is it improving the value of music? I think time will tell.

**WSJ:** How do you make a hit? Is there data that you use from the streaming services to give feedback to songwriters to say, "This is what's charting?"  
**MS. GERSON:** A lot of people are relying on data today. I don't go in that direction. I judge music based on what I feel. Does it move me? Is that a lyric that articulates a feeling that I have better than I can articulate it? Is there a driving beat that makes me want to move? Is there a melody that makes me want to sing along? I have found in my career anytime that I have trusted my instinct, I'm right.

**WSJ:** What are we missing

about music today when we focus on streaming?

**MS. GERSON:** What everybody's missing is the role of the record company. There's talk about whether artists need to be signed to a record company. I would like you to show me one streaming platform that has broken an artist, made a major investment in breaking an artist. It is not easy.

Just because a song is on a digital platform doesn't mean you're breaking that artist. The companies that put the most into the development of artists are still record companies. The investment in breaking artists still is something that we can't underestimate, and platforms do not do that.

Hit artists, superstars, are never flukes. It just doesn't happen that way. It takes a village to break an artist.

## Lending a hand

**WSJ:** How do you help up-and-coming songwriters? What can you do to make sure they stay in the business and break out?

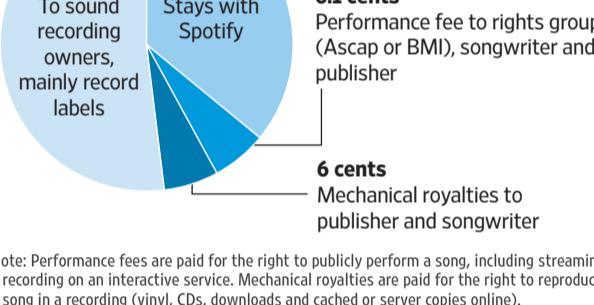
**MS. GERSON:** The No. 1 part is making sure that they can make a living. We give them opportunities, we are their biggest cheering sections, and we make sure that we do a lot of writing camps. You put a bunch of writers together in a room to focus on a project.

We recognized how few female songwriters are on songs on the charts. So we're creating, with Alicia Keys and some other women, all-female writing camps. A lot of things happen when women get together. They create sisterhood. Perhaps it combats the idea that the guys [who work on songs] bring in their friends. Women can bring in their friends. I think it gives them the sense of supporting one another.

**Ms. Steele is a Wall Street Journal reporter in Los Angeles. She can be reached at [anne.steele@wsj.com](mailto:anne.steele@wsj.com).**

## Money From Streaming

A breakdown of where \$1 of revenue for Spotify, the global music-streaming leader, goes. Figures for Apple Music are similar. Music publishers and songwriters don't get a big share.



Note: Performance fees are paid for the right to publicly perform a song, including streaming a recording on an interactive service. Mechanical royalties are paid for the right to reproduce a song in a recording (vinyl, CDs, downloads and cached or server copies online).

Source: Jordan Bromley, Manatt, Phelps & Phillips LLP

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