

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**T**he Nasdaq closed above 8000 for the first time, rising 0.9% to a record 8017.90 as U.S. stocks, global currencies and commodities surged on the U.S.-Mexico deal to rewrite Nafta. The S&P 500 hit a new high of 2896.74. The Dow gained 1%. **B1, B11**

◆ **Airlines are inundating** their customers with credit-card offers, hoping to widen a lucrative and steady revenue stream. **A1**

◆ **Toyota is set to invest** about \$500 million in Uber as part of an agreement to work together on driverless-vehicle development. **B1**

◆ **U.S. firms have been** scaling back borrowing while posting improved earnings, marking a sustained stretch of deleveraging. **B1**

◆ **Tesla's operational** challenges are back in the spotlight now that Musk has dropped efforts to take the auto maker private. **B3**

◆ **Nissan said it has** started producing its first made-for-China electric car, leading Japanese makers' push into that market. **B2**

◆ **Berkshire Hathaway** said it has invested in the parent company of Paytm, India's biggest mobile-payments firm. **B10**

◆ **FCC regulators displayed** no favoritism toward Sinclair while retooling media-ownership rules, the agency's inspector general said. **B4**

◆ **VW is only starting** to make changes needed to prevent another scandal, years after its emissions cheating came to light, a U.S. monitor's report said. **B2**

### World-Wide

◆ **Trump moved closer** to revising Nafta by striking a deal with Mexico, but cast new doubts over the quarter-century-old pact by threatening to leave out Canada. **A1, A5**

◆ **The government pledged** to pay U.S. farmers \$4.7 billion to offset losses resulting from trade disputes. **A3**

◆ **More Tunisians are** migrating to Europe, a sign of wide disaffection with the country after the euphoria that followed the 2011 ouster of its autocratic leader. **A1**

◆ **Accusations that the pope** helped cover up sexual misconduct are threatening to undermine his credibility on sexual abuse and hinder his pontificate more generally. **A16**

◆ **Trump reversed course** and ordered that the U.S. flag be flown at half-staff for the rest of the week to mark McCain's death, after being chided by lawmakers and veterans. **A4**

◆ **Federal judges affirmed** their earlier decision that struck down North Carolina's congressional districts as unconstitutional. **A2**

◆ **Manafort's defense team** held talks to resolve a second set of charges against him before he was convicted last week, but didn't reach a deal. **A4**

◆ **Myanmar's army chief** and top commanders should be prosecuted for genocide against the country's Rohingya minority, investigators working for the U.N. said. **A7**

◆ **Iran said it agreed** to deepen military cooperation with Syria, even as the U.S. and its allies move to contain Tehran's military reach. **A6**

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TUESDAY, AUGUST 28, 2018 ~ VOL. CCLXXII NO. 49

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## U.S., Mexico Reach Deal on Trade

Trump threatens to freeze out Canada, proposes getting rid of the name Nafta

President Trump moved closer to revising the North American Free Trade Agreement by striking a deal with Mexico, but cast new doubts over the quarter-century-old pact by threatening to leave out Canada.

While the deal was created to foster harmonized rules

across the continent, Mr. Trump said on Monday he was happy to sever Washington's northern neighbor from that bloc if necessary. He proposed to rename the pact "the United States-Mexico Trade Agreement," while setting terms that will hinder Ottawa's efforts to join it.

The Trump administration said it would give Canada until Friday to iron out crucial differences, including a revision that makes it harder for Nafta members to challenge U.S. trade penalties. While Mexico ac-

cepted that change, Canadian officials have said for months that would be unacceptable.

Mr. Trump and Canada's Prime Minister Justin Trudeau spoke by phone on Monday and "agreed to continue productive conversations" about U.S.-Canada trade, according to a White House statement.

"We will see whether or not we decide to put up Canada or just do a separate deal with Canada—if they want to make the deal," Mr. Trump said. He added that he might prefer to block Canadian imports rather than negotiate a new pact, saying: "I think with Canada, frankly, the easiest thing we can do is to tariff their cars coming in."

Mr. Trump's harsh rhetoric against Canada was the latest example of his hardball approach to trade policy, where he has chosen to impose intense

pressure on other countries through threats or tariffs to try to win concessions.

His strategy is driven by a belief that the U.S. has significant clout over other nations eager to sell into the world's largest market and that prior administrations failed to make use of that.

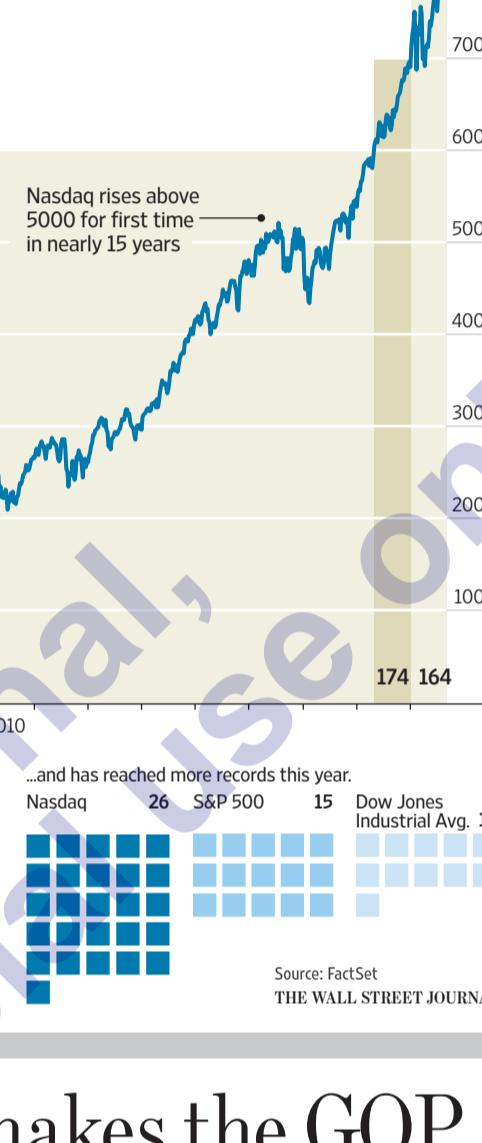
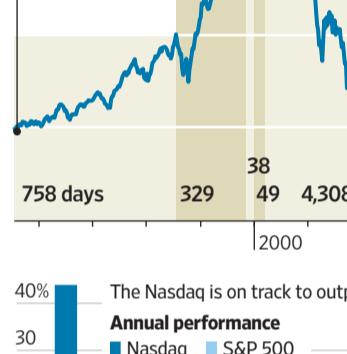
A spokesman for Foreign Minister Chrystia Freeland of Canada said Monday's agreement was "encouraging," but cautioned Ottawa would only sign on to a revamped trilateral

Please turn to page A5

## Propelled by Tech Stocks, Nasdaq Tops 8000 for First Time

The Nasdaq's latest thousand-point milestone was its fastest since the dot-com era. **B1**

It took nearly 17 years for the Nasdaq to hit its first thousand-point milestone. The next four followed shortly after, fueled by the dot-com boom.



Source: FactSet  
THE WALL STREET JOURNAL

## Airlines Bank On Loyalty Credit Cards

BY ANDREW TANGEL AND ALISON SIDER

Airlines are inundating customers with credit-card offers, hoping to widen a lucrative and steady revenue stream as they rely more on income beyond fares.

Every major U.S. carrier generated more from credit-card and loyalty programs in the second quarter than during the year-earlier period, financial disclosures show. For many airlines, those increases outpaced overall sales growth. Much of the revenue comes from the credit cards associated with loyalty programs, though most programs don't require customers to have a credit card.

"It is amazing how much it continues to grow," said Kurt Stache, senior vice president for marketing, loyalty and sales at American Airlines Group Inc.

Revenue from American's loyalty program grew 7% to \$1.4 billion in the second quarter, while overall revenue at the world's top airline by traffic rose 4%. The loyalty program accounted for nearly 12% of the carrier's overall sales, about flat compared with a year earlier.

Banks buy miles from airlines and award them to people who sign up for new cards and to cardholders who make purchases on everyday items. The more cardholders spend, the more miles they rack up—and the more cash the issuing banks pay the airlines. Cards not tied to a particular airline work in a similar way, but the banks pay airlines when holders convert points to miles.

Airline credit cards essen-

Please turn to page A2

## The 'Era of Trump' Remakes the GOP

The president's primary endorsements are winning, and his critics are retiring

By JANET HOOK

Tampa. Mr. DeSantis shot to the lead in the polls.

"The fallout from the president's visit to Florida was one of the most incredible things I've ever seen," said Mr. Putnam, the state agriculture commissioner, who has worked ever since to catch up in advance of Florida's Aug. 28 primary election.

After more than two decades of tension within the GOP between a restive base and its traditional establishment, Trumpism, the archetypal grass-roots movement, is winning.

With the 2018 primaries about to end, all but two of the 37 Republicans

Mr. Trump has endorsed for House, Senate and governor during their primary campaigns have won. Mr. Trump has abandoned or undercut the party's traditional commitment to free trade, fiscal conservatism and a hawkish foreign policy.

Mr. Trump's most vocal GOP critics in elective office have been defeated in primaries, announced their retirement or gone quiet. No critic was more forceful than Sen. John McCain of Arizona,

Please turn to page A8

◆ Gerald F. Seib: 'Deplorables' are called into battle again..... A4

By JARED MALSIN

"There's nothing for them on land, so they leave by sea."

Tunisians now represent the largest population of migrants entering Italy on smugglers' boats. More than 3,300 Tunisians have arrived in Italy this year, according to the United Nations. Nearly 6,000 others have been arrested for attempting to leave the country illegally, the Tunisian government said.

The surge in Tunisia's illegal migration comes as Italian and Libyan authorities corral more boats from neighboring Libya, a route frequented by people from sub-Saharan Africa. Eritreans and Sudanese people make up the second- and third-largest share of arrivals in Italy.

Tunisians are unusually successful in reaching Italy owing to their greater resources compared with poorer migrants. That success is complicating efforts by European governments to halt the tide of migration from North Africa and has fed the continent's burgeoning anti-immigrant movement. In June, Italian In

AL ATAYA, Tunisia—More

than seven years after Tunisi

ans overthrew their country's

dictatorship in a revolution

that spawned the Arab Spring,

the country's economy is in cri

sis and thousands of people are

sneaking into Europe, as part

of a new wave of clandestine

migration from what had been

a North African success story.

A fishing community here of low-slung stone houses, on the Mediterranean's Kerkennah Islands, has become a gathering point for smugglers sending young Tunisians to Italy. The young people sail by night on fishing boats, hoping to find jobs and a new life on European shores to the north.

The exodus is a sign of the widespread sense of disaffection with the country following the euphoric ouster of autocrat Zine El Abidine Ben Ali in 2011.

"They all reach a point of despair," said Zine Abdessine Warda, a 54-year-old shipbuilder and teacher in Al Ataya, referring to the young men boarding the boats.

Please turn to page A6

## Small African Nation Suffers Giant Exodus

By JARED MALSIN

"There's nothing for them on

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## U.S. NEWS

## Tall Expectations Skew View of U.S. Growth

By AMRITH RAMKUMAR

The U.S. continues to grow at its quickest pace in years. Perversely, its very strength keeps raising the bar for investors flocking to the U.S.

By some measures, the U.S. is starting to fall short of heightened expectations, while other regions, with much lower and manageable targets, are beating theirs. The Citigroup Economic Surprise Index, a measure of whether economic reports are meeting projections, has fallen to its lowest level in nearly a year in the U.S. The gauge has dropped into negative territory, indicating economic data are broadly starting to come in below expectations.

The U.S. index now trails measures for Europe and emerging markets, which are also slightly negative but have

stabilized since plunging early in the year.

That could make it more difficult for strong data to continue propelling U.S. assets like stocks and the dollar.

Robust economic figures have given money managers more confidence in those U.S. investments, especially with growth in the rest of the world stagnating and inves-

*It's easier for other regions, with lower economic targets, to surpass forecasts.*

tors anticipating that tariffs could hurt global economies more than the U.S. That belief is the main reason assets more tied to global growth,

such as commodities, have faltered.

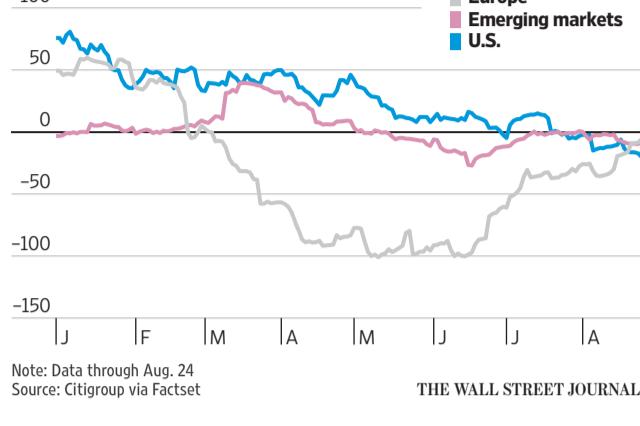
But some investors now expect momentum to shift, reversing a trend that has dictated much of the market's performance this year.

"If that fundamental backdrop changes a little bit, it has a lot of implications," said Jim Paulsen, chief investment strategist at Leuthold Group, who predicts U.S. growth will slow later in the year. "It's going to be a shock to Wall Street."

While expectations for the U.S. have heightened, it has become easier for other economies to top projections. This month, Germany reported annualized growth in the second quarter beat expectations. Europe's biggest economy also revised higher its first-quarter growth estimate. The European Union's statistics agency also raised its second-

## Converging

The U.S. has joined other regions recently in reporting economic data weaker than consensus projections, leading to a negative reading on the Citi Economic Surprise Index.



Note: Data through Aug. 24  
Source: Citigroup via Factset

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quarter figure for the entire eurozone.

In contrast, the August U.S. manufacturing purchasing managers' index reached its

lowest level in nine months, IHS Markit said Thursday, a sign that manufacturing activity is slowing. Recent misses in the housing sector have

also worried some analysts. The Commerce Department's second estimate of second-quarter U.S. growth is scheduled to be released on Wednesday. The report comes after data from last month that showed the U.S. was expanding at a pace of 4.1%, the fastest clip in nearly four years.

In another development that could push investors to look favorably on assets overseas, the U.S. and China are charting a path to resolve their trade conflict ahead of planned meetings in November. Global stocks have risen in the past week, and the WSJ Dollar Index has come down since hitting a fresh 15-month high on Aug. 13.

A continued rebound in investments more tied to global growth could wrong-foot investors expecting the U.S. to keep surging ahead.

## U.S. WATCH

## NORTH CAROLINA

## Judges Affirm Ruling Striking Redistricting

Federal judges Monday affirmed their earlier decision striking down North Carolina's congressional districts as unconstitutional because Republicans drew them with excessive partisanship.

Acting under an order of the U.S. Supreme Court to re-examine the case, the three-judge panel ruled again in favor of election-advocacy groups and Democrats who had sued to challenge the boundaries drawn in 2016.

The Greensboro-based court also raised the possibility of directing the GOP-dominated legislature to redraw the maps by mid-September so they could be in effect for the fall elections or getting an outside expert to do so. The printing of ballots has been delayed while other fall election matters are in court.

—Associated Press

## TEXAS

## Business Activity Slipped in August

General business activity in Texas fell in August, but the production index, a measure of state manufacturing conditions, held steady.

The general business activity index, which is part of the Federal Reserve Bank of Dallas's Texas manufacturing outlook survey, fell to 30.9, down 1.4 points from its July reading. Readings above zero reflect expansion.

The Dallas Fed collected the data Aug. 14-22, with 109 Texas manufacturers responding.

The production index was 29.3 in August, nearly unchanged from 29.4 in July.

Tariffs were a theme in survey respondents' comments, with some saying levies would hurt business and disrupt the ability to enter into contracts.

—Allison Prang

## LAS VEGAS

## Shooting Report Cites Communication Snags

Communications were snarled and police, fire and medical responders were overwhelmed by

911 calls, false reports and the number of victims during the October mass shooting at a country-music festival, according to a report released Monday.

The report by the Federal Emergency Management Agency, the Clark County Fire Department and Las Vegas police provided an overview of first responders' actions and ways authorities can improve.

Among more than 1,500 calls police and fire dispatchers answered within the first two hours of the shooting were 16 false calls. "Congested radio traffic made coordination difficult for response agencies," the report said.

In the shooting, Stephen Paddock opened fire from the windows on the 32nd floor of the Mandalay Bay resort into the outdoor concert below that 22,000 people were attending. He killed 58 people and injured more than 850 others before killing himself.

The report said that for special events of the festival's size, a "unified command post should be established among all agencies." It said problems could have been reduced if first responders had been familiar with the layout, location and size of the festival.

—Associated Press

## WISCONSIN

## Company to Invest In University Program

**Foxconn Technology Group** said it would invest \$100 million in engineering and innovation research at the University of Wisconsin-Madison, making it one of the largest gifts in the school's history.

The agreement comes as the Taiwan-based electronics giant builds a factory in southeastern Wisconsin. Foxconn Chief Executive Terry Gou and UW-Madison Chancellor Rebecca Blank signed an agreement that also calls for the creation of a science and technology institute on the UW-Madison campus that will collaborate closely with the display-screen manufacturing plant.

Foxconn chose Wisconsin for its first plant outside Asia after receiving generous incentives from the state. Foxconn says the manufacturing campus could cost as much as \$10 billion and eventually employ 13,000 people.

—Associated Press

## CORRECTIONS &amp; AMPLIFICATIONS

**"Emotional Intelligence 2.0"** by Travis Bradberry and Jean Greaves was No. 2 on the list of best-selling hardcover business books for the week

ended Aug. 19. The Best-Selling Books list in the Review section on Saturday incorrectly omitted Ms. Greaves's name.

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

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## U.S. NEWS

# U.S. to Pay Farmers for Tariff Losses

Soybean producers are in line for most of initial \$4.7 billion; corn farmers irked

BY JESSE NEWMAN  
AND HEATHER HADDON

The Trump administration pledged to pay farmers \$4.7 billion to offset losses from trade disputes with foreign buyers of U.S. agricultural products.

Agriculture Secretary Sonny Perdue said the payments would help protect farmers from "unjustified tariffs" some nations have applied in response to President Trump's trade policies. China, Mexico, the European Union and other trade partners have levied tariffs on U.S. farm goods from soybeans to pork to apples, leaving growers vulnerable during a downturn in the agricultural economy.

Farmers have been awaiting the details of the up to \$12 billion in aid the U.S. Department of Agriculture promised to provide them in July.

Mr. Perdue said the payments would soften the blow to farmers while the Trump administration negotiates deals that benefit the U.S. economy overall, including agriculture. Farmers, he said, "cannot pay their bills with simple patriotism."

Some farm groups said the spending won't make up for losses from the trade clashes.

The National Corn Growers Association estimated lower prices as a result of tariffs will

cost growers more than \$6 billion this year. The direct payment program allocated \$96 million for corn growers.

"This plan provides virtually no relief to corn farmers," said Kevin Skunes, the association's president and a North Dakota farmer.

Soybean farmers are in line to get roughly three-fourths of the direct payments, or \$3.6 billion, followed by producers of pork, cotton, sorghum, dairy and wheat.

Pork products will benefit the most from a second form of assistance, which will buy up excess commodities—\$558 million out of an estimated \$1.2 billion. The USDA will also purchase roughly \$90 million each of apples, dairy products and pistachios among the more than two dozen products targeted.

USDA officials said they could decide by December to make a second wave of direct payments to farmers if damages from trade penalties persist.

Soybean futures prices have fallen 18% since the end of May to a decade low as tariffs took effect in China, the largest customer for that crop. Corn prices have dropped 12% and wheat has declined 5%. Lean hog futures have tumbled 29% as China and Mexico, big buyers of U.S. pork, levied duties on those products.

The USDA said the additional purchases will focus on high-value crops meant for export, separate from purchases the government makes to stock school-lunch and other nutrition programs.



A wheat farmer in Illinois operated a combine harvester last month; farmers hope new tariffs don't destroy their export relationships.

"Instead of just oranges we will be buying extra fancy oranges" typically destined for China, said Greg Ibach, undersecretary for marketing and regulatory programs.

USDA said it would also make available \$200 million for programs focused on overseas markets for U.S. agricultural products. The USDA said it would begin implementing the plan by Sept. 4.

USDA's "tariff mitigation plan falls far short of addressing the losses dairy producers are experiencing," said Jim Mulhern, chief executive of the National Milk Producers Federation. The group estimated the \$127 million allotted to dairy represented less than 10% of what producers have lost during recent trade disputes.

The planned payments for excess foodstuffs could set up jockeying between some producers.

Producers of goods left off the list of direct payments are also likely to continue to press for compensation. USDA officials said they picked produc-

## Price Support

The biggest chunk of USDA's farm-assistance payments will go to growers of soybeans, whose prices have dropped sharply amid trade disputes. The agency's food-purchase program will target pork producers.

### Estimated initial payments to these producers:

	\$3.63 billion
Pork (hogs)	0.29
Cotton	0.28
Sorghum	0.16
Dairy (milk)	0.13
Wheat	0.12
Corn	0.10

### Soybean continuous front-month futures, price per bushel



Sources: Thomson Reuters (futures); Department of Agriculture (payments)

ers of commodities hit the hardest so far.

Details of the aid package came hours after President Trump announced an agreement with Mexico to revamp the North American Free Trade Agreement, which has boosted exports for many U.S. farmers.

Mr. Trump said it remains to be seen whether Canada, the other Nafta signatory, would join a newly negotiated pact. Many farmers fear tariffs on

U.S. agricultural goods will allow foreign rivals to undercut U.S. prices well into the future and snatch export business established over decades.

Ron Moore, an Illinois farmer and chairman of the American Soybean Association, said he made multiple trips to Washington over the summer to press for progress on trade disputes and new markets for U.S. crops. Also on his wish list: increased funding for trade

programs in the farm bill, the multiyear legislation that is due for reauthorization this year.

"The short-, medium- and long-term solutions to tariffs are critically important so we don't have a repeat of the '80s," said Mr. Moore, referring to a devastating downturn that forced many farmers and lenders out of business 30 years ago. "We're right at the cusp of a crisis," he said.

# Newsprint Levies Lift Private-Equity Firm

BY WILLIAM MAULDIN

tors" are Canadian paper mills that the Commerce Department says get access to wood fiber at below-market prices, giving them an advantage in making paper. U.S. lumber and paper firms have long blamed their Canadian competitors for gaining cheap access to trees cut on public land.

The Commerce Department's tariffs become permanent only if the U.S. International Trade Commission, an independent government agency, votes that the alleged dumping and subsidies harmed American paper producers.

Newspapers hope the commission will use its authority to nullify the tariffs, but Norpac's lawyers say they believe the tariffs will be affirmed at the vote, expected Wednesday.

Newsprint, the paper used for newspapers, is typically the second-biggest cost for such publications after employee salaries, and industry officials say the price surge threatens the viability of small-town papers across the country, forcing reduced publication days, layoffs and other cutbacks. Canadian mills have historically supplied a large portion of U.S. newsprint.

"This whole play by Norpac basically disrupted an entire industry," said Paul Boyle, senior vice president at the News Media Alliance, which lobbied against the tariffs and includes Dow Jones & Co., publisher of The Wall Street Journal.

Some industry observers say the Trump administration, led by a president antagonistic

to the media, is unlikely to be sympathetic to newspapers. "My cynical side says you've got an administration that happens to be not a big fan of the print publications generally," said Kevin Mason, analyst at ERA Forest Products Research in British Columbia. In response, a White House spokeswoman said, "That is an absurd claim."

The tariffs represent a remarkable success by a relatively little-known private-equity firm at pulling the levers of power in Washington for advantage. For that, industry observers credit John A. Georges, an 87-year-old veteran of Washington and Wall Street, and a former paper industry executive with a history of working the nexus of

policy, business and finance.

Mr. Georges, a former chief executive of International Paper Co., is tasked with using his decades of expertise to help the firm invest in companies and execute new strategies. "In Mr. Georges' view, the Norpac mill was among the best he had ever visited during his long-term involvement in the paper industry in terms of quality of workforce, maintenance of equipment, and overall flexibility of production," Norpac's lawyers at King & Spalding LLP said.

Norpac said that thanks to the tariffs, it hired 50 new workers in May, bringing the plant's total close to 400, and it restarted one of its three paper machines after idling it last year.

# Judge Halts Sharing of 3-D Gun Blueprints

BY ZUSHIA ELINSON

A federal judge in Washington state on Monday blocked blueprints for 3-D-printed guns from being shared online by a pro-gun group until the matter is resolved in court.

The preliminary injunction came in response to legal action by 19 states seeking to block Texas-based Defense Distributed from distributing the files it had posted online earlier this year.

The purpose of sharing the files "is to arm every citizen outside of the government's traditional control mechanisms of licenses, serial numbers, and registration," U.S. District Judge Robert S. Lasnik wrote in his ruling.

"It is the untraceable and undetectable nature of these small firearms that poses a unique danger," he added.

The lawsuit brought by Washington Attorney General Bob Ferguson on behalf of the other states attacked a recent settlement between Defense Distributed and the State Department that allowed the blueprints to be posted online.

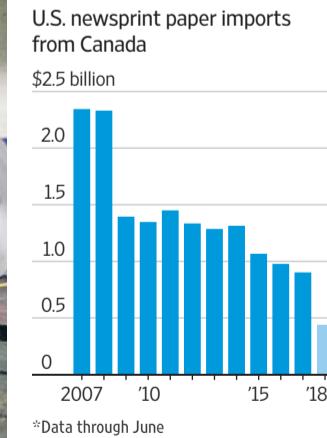
Cody Wilson, who runs Defense Distributed, called the ruling "hilariously bad and an obvious injustice," and said he would appeal.

Meanwhile, other gun-rights groups have already posted the files on separate websites. These groups argue that the judge's ruling doesn't apply to them because they aren't party to the continuing litigation. Mr. Ferguson has said that "anyone who posts downloadable guns to the internet is violating federal law."

Federal law generally permits individuals who aren't otherwise barred from owning firearms to make them for their own personal use. However, the State Department had included the design files on a list of munitions subject to export controls, barring their distribution. But the department in June reversed its position and allowed the files to be posted.



A worker adjusts newsprint rolls in Vancouver, Wash., in April. Tariffs caused newsprint prices to jump.



\*Data through June  
Source: U.S. Census Bureau

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# Florida Esports Shooting Raises Security Issues

BY SARAH E. NEEDLEMAN

Esports executive Ben Spoont said he now plans to check with event organizers about their security before sending his approximately 45 players to any competitions held at small venues.

"To actually feel a need to make sure someone doesn't have a weapon, that's not been a primary concern in the past," said Mr. Spoont, who heads up the esports organization Misfits Gaming, and the Florida Mayhem, a team that competes in Activision Blizzard Inc.'s Overwatch League.

He also plans to start having bag checks and metal detectors at tournaments and

fan events that his own organization hosts. "This was a wake-up call," he said.

On Sunday, at a bar in Jacksonville dedicated to competitive and casual videogaming, a gunman killed two people and himself and injured nine others, local authorities said. Players of varying skills were competing in the popular videogame series "Madden NFL" to qualify for a spot in a larger event in Las Vegas with a prize pool of \$165,000. The Wall Street Journal couldn't determine what, if any, security measures were in place.

Matches for professional gamers typically take place in

studios, stadiums or other locations where spectators purchase tickets and security staff and metal detectors are the norm.

"It's time esports events (large and small) double down on security for everyone in general and players specifically," Jason Lake, chief executive of the professional esports team Complexity Gaming, wrote on Twitter.

ESL, an organizer of several hundred esports competitions world-wide, is rethinking its approach to event safety. "Out of this tragedy we are reviewing security policies and how these are implemented," a spokesman said by email.

This year, 222 million spectators world-wide are expected to watch esports events at least once a month online or in person, more than double the number from 2012, according to Newzoo BV.

Some teams have already beefed up safety efforts. For most players, competitions are in small bars. Waypoint Cafe in New York, where mostly high-school and college students compete, has only security cameras. Owner Luigino Gigante said the small cafe doesn't have room for a metal detector. Plus, he added, his customers usually behave well. "We don't have a need for it," he said.

## U.S. NEWS

# 'Deplorables' Are Called Into Battle Again

**CAPITAL JOURNAL**

By Gerald F. Seib

"deplorables" label bestowed by Hillary Clinton during the 2016 presidential campaign, runs through a long series of angry ripostes at Trump detractors and praise of administration policy moves, and closes with dire warnings of the need to vote for Republicans in 2018 to head off efforts by liberals to impeach the president.

Mr. Bannon previewed the film for some Republican supporters in Dallas recently, but the big premiere is scheduled for Sept. 9—chosen because it is the second anniversary of the speech in which Mrs. Clinton used the "basket of deplorables" phrase. The location? The very club in Manhattan where Mrs. Clinton made the speech, which has been rented for the occasion.

Aside from what they say about Mr. Bannon as a political provocateur, the film and its unveiling also reveal a lot about how people in the president's circle increasingly see this year's midterm elec-

tion: Its importance is growing every day; Republican success starts with turning out core Trump supporters; and the best way to motivate them is by brandishing the fear of impeachment proceedings if Democrats win control of Congress.

"This is all grass roots," Mr. Bannon says. "It's 2016 all over again...This is Trump's first re-election."

**T**he political calculus behind such thinking is pretty simple: In 19 months as president, Mr. Trump has hardened his grip on his base of supporters and the GOP overall but has done little to expand that base.

Meanwhile, as the Labor Day kickoff of the fall campaign approaches, Republicans face a Democratic Party whose activists appear exceptionally motivated—to campaign, donate money and turn out in November.

Republicans need something to match that fervor. That something is the Trump

base—and the best motivating tools are anger and fear.

In this case, that means specifically the fear that special counsel Robert Mueller, New York prosecutors and a Democratic Congress will conspire to kick Mr. Trump out of office. That's why Republicans are talking about the specter of impeachment, not Democrats. Democrats know impeachment talk is a surefire way to motivate the other side.

But there's a problem in this GOP formula: A motivated Trump base is necessary for Republicans to head off disaster in November, but it's not sufficient, at least not if Democrats remain as energized as they appear today.

The Trump base has to be married with more mainstream Republicans—the kind hard-core activists refer to as RINOs, or "Republicans In Name Only"—and with some independent voters.

Right now, independent voters are hard to read. Their sentiments have been shifting

around a lot in Wall Street Journal/NBC News polling in recent months. As a general rule, they have a low regard for Mr. Trump personally and appear weary of the atmosphere of constant crisis around him. But polling also indicates they increasingly like how Republicans are handling the economy, appreciate the GOP tax cut and think the party is changing the way things work in Washington.

That leaves moderate Republicans, of whom Mr. Bannon says simply: "We need RINOs."

The Bannon calculation is that the specter of impeachment will motivate these soft Republicans as well as core Trump backers. More conventional Republicans may be disdainful of Mr. Trump personally, but they also think the tax cuts, deregulatory policies and judicial nominations they like are imperiled if he goes down.

So, impeachment-scare talk, Mr. Bannon is calculating, is effective for RINOs

too, simply for different reasons. For the Trump base, impeachment talk is a source of outrage. Soft Republicans dislike it for less emotional, more practical reasons.

**A**ll this means Republican candidates have a dual mission right now. Keep motivating those base Trump voters, who want full-throated defenses of the president and odes to his hard-line immigration policies, while also luring to the polls mainstream Republicans and independents who dislike the president but like lower taxes and less regulation.

And if political advertising is any indication, candidates appear to be embracing both messages with nearly equal fervor. Data compiled by CMAG Kantar Media on all political ads run so far this year show that a pro-Trump message is the most common element of GOP ads. Next in line? Mentions of the tax cut Republicans pushed through Congress last year.

## CFPB Official Resigns

By YUKA HAYASHI

**WASHINGTON**—A top student-loan official at the Consumer Financial Protection Bureau resigned and released a letter saying Trump administration officials running the bureau were undermining staff work on enforcement cases.

"The bureau's new political leadership has repeatedly undercut and undermined career CFPB staff working to secure relief for consumers," Seth Frotman, the bureau's student-loan ombudsman, said in the letter dated Monday. "Their actions will affect millions of student loan borrowers, including those harmed by the company that dominates this market."

A spokesman declined to comment, saying the agency doesn't discuss personnel matters.

White House budget chief Mick Mulvaney was named by President Trump in November to temporarily run the bureau.

Mr. Frotman's reference to a student-loan company points to the bureau's lawsuit against Navient Corp., the nation's largest student-loan servicing company, people familiar with the matter said. The CFPB's Obama-appointed leadership sued Navient in 2017, alleging it created obstacles for borrowers to repay their debts. The two sides continue to argue the case in federal court.

A Navient spokesman declined to comment.

## Chided, Trump Lowers Flag for John McCain

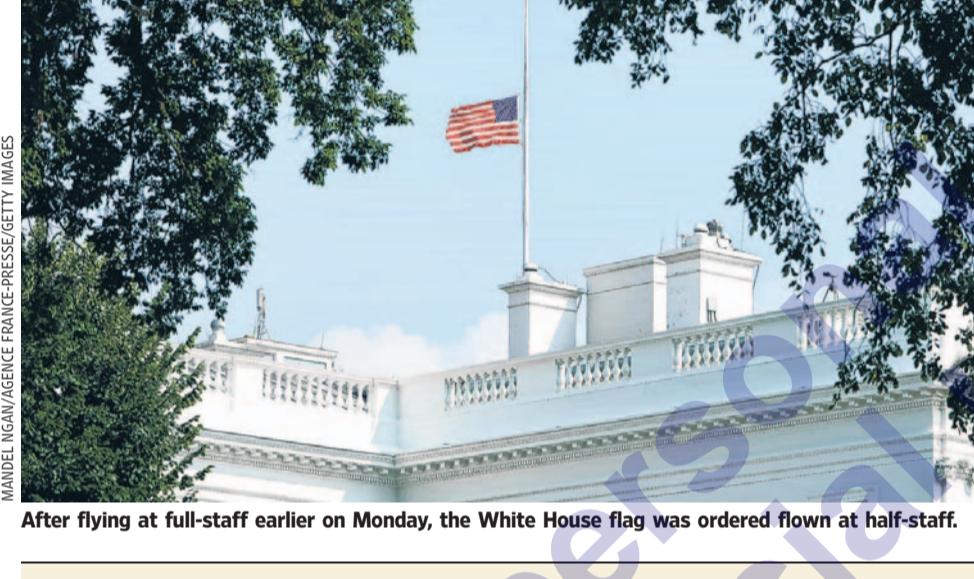
BY BEN KESLING  
AND MICHAEL C. BENDER

**WASHINGTON**—President Trump reversed course and ordered that the U.S. flag be flown at half-staff for the rest of the week to mark the death of John McCain, after drawing fire from lawmakers and veterans groups who said the Republican senator hadn't been appropriately honored.

"Despite our differences on policy and politics, I respect Sen. John McCain's service to our country and, in his honor, have signed a proclamation to fly the flag of the United States at half-staff until the day of his interment," Mr. Trump said in a statement Monday.

The White House initially lowered its flag to half-staff on Saturday but returned it to full-staff by Monday morning. It was lowered to half-staff again Monday afternoon, shortly before Mr. Trump released his statement. The president's proclamation covers the White House as well as all federal buildings, military bases and embassies.

White House officials said they prodded Mr. Trump for two days to put out a kind word about Mr. McCain. Mr. Trump resisted, and viewed the news coverage of the former senator's death as over the top and more befitting a president, according to people familiar with the situation. They said cable networks' focus on the flag controversy came at the expense of more coverage of Mr. Trump's trade deal with Mexico.



After flying at full-staff earlier on Monday, the White House flag was ordered flown at half-staff.

### Former Presidents To Honor Senator

John McCain's body will lie in state in the Arizona State Capitol on Wednesday. A service will be held Thursday at North Phoenix Baptist Church before the senator's body is flown to Washington.

A ceremony honoring Mr.

A senior White House official said White House press secretary Sarah Sanders was instrumental in getting the president to agree to the proclamation, with the help of chief of staff John Kelly. "It was 99%

Mccain will be held on Friday at the U.S. Capitol, where he will also lie in state.

On Saturday, the senator's body will travel in procession from the Capitol to Washington National Cathedral. On the way, the motorcade will stop at the Vietnam Veterans Memorial, where Cindy McCain, the senator's wife, will lay a wreath.

A ceremony Saturday at Washington National Cathedral

Sarah," the official said.

Speaking at a dinner for evangelical leaders at the White House on Monday, Mr. Trump offered the country's "hearts and prayers" to the family of the late senator and

will include tributes by former Presidents George W. Bush and Barack Obama and former Secretary of State Henry Kissinger, according to the senator's website.

Pallbearers will include former Vice President Joe Biden, former New York City Mayor Michael Bloomberg and actor Warren Beatty.

Mr. McCain will be buried at the U.S. Naval Academy in Annapolis, Md., on Sunday.

added that "we very much appreciate everything Sen. McCain has done for our country."

The president won't be attending any of the services honoring Mr. McCain. Mr. Trump said he has asked Vice

President Mike Pence to speak at a ceremony Friday at the U.S. Capitol honoring Mr. McCain. Mr. Trump said he also asked Mr. Kelly, Secretary of Defense James Mattis and National Security Adviser John Bolton to represent the administration at services for Mr. McCain.

Asked whether Mr. McCain or his family had asked Mr. Trump to not attend, McCain family spokesman Rick Davis didn't answer directly, instead pointing to past media reports that had "by and large come to that conclusion." He said he wouldn't discuss further details.

"The president will not be, as far as we know, attending the funeral. That's just a fact," Mr. Davis said.

The U.S. flag code calls for flags to be flown at half-staff on the day of death and the following day for a member of Congress, a protocol the White House has followed. But for many other prominent Americans, the flag has been lowered for several days and raised again only once the person is buried.

The White House's decision to raise the flags prompted criticism from Democrats as well as several members of Mr. Trump's own party.

Veterans-advocacy groups also had pushed the White House to lower the flag for a longer period.

"Political backlash be damned on all this," said Joe Chenelly, national executive director of Amvets. "It's time to pay the proper respects to someone who helped lead this country in peacetime and war."

## Manafort Had Sought a Deal in His Next Trial

BY ARUNA VISWANATHA

Paul Manafort's defense team held talks with prosecutors to resolve a second set of charges against the former Trump campaign chairman before he was convicted last week, but they didn't reach a deal, and the two sides are now moving closer to a second trial next month, people familiar with the matter said.

The plea discussions occurred as a Virginia jury was spending four days deliberating tax and bank fraud charges against Mr. Manafort, the people said. That jury convicted him on eight counts and deadlocked on 10 others. Prosecutors accused Mr. Manafort of avoiding taxes on more than \$16 million he earned in the early 2010s through political consulting work in Ukraine.

The plea talks on the second set of charges stalled over issues raised by special counsel Robert Mueller, one of the people said. It isn't clear what those issues were, and the proposed terms of the plea deal couldn't be determined.

Representatives for Messrs. Manafort and Mueller declined to comment.

The talks were aimed at forestalling a second, related trial for Mr. Manafort, which is scheduled to begin on Sept. 17 in Washington.

Prosecutors and defense lawyers have been arguing over how to describe that case to the jury and what evidence

can be presented at trial. They are scheduled to discuss those issues at a hearing Tuesday before U.S. District Judge Amy Berman Jackson.

Mr. Manafort faced two separate trials on related allegations in neighboring districts because he declined to let prosecutors combine the charges into one case. From a defense perspective, such a move can force prosecutors to fight two battles and divide resources.

The plea discussions on the Washington case represent a softening in posture for Mr. Manafort, who has fought charges brought by Mr. Mueller's 15-month investigation longer and more aggressively than other defendants in the probe.

Three other former Trump campaign aides, including for

mer Manafort business associate Richard Gates, pleaded guilty to lying to investigators and other crimes not core to Mr. Mueller's mandate of examining Russian interference in the 2016 election. Twenty-five Russians have also been charged with hacking and other crimes. Moscow denies any election interference.

The Virginia indictment charged Mr. Manafort with filing false tax returns between 2010 and 2014 and misleading multiple U.S. banks to obtain millions of dollars in loans in 2016, after his Ukraine income allegedly dried up.

Prosecutors have said the tax

fraud charges could result in a prison term of eight to 10 years, but some tax-related sentences have fallen well below that.

U.S. Judge T.S. Ellis, who oversaw Mr. Manafort's Virginia case, last year sentenced a retired business school professor to seven months after he pleaded guilty to hiding \$220 million in foreign accounts and not paying \$18 million in federal and state taxes.

Unlike Mr. Manafort, that defendant had previously paid a \$100 million penalty to the U.S. Treasury and cooperated in the investigation.

After Mr. Manafort's Virginia conviction last week, a juror said the vote on the other 10 counts was 11-1 in favor of conviction.

The juror, a self-described Trump supporter, told Fox News the evidence was "overwhelming."

Prosecutors have until Wednesday to report whether they plan to retry Mr. Manafort on the deadlocked counts. For now, both sides appear to be preparing for the Washington trial.

In that case, prosecutors accuse Mr. Manafort of not registering in the U.S. for his lobbying work for the Ukrainian government between 2008 and 2014, and of conspiring to launder millions of dollars in income from that work to hide it from U.S. authorities.

In June, prosecutors added charges accusing Mr. Manafort of trying to influence the testimony of potential witnesses. That prompted Judge Jackson to send Mr. Manafort to jail as he awaited trial.



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Paul Manafort arriving for a June court hearing in Washington.

MANDEL NGAN/AGENCE FRANCE PRESSE/GETTY IMAGES

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## WORLD NEWS

## Trade Pact Eases Car Makers' Concerns

Deal with Mexico gives clarity on new rules for building vehicles in the region

By CHESTER DAWSON  
AND MIKE COLIAS

President Trump's new free trade pact with Mexico would overhaul the rules for cars built across the region, but it already is helping to ease concerns across the auto industry about a prolonged trade battle between the nations.

The U.S.-Mexico deal, reached Monday to rework the North American Free Trade Agreement, requires a greater portion of a car be built in the U.S. or Mexico to qualify for free trade. Auto makers also will have to ensure 40% to 45% of that vehicle's content is produced by workers earning a wage of at least \$16 an hour, a provision aimed at tilting more work toward the U.S. to generate manufacturing jobs.

Auto industry manufacturers that don't meet these requirements will pay a 2.5% tariff on vehicles crossing the border.

The deal helps provide some clarity for auto makers and parts suppliers bracing for the worst, after Mr. Trump had threatened to terminate



President Trump spoke by telephone with Mexico's President Enrique Peña Nieto about trade from the Oval Office on Monday.

the 24-year-old trade pact. But it also leaves unanswered questions over whether Canada—a major manufacturer of U.S.-sold cars—will go along with the deal. Mr. Trump has said he would impose tariffs on Canadian auto imports if he can't reach acceptable terms in future negotiations.

Auto makers, while facing stiffer requirements on content and labor, were cautiously optimistic the deal could pave the way for a broader agreement with Canada.

"We are optimistic that the new agreement will maintain and encourage the ongoing competitiveness of the United

States and North American auto industries," said Matt Blunt, president of the American Automotive Policy Council, which represents the Big Three U.S. auto makers.

Shares of General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles NV rallied on news of the deal, with

GM and FCA shares gaining nearly 5% and Ford nearly 3%.

The Alliance of Automobile Manufacturers, a broader lobbying group for a dozen of the largest domestic and foreign car makers, said it was "pleased to hear that the U.S. and Mexico have reached a consensus on several issues,

including automotive rules of origin."

The United Auto Workers, which represents workers at the Detroit car makers, said in a joint statement with four other labor unions that the negotiations were "on track," but more steps were needed to lift worker wages and reduce outsourcing of U.S. jobs.

A trade group representing the foreign-based brands and car parts suppliers, however, criticized the Trump administration for not including Canada in the negotiated deal.

About 2.3 million vehicles sold in the U.S. last year were built in Mexico, according to LMC Automotive. An additional 1.8 million came from factories in Canada. Together, the two countries built nearly a quarter of U.S.-sold cars and trucks in 2017.

The Trump administration said the agreement will help to spur "billions" in new automobile manufacturing investment in the U.S., although some industry analysts are skeptical it will have such a drastic impact. The deal is subject to congressional approval before being implemented. U.S. Trade Representative Robert Lighthizer told reporters he hoped to include Canada but held out the possibility it would be sent to Congress as a bilateral accord.

## Negotiators Pressed for Deal Before Mexico's Transition

By VIVIAN SALAMA  
AND MICHAEL C. BENDER

**WASHINGTON**—Months of tensions and volatile trade talks between the U.S. and Mexico ended—not with the conventional handshake—but with a virtual embrace.

"I'm extending you an affectionate hug," Mexico's President Enrique Peña Nieto told President Trump by telephone on Monday as the White House unveiled the framework

of a new trade agreement.

"A hug from you would be very nice," Mr. Trump responded, sitting at his desk in the Oval Office.

The exchange wrapped up months of fragile talks, which were racing against the clock because of the transition of administrations in Mexico.

Behind the scenes, three individuals are said to have led the talks over the finish line: Mr. Trump's top adviser and son-in-law, Jared Kushner; U.S.

Trade Representative Robert Lighthizer; and Mexico's Foreign Minister Luis Videgaray, people familiar with the talks said.

Mr. Lighthizer was the chief negotiator and knew the details best. Mr. Kushner developed relationships with Mexican officials, said people familiar with the matter.

The process began in January 2017, when Mr. Trump rearranged his schedule to fit in an hourlong phone call with Mr. Peña Nieto, who had

snubbed the new president by canceling his visit to Washington over Mr. Trump's demands that Mexico pay for his proposed border wall, according to a former White House official.

Mr. Trump's team hit back by threatening a border tax on Mexican imports.

But the call presented a window of hope. Mr. Trump tasked Mr. Kushner—a real-estate executive with no trade experience—with managing the dispute, the former official said.

Together with Mr. Videgaray, the two were expected to solve some of the toughest issues crippling the relationship.

In April, Mr. Trump canceled a trip to Peru, instead sending Vice President Mike Pence and Mr. Kushner in his place. It was then that Mr. Kushner spied opportunity.

In a "random conference room" on the sidelines of the summit, Mr. Kushner huddled with Mr. Videgaray to discuss ways to renegotiate the deal.

conferencing Mr. Lighthizer in from Washington.

But the tides of change left officials on both sides uncertain about their future.

Had talks stretched another week, the timeline for signing the new deal would have required newly elected President Andrés Manuel López Obrador—and not Mr. Peña Nieto—to sign the new deal.

"It was important to get it across the finish line this week," one official said.

## New Accord Leaves Out Canada

*Continued from Page One*

deal "that is good for Canada and good for the middle class."

The minister said she would cut short a scheduled trip to Europe and instead travel to Washington on Tuesday to begin talks with her U.S. counterparts.

Relief over progress on the trade front, despite the lingering tensions with Canada, helped drive the Dow Jones Industrial Average up 1%.

The deal includes several provisions to alter a pact Mr. Trump has long branded "a disaster" for what he considers incentives encouraging U.S. companies to shift production to Mexico.

The most significant is a clause that would boost the percentage of autos that would need to be made in North America to qualify for the tariff-free cross-border trade allowed by Nafta. It would also require a certain portion of cars to be made by high-wage workers—a response to longstanding U.S. union complaints over low-wage Mexican labor.

Canada's position appeared increasingly difficult after Mexican Foreign Minister Luis Videgaray later said Mexico was also fine scrapping the old tripartite Nafta in favor of a bilateral deal with the U.S., a significant reversal from his government's longstanding insistence that any revised pact had to include Canada.

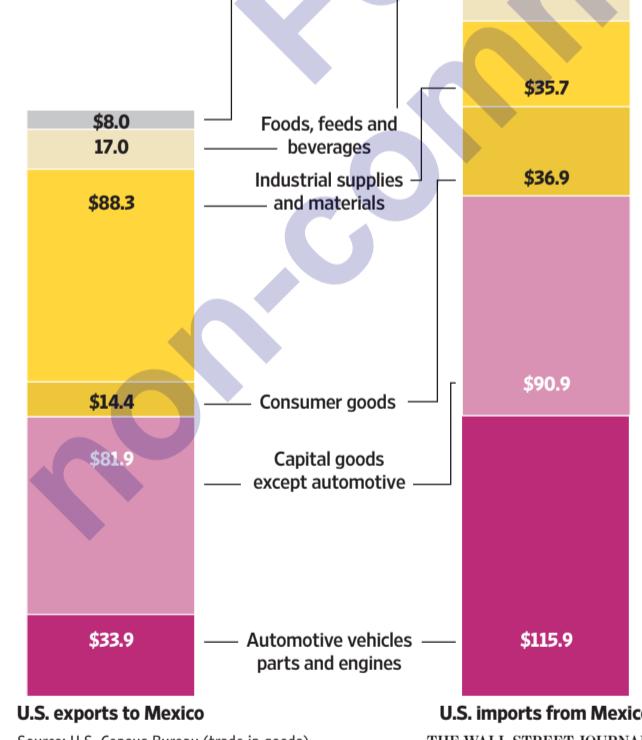
"There are many factors that we can't control—including the relationship between the U.S. and Canada and actions taken by the government of Canada," Mr. Videgaray said. "In any scenario, we will have a free-trade agreement between Mexico and the U.S."

Mr. Trump, a Republican, faced pressure from GOP lawmakers and his own supporters in farm states to show that his "America First" trade policy will succeed in striking new trade-expanding agreements, rather than just making threats and imposing tariffs.

Mr. Trump's aggressive imposition of tariffs through this

## Room for Agreement

The new Nafta deal between the U.S. and Mexico affects trade in sectors such as agriculture, autos, aluminum and steel. Value of 2017 trade between the two countries, in billions, by sector:



year—on solar panels, washing machines, steel, aluminum, and a long list of Chinese goods—has prompted retaliation from trading partners around the world.

That has inflicted significant economic pain in states that voted for him in 2016 and where Republicans face tight races in midterm elections.

In an attempt to ease political pressures from the Farm Belt, Mr. Trump's agriculture secretary, Sonny Perdue, announced plans Monday to make \$4.7 billion in payments to farmers to help offset their losses from trade battles around the globe.

The U.S. Council for International Business, a group representing U.S. multinational firms, offered cautious praise, saying it hoped Monday's deal "signals a redirection of U.S. trade policy—away from confrontation and toward cooperative efforts to open markets abroad."

Still, it remains unclear whether the administration's Nafta strategy will ultimately get support in Congress to enact a new deal. Many lawmak-

ers and their aides said Monday that the administration hadn't given them sufficient details on the agreement to judge whether they can back it.

A key part of Mr. Trump's calculation is that he can win significant support from Democrats, who have long been opposed to new trade agreements, by including provisions aimed at raising wages in Mexico and strengthening Mexican labor unions.

Yet, Democrats who have long pushed for stronger labor provisions in trade agreements said they remain unconvinced. "I see nothing in this agreement that fixes the basic problem," Rep. Sandy Levin, a Michigan Democrat, said.

But the main concern expressed by lawmakers and businesses Monday was the prospect that a new Nafta may jettison Canada.

"It is critical that any modernized Nafta continue to include all three North American partners," said Rufus Yerxa, head of the National Foreign Trade Council, a leading free-trade business organization.

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## WORLD NEWS

# Iran Moves to Deepen Influence in Syria

Agreement on military cooperation comes as U.S. and Israel push for Tehran's withdrawal

Iran said it agreed to a deal to deepen military cooperation with Syria, reaffirming its intention to remain in the country despite moves by the U.S. and its allies to contain Tehran's military reach.

*By Asa Fitch in Dubai and Sune Rasmussen in Beirut*

Iran and Syria reached the deal following meetings Sunday between their defense ministers and Syria's President Bashar al-Assad, according to Iran's semiofficial Tasnim News Agency. The report offered no further details. Syrian state-linked media said the two sides reaffirmed the need to develop long-term cooperation, but made no mention of a new deal.

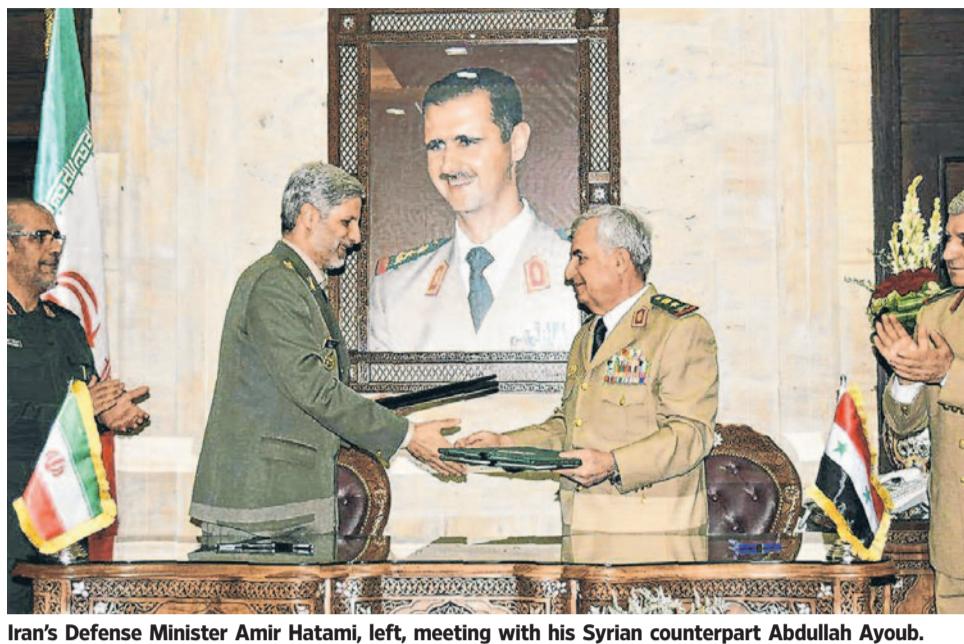
Iran has sent thousands of its own and allied forces to Syria to fight alongside Mr. Assad's troops, and has also supported the Syrian regime

with weaponry and oil.

The move to further cement the partnership comes as the Trump administration and Israel amplify calls for Iran to withdraw completely from Syria. Beating back Tehran has been a central goal of U.S. foreign policy under President Trump, who withdrew the U.S. in May from the Iran nuclear deal and has started reimposing sanctions that had been lifted under the Obama-era pact.

Iranian forces have been involved in Syria's fighting since 2013, coming to the aid of Mr. Assad as he fended off a challenge from rebel groups and Islamic State extremists. Russia intervened to support Mr. Assad in 2015, helping him gain the upper hand in the conflict, which has now stretched more than seven years.

With Mr. Assad tightening his grip, the U.S. and Israel are worried that Iranian influence is now entrenched in Syria. Mr. Trump wants to prevent Iran developing ballistic missiles and expanding a military footprint that could threaten Israel or other U.S. allies in the region.



Iran's Defense Minister Amir Hatami, left, meeting with his Syrian counterpart Abdullah Ayoub.

SAM/AGENCE FRANCE PRESSE/GTY IMAGES

In a sign of how seriously Israel takes the threat, Israeli missiles struck Iranian targets in Syria in May, its largest assault inside Syria in about seven years. Israeli officials said the strikes destroyed dozens of Iranian military targets and Syrian antiaircraft installations.

Last week, White House national security adviser John

Bolton said Russian President Vladimir Putin believed Russian and Iranian interests in Syria weren't aligned, "and that [Mr. Putin] would be content to see Iranian forces all sent back to Iran," recounting a conversation between Mr. Putin and Mr. Trump.

But Mr. Bolton said Mr. Putin indicated he couldn't evict

Iran from Syria by himself, suggesting the Russian president's leverage over Mr. Assad had limits.

Moscow has previously offered to keep Iran and its allied militias tens of miles from the Israeli border, but its ambassador to Israel has stressed that Russia won't work to evict Iran from Syria. Iranians

play a "very, very important role in our common and joint effort to eliminate terrorists in Syria," Anatoly Viktorov told Israeli media in July.

Mr. Assad has previously said that Iran's presence in Syria wasn't negotiable and wouldn't be part of a political settlement over the country's future.

After the Iran-Syria meetings Sunday, Tasnim's report quoted Iranian defense minister Brig. Gen. Amir Hatami as dismissing "rumors and negative propaganda" about Iran-Syria ties and asserting that they were on a strong footing.

Syria was moving out of a crisis and into a reconstruction phase, he said. Iran's private sector "enjoys good capabilities and can use them in the reconstruction of Syria," Gen. Hatami added.

Yet, while Iran has sought economic benefits after investing billions of dollars in the Syrian conflict, it has so far struggled to profit. Its reconstruction efforts are concentrated in companies linked to the elite Revolutionary Guard, and private Iranian companies are reluctant to get involved, partly because of security concerns.

## Tunisia's Giant Exodus

*Continued from Page One*  
terior Minister Matteo Salvini accused Tunisia of deliberately sending criminals on migrant boats.

Tunisian officials have appeared to dismiss European concerns as a low priority and, unlike Turkey and Libya, haven't struck deals with European authorities to halt migrants from leaving their shores. In 2016, Tunisian Foreign Minister Khemaies Jhinaoui referred to Mediterranean migration as a "problem

that does not concern" his country, in response to a proposal to send migrants from other countries to Tunisia.

The recent Tunisian exodus began in 2017 as economic pressures mounted on the country's working and middle classes. Tunisians have enjoyed greater political freedoms since the Arab Spring uprising and Mr. Ben Ali's fall, but a series of postrevolutionary governments have failed to revive the economy and create jobs. Today, more than 35% of Tunisian young people are unemployed, and many don't see a future in their own country.

"The state isn't giving us anything," a 24-year-old mechanic in Al Ataya said, adding he had considered leaving on a smuggler's boat until a shipwreck killed more than 100

### Italy's Shores

Tunisia has become the No. 1 country of origin for migrants arriving in Italy by sea this year.

Tunisia	3,321
Eritrea	2,859
Sudan	1,595
Nigeria	1,248
Ivory Coast	1,047

Note: through July 31  
Source: United Nations High Commissioner for Refugees

THE WALL STREET JOURNAL.

people offshore in June.

In recent years, Tunisia's government has tried to correct course. The government chose to cut budgets at the

urging of the International Monetary Fund, which extended Tunisia a \$2.9 billion loan in 2016.

But the IMF-led overhaul has failed to trigger a turnaround. The country's economy is currently growing at 2.8%, a slower rate than in 2010 before the uprising. Tunisia's currency, the dinar, shed 21% of its value against the euro in 2017.

When the cuts the IMF had urged took effect in January, a wave of protests shook the country, raising questions about the future of its democratic transition.

A series of terrorist attacks in 2015 also devastated Tunisia's tourism industry. The country is still righting itself after the economic shock of the 2010-11 uprising.

The lack of new jobs has driven a powerful undercurrent of pessimism among young Tunisians. Young people

on this island who fail to make a living in fishing often while away their days in cafes. Others join the smugglers.

"They feel desperate. They feel the revolution didn't meet their expectations," said Messaoud Romdhani, president of the Tunisian Forum for Eco-

*The exodus is a sign of the widespread sense of disaffection with the economy.*

nomic and Social Rights, a civil-society group.

The flight from Tunisia isn't limited to the poor. Young university graduates are also getting out in hopes of earning higher wages in Europe and elsewhere.

"Qualified people who can

get jobs here are leaving, so what about people who aren't lucky to get a good education?" said Mounib Baccari, 26, an information-technology engineer who helped create a hotline for migrant boats in distress called Alarm Phone. He said he was considering leaving Tunisia legally.

For Tunisians, the sea route to Europe is safer than the voyage from Libya, where hundreds have drowned this year attempting to make the journey in smugglers' vessels, often small rubber dinghies.

Tunisians who choose the sea route to Europe often pool their money to hire relatively sturdy fishing boats equipped with decent engines and even Global Positioning System devices, according to Kerkennah Islands residents and a smuggler. The trip from Tunisia is also shorter—150 miles separate Tunisia from Sicily at the narrowest point.

At the height of the smuggling trade this summer, at least five boats departed the Kerkennah Islands each day, said residents and a Kerkennah Islands smuggler.

A place on one of the boats could cost between 1,000 and 3,500 dinars (\$360 to \$1,265), the smuggler said. Prices are adjusted to what each individual passenger can pay.

The route isn't without risks. In June, a boat crowded with migrants sank near the Kerkennah Islands, killing more than 100 people. The government flooded the area with security forces in a crackdown on smugglers. Prime Minister Youssef Chahed fired his then-interior minister after criticizing the security forces' failure to prevent the shipwreck.

A spokesman for the Tunisian foreign ministry didn't respond to a request for comment.

A broader clampdown that would completely halt illicit departures for Europe hasn't materialized. Migrant boats have continued to leave from other towns on Tunisia's coast. In the town of Zarzis, 40 migrants mainly from African countries were stranded on a supply boat after being rescued at sea and denied entry to Tunisia in July.

The town is also the site of an informal graveyard for migrants who drowned. They are buried on a patch of empty land by a local affiliate of the Red Cross.

"Migration is not going to stop," said Mr. Romdhani, the civil-rights activist. "The numbers are going to increase."

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## WORLD NEWS

# Seoul Reconsiders Approach to North

BY ANDREW JEONG

**SEOUL**—A deadlock in U.S.-North Korea denuclearization talks is prompting South Korea's leader to re-evaluate the pace of his engagement with the North.

A spokesman for South Korean President Moon Jae-in acknowledged Monday that further inter-Korean engagement could be delayed, after President Trump scrapped Secretary of State Mike Pompeo's planned visit to North Korea, citing a lack of progress in nuclear negotiations. Inter-Korean engagement is a core element of Mr. Moon's 15-month-old presidency.

"There is a new development to the situation," said the spokesman, Kim Eui-kyeom. "This means there is a need to revisit the plans."

The first casualty could be the government's plans to open an inter-Korean liaison office in the North Korean border city of Kaesong as soon as this week—which some lawmakers here regard as a de facto South Korean embassy.

Some opponents of engagement have warned the government against extending more aid to Pyongyang without further steps toward denuclearization. They have said opening an inter-Korean liaison office in

Kaesong would violate U.S.-led sanctions against Pyongyang, since it would amount to a joint venture with North Korea.

Mr. Moon is still expected to continue with an inter-Korean summit to be hosted by North Korean leader Kim Jong Un in Pyongyang next month. But attempts to improve ties through economic or cultural engagement could slow.

Mr. Moon and his advisers have described the use of economic incentives as a way of nudging Pyongyang toward giving up its nuclear weapons. They have also denied violating sanctions.

The danger for Mr. Moon is being seen as siding with Pyongyang, said Kim Hyun-wook, a professor at the Korea National Diplomatic Academy.

"South Korea has been perceived as trying to convince Washington of North Korea's cause, instead of the other way around," he said.

Mr. Moon's engagement with North Korea, while helping to lower tensions, must also lead to progress on denuclearization, said Kim Chunsig, a former government official who handled North Korea policy under previous conservative administrations.

"The whole purpose of inter-Korean engagement is denuclearization," Mr. Kim said.



More than 700,000 Rohingya have fled across Myanmar's border to seek refuge in camps like this one, seen Monday in Bangladesh.

## U.N. Panel Calls for Myanmar Trials

Myanmar's army chief and other top commanders should be prosecuted for genocide against the country's ethnic-Rohingya Muslims, investigators working for the United Nations' human-rights agency said Monday.

By James Hookway  
in Bangkok  
and Myo Myo  
in Yangon, Myanmar

In some of the sternest language used to condemn a yearlong campaign of violence, the three-member fact-finding mission estimated that 10,000 people were killed, a figure they labeled as "conservative." They also recommended that the matter be referred to the International Criminal Court or another special tribunal.

U.N. officials and human-rights groups have said in recent months that there is growing evidence of genocide in Myanmar's Rakhine state, bordering Bangladesh. It is a rarely used term and carries a precise legal definition that aims to establish the intent of the perpetrators.

After collating satellite images and 875 interviews with victims and witnesses, includ-

ing accounts of summary executions and mass rape, the investigators said in their report that events in Rakhine state "are similar in nature, gravity and scope to those that have allowed genocidal intent to be established in other contexts."

Crucially, the investigators found that there was a "level of organization indicating a plan for destruction."

The purges began a year ago after a handful of Rohingya militants led attacks on security outposts, setting off a wave of reprisals. Since then, more than 700,000 Rohingya have fled across the border to seek refuge in sprawling camps in Bangladesh, often carrying little more than the clothes they were wearing.

The investigation team, comprising Indonesia's former Attorney General Marzuki Darusman and human-rights specialists from Sri Lanka and Australia, named six military figures as priority targets for prosecution, led by Senior Gen. Min Aung Hlaing, the army's commander and widely viewed as a potential candidate for president.

Their report also criticized de facto civilian leader Aung

San Suu Kyi, a former political prisoner and a past winner of the Nobel Peace Prize, of not doing enough to prevent the military operations in Rakhine state.

Speaking in Singapore last week, Ms. Suu Kyi said the military had acted in response to terrorist attacks and said she had a good relationship with Myanmar's generals.

On Monday she told business leaders in the Myanmar capital Naypyitaw that Myanmar is facing several armed insurgencies in addition to the problems in Rakhine state, and the country

representative in Parliament, said the army doesn't have any comment on the U.N. report. Myanmar has repeatedly denied the U.N. investigators access to the country.

China could be another obstacle. It has been largely supportive of Myanmar and sits as a permanent member on the U.N. Security Council, giving it veto power over which matters are brought before the ICC.

China's Foreign Ministry didn't respond to a request to comment.

The investigators recommended that if the situation isn't taken up by the ICC that it then be handled by a special tribunal.

In the meantime, the report's findings will likely increase the pressure on Myanmar and its armed forces, which continue to control the political system after formally ending a nearly half-century dictatorship in 2011.

The U.S., which has described the stateless Rohingya as facing "ethnic cleansing," and the European Union have begun applying sanctions to selected military officers involved in the Rakhine campaign, though not Gen. Min Aung Hlaing.

must remain united and work together to resolve them.

Launching a prosecution could be difficult. Last week, Myanmar's government rejected cooperating with the International Criminal Court, to which it isn't a party. Brig. Gen. Maung Maung, a military



Gen. Min Aung Hlaing was named by investigators as a priority target for prosecution.



Soldiers on guard on the North Korean side of the DMZ in Kaesong.

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## FROM PAGE ONE

# Restaurants Push Fancy Shots

Continued from Page One

hot smoked duck jus, a sauce of drippings from the bird being cooked. It's listed on the cocktail menu under a heading called "Mind Blown." The item itself is described as "Yes...Just Yes."

Owner and general manager Steven Haigh started offering it six months ago after noticing that the kitchen staff would often drink leftover duck jus between shifts. It's meant to accompany savory meals, and the restaurant encourages diners to take turns sipping the jus and the cognac, though Mr. Haigh says some patrons down each one as a single shot. He says it's an easy add-on to meal tickets. "It can jump in at any stage

of the meal—you even see it going at lunch time," he says.

For restaurants, the shots are a low-cost and low-labor way to boost check averages, and they deliver some of the highest margins on a menu, says Darren Tristano, chief executive at CHD-Expert, a food market-research firm. The drinks target Gen X and millennial diners, who have aged out of their fraternity party days but often want some fun with their fancy. Many of those patrons still have an increased propensity to drink," says Mr. Tristano, but are looking for more adult-sounding offerings.

Traditionally, shots were simply pure distilled spirits, like vodka or whiskey. "Mixed shots"—such as the kamikaze with vodka, triple sec and lime—became popular in the 1980s and '90s, but fell out of fashion with the rise of artisanal cocktails. Now, creative shot drinks are back, being positioned as more sophisticated.

At Tesse, the restaurant that



This 'bone luge' is a shot of Madeira poured over bone marrow.

serves up the Madeira shot, the tableside show has "become big on Instagram" with posts of diners drinking the wine as it flows from their emptied bone marrow luge, says co-owner Jordan Ogron. When drunk over the bone marrow, the wine "balances out the fat and the oil," he adds. He estimates that on a weekend 100 out of the 250 tables order the pasta with bone marrow and get the bone luge option. Mr. Ogron noticed other restaurants were offering the

bone luge with sherry, and decided to put what he considered a more sophisticated twist on it with Madeira wine. Diners can opt for other alcohol as well; one group recently chose to do it with a smoky mescal.

At the Bonnie, an upscale comfort-food restaurant in Queens, N.Y., diners can start brunch with the \$8 Breakfast Shot, which it describes as containing coffee-infused rye, milk-washed amaro, and hazelnut syrup. William Shunn, a 50-

year-old science-fiction writer, says the drink kind of tastes like a morning latte, but seems more sophisticated than a typical shot. "I sort of looked down on the shot as something to do when you're out trying to get drunk—that's not my interest anymore," he says.

Often times the shot is ordered alongside a Bloody Mary for sipping, says Mike Di Tota, general manager. Pricing the shot under \$10 was important: "Everyone will pay \$8—most people don't think about it twice," says Mr. Di Tota.

More than 6% of restaurant menus in the U.S. listed shots last year, up by a third from two years earlier, according to Datassential, a market research firm. A big part of shots' appeal is that they remind diners of their college days, says Jamie Howe, a director at Datassential. "A lot of places are doubling down on nostalgia," she says.

At Henrietta Red in Nashville, whose website touts its "seasonal contemporary cooking"

and chef's attendance at the Culinary Institute of America, the shots provide a dose of chi-chi nostalgia. Bar manager Patrick Halloran offers a rotating menu of gelatin "shots from scratch." The "Paloma" has tequila, lime and grapefruit; the "Charlie Chaplin" has gin, apricot liqueur and lime; a Sherry Cobbler shot is made from three sherries, mixed with lemon and orange.

On visits home to Nashville, Foster Curry often gets a round of gelatin shots for the entire family. "It's a far cry from the college days," says the 30-year-old who works at a medical association in Washington. "My parents get a kick out of it."

When people hear about the offerings, "there's a lot of arched eyebrows—they laugh and they giggle," says Mr. Halloran, who makes 90 shots for customers each week, which many tables order as an aperitif. It would take four to five of the \$5 shots to really feel tipsy, he says. "They are not going to lay anyone out," he says.

# Trump Remakes The GOP

Continued from Page One

who died Saturday.

House Speaker Paul Ryan of Wisconsin, once a rising star of the party and free-market conservatism, is retiring. Of the 33 House and Senate Republicans quitting Capitol Hill in 2018—not including those running for higher office—just two supported Mr. Trump in 2016 before he became the presumptive nominee. At least five of them didn't endorse Mr. Trump after he won the nomination.

Mr. Trump, thus far, has retained strong support from Republican voters, giving him leverage to yank the party into his orbit. His involvement in primaries represents a departure from the 2016 campaign, when Mr. Trump often acted more like an independent than a Republican standard-bearer.

"The base wants to know what I want," Mr. Trump said in an interview. "I've always heard all my life that if you endorse somebody, it's nice to have, but it doesn't mean anything in terms of points....I'm raising people."

Mr. Trump sees his role as mobilizing voters. "It energizes my people much more than it energizes [opponents]," he said.

The president's supporters say the policies and candidates he is advancing bring the party more in line with what GOP voters want.

"Donald Trump's views are a reflection of what rank-and-file Republican voters have already believed for many years," said Andy Surabian, a Republican strategist and former Trump White House official. "Republican voters across the country have been ignored by Republicans in Washington, D.C."

Some GOP leaders say the president's endorsements could hurt their chances in the general election by advancing candidates who could alienate swing voters or mobilize Democrats to even more vigorous opposition.

The conviction of Paul Manafort, Mr. Trump's former campaign chairman, on eight counts of fraud, and a guilty plea from his former lawyer Michael Cohen on criminal charges including campaign-finance violations raise the stakes, both for midterm election candidates aligned with the president and for the president himself, who needs all the congressional allies he can get.

For now, Republicans in Congress aren't breaking from the president, but they are trying to keep their distance from the scandals.

"Today, in August 2018, within the Republican Party, Trump is dominant," said Tim

Miller, a GOP strategist who was a spokesman for an anti-Trump super PAC in 2016. "But what he has not really done is build a permanent infrastructure of people who share his worldview. He has just an infrastructure of allies."

For now, former House Speaker John Boehner said at a GOP gathering earlier this year, "the Republican Party is kind of taking a nap somewhere."

The handful of Republicans willing to challenge Mr. Trump on issues such as immigration may not be back in Congress next year. Of the 23 House Republicans who signed a petition to force a vote on centrist immigration legislation this year, only three are in safe seats, according to the nonpartisan Cook Political Report. Fourteen are running in competitive districts. Six are retiring.

Another Trump critic, GOP Sen. Jeff Flake of Arizona, saw his home-state approval ratings drop from 42% in early 2016 to 33% in late 2017, according to Morning Consult, a polling company that tracks senators' ratings quarterly. In October 2017, he announced he was retiring from the Senate.

In South Carolina, Rep. Mark Sanford was blindsided by a little-known primary challenger who questioned his loyalty to the president. Michigan Lt. Gov. Brian Calley, who disavowed Mr. Trump in 2016 after an "Access Hollywood" video showed him talking about groping women, was the state establishment's choice for governor in 2018 but lost the primary.

"The anti-Trump movement is gradually being pushed to the side," said former House Speaker Newt Gingrich, a Trump ally. "He is growing a Trump Republican Party which will turn the never-Trummers into a fossilized remnant of bitter-enders."

The rift between the GOP's internationalist free traders and its more populist, nationalist wing was evident in 1992, with the presidential campaign of Pat Buchanan, who challenged George H.W. Bush in the primary. The insurgent forces gathered steam with the 2009 emergence of the tea party.

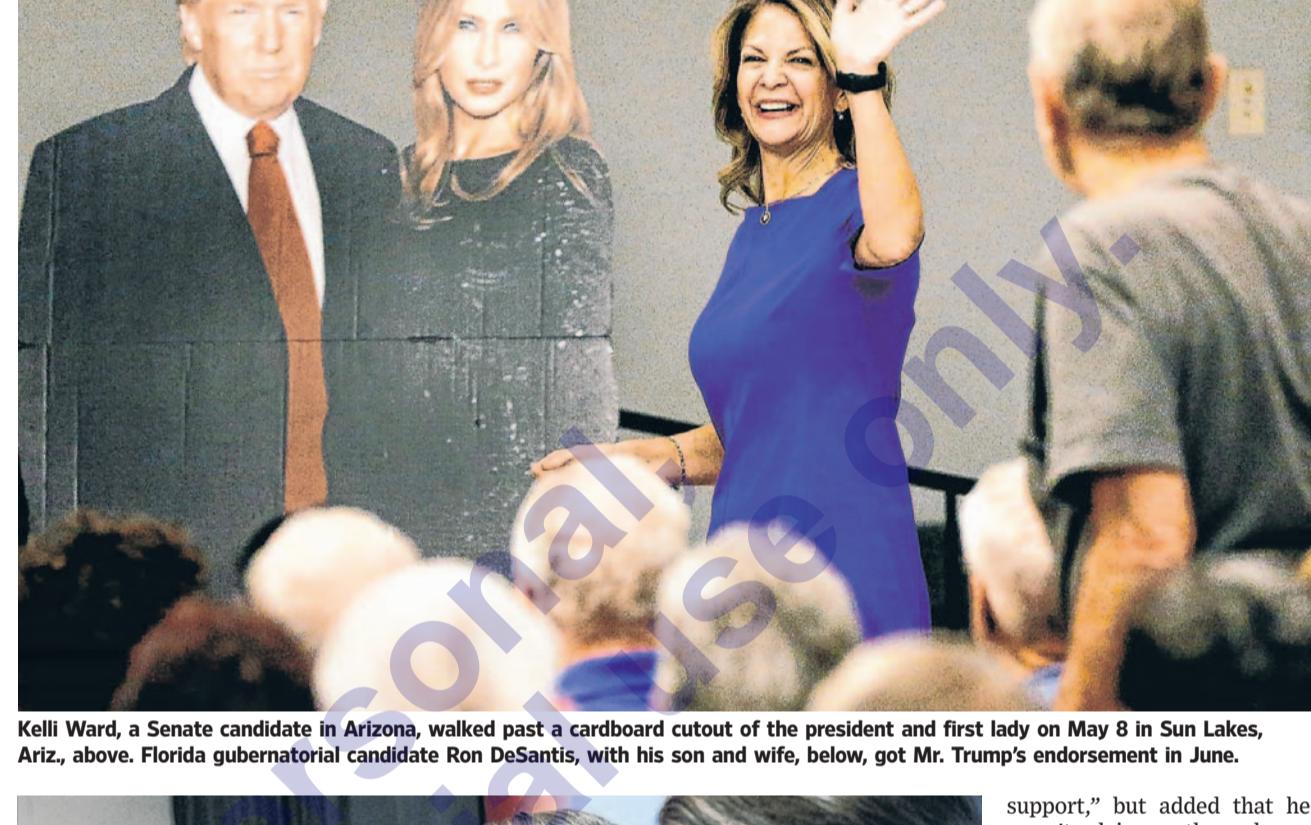
Every president makes a mark on his political party—sometimes a profound one. Bill Clinton engineered a turn to the center for Democrats in the 1990s; Ronald Reagan opened a new era of conservatism for Republicans in the 1980s.

Most modern presidents, however, have stayed out of primaries. Barack Obama occasionally endorsed incumbents, but was widely criticized for being aloof and indifferent to his party's fortunes. Mr. Reagan refused to endorse his own daughter, Maureen, in her 1982 bid for Senate in California.

Mr. Trump's political team has a process in place that requires candidates to fill out questionnaires and be interviewed if they want to be considered for Mr. Trump's backing, according to a senior Trump adviser.

The president has endorsed some Republicans who criticized him or opposed elements of his agenda, such as Rep. Martha Roby of Alabama or Rep. Dan Donovan of New York. Senate candidates he has endorsed have mostly been in concert with such establishment party leaders as Kentucky's Sen. Mitch McConnell.

Still, in a spate of gubernatorial endorsements this summer—in Georgia, Michigan, Kansas and Florida—he has been at odds with the party establishment's favorites and, for



Kelli Ward, a Senate candidate in Arizona, walked past a cardboard cutout of the president and first lady on May 8 in Sun Lakes, Ariz., above. Florida gubernatorial candidate Ron DeSantis, with his son and wife, below, got Mr. Trump's endorsement in June.



the most part, has gotten the best of them.

In Georgia's GOP gubernatorial runoff, Mr. Trump backed Secretary of State Brian Kemp, a self-described "politically incorrect conservative," over the lieutenant governor. In Kansas, he backed the firebrand conservative Kris Kobach over the incumbent governor.

Washington Gov. Jay Inslee, chairman of the Democratic Governors Association, said he is delighted. "Almost all their candidates for governor have shackled themselves to the...Titanic, which is the Donald Trump party," he said. "That makes it easier for us to defeat them."

Only two candidates have lost a primary so far after being endorsed by Mr. Trump. Sen. Luther Strange of Alabama was defeated in the GOP special election runoff in September 2017. In last week's Wyoming GOP gubernatorial primary, conservative businessman Foster Friess lost his bid despite an Election Day Trump endorsement.

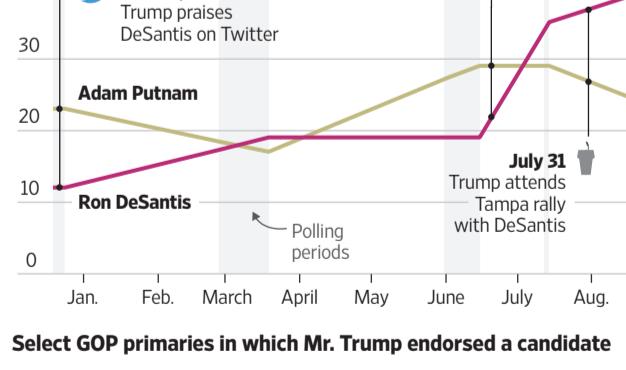
In the Arizona race for Mr. Flake's open seat, pro-Trump credentials are being touted by all three Republicans, whom a local columnist called the "MAGA Triplets," using the acronym for Trump's campaign slogan, Make America Great Again. Even Rep. Martha McSally, the GOP establishment favorite who kept her distance from Mr. Trump in 2016, is portraying herself as a Trump ally. The president hasn't endorsed a candidate in the race yet.

The Florida gubernatorial primary poses a high-profile test of strength for the presi-

## Trump Bump

In many of his endorsements, President Trump has backed candidates who were already front-runners. In others, his backing has provided an important boost.

### Polling in the Republican primary for governor of Florida



Note: Don't know/not sure numbers not charted  
Sources: Gravis Marketing (Fla.); Real Clear Politics

support," but added that he wasn't relying on the endorsement alone. "Ultimately, you've got to bring it home."

His opponent, Mr. Putnam, was elected to the Florida state legislature in 1996, at age 22. He was elected in 2000 to the U.S. House, where he served for five terms and became the No. 3 House GOP leader. He returned to Florida after being elected commissioner of agriculture in 2010.

Mr. Putnam had backed former Florida Gov. Jeb Bush for president in 2016 and, after the release of the "Access Hollywood" video, called Mr. Trump's comments "vile." Mr. Putnam now says he is as loyal to the president as Mr. DeSantis, but that issues important to Florida should be the main focus of the campaign. He casts his rival as a tool of the White House who is ignorant of Florida and its water, farm and infrastructure needs.

"You can take everything my opponent knows about water and put it on your sticky note—and still have room left over for your grocery list," he said at their second debate, at Jacksonville University. "You are running on an endorsement."

Mr. DeSantis responded by calling his rival an "errand boy" for the sugar industry, which backs Mr. Putnam and has been criticized by environmentalists for contributing to water pollution in Florida. Calling his rival's support for the president "inauthentic," Mr. DeSantis said, "This is a career politician trying to tell you what you want."

Mr. Trump's endorsement was important to Tom Esposito, 20, a Jacksonville University student active in the Florida Federation of College Republicans. "In today's era, we need someone who can embrace the values of the Republican Party in the way Donald Trump did," he said.

That sentiment has hurt politicians like former Minnesota Gov. Tim Pawlenty, a Trump critic in the 2016 election who unexpectedly lost his bid for a comeback in his state's Aug. 14 GOP gubernatorial primary.

"The Republican Party has shifted," said Mr. Pawlenty, who had been leading in the polls, after his loss. "It is the era of Trump, and I'm just not a Trump-like politician."

—Peter Nicholas and Michael C. Bender contributed to this article.

## Wide Gap

President Trump's job approval

Approve: ■ Strongly ■ Somewhat

Disapprove: ■ Strongly ■ Somewhat

Total 31% 13 9 43

GOP 65 20 6 66

Ind. 19 19 18 39

Dem. 6 4 3 79

Note: 'Don't know/not sure' numbers not charted

Source: WSJ/NBC News poll of 600 registered voters conducted Aug. 22-25; margin of error +/- 4 pct. pts.

THE WALL STREET JOURNAL.

dent. His 2016 margin in the state was less than two points, and his July rating was 50% approve, 46% disapprove, according to Morning Consult.

Mr. DeSantis, a Navy veteran and tea party favorite, ran for Congress in 2012, when he earned his first admiring tweet from Mr. Trump. In the House, he joined the hard-line conservative Freedom Caucus.

He has since caught the president's attention as a regular on Fox News, according to a

Trump adviser. Mr. DeSantis has been a Fox guest 93 times from July 2017 to August 2018, more than any other elected official, according to an analysis by Media Matters for America, a liberal watchdog group.

One of Mr. DeSantis's ads features his baby in a "Make America Great Again" onesie and the congressman telling his daughter, playing with blocks, to "build the wall."

Mr. DeSantis said he was "proud to have the president's

# GREATER NEW YORK

## Stuyvesant High Principal to Leave Post

BY LESLIE BRODY

The principal of Stuyvesant High School said Monday he is leaving the prestigious post to take a senior job at the city Department of Education.

Eric Contreras, who has led Stuyvesant for two years, will remain there until an interim acting principal is named.

His announcement comes just a week before public schools open and amid raging debate over how to admit students to Stuyvesant and seven other sought-after specialized high schools. Mr. Contreras said in an interview that the admissions issue had nothing to do with his move, and for weeks he has struggled to decide whether to accept the de-

partment's job offer.

"I have been so pained and tormented," he said, adding that he loved the high school's students and families. "The community here is so superbly talented and dedicated, it's hard to say I'm not going to work with it here. But I see the potential of working with the larger city."

In his new role as senior executive director of curriculum, instruction and professional development, he will ensure teaching is aligned to expectations and oversee teacher training, the department said. His salary will be \$187,689, compared with his principal pay of \$167,987, according to the department.

Mayor Bill de Blasio wants



Eric Contreras has a new role.

state lawmakers to scrap the test that is now the sole determinant of who gets into specialized high schools, saying the single test isn't a valid way to capture talent and he

wants to diversify institutions with few black and Latino students. His push to offer seats to the top performers in each public middle school citywide has sparked an outcry from Asian civil-rights groups and others who say the test offers the most fair, objective method of admissions.

Mr. Contreras said Monday that many admission options should be considered, such as using the Specialized High School Admissions Test along with students' grade point averages, and possibly state tests.

"I am in favor of mixed metrics," he said. "I don't think it should be just the test. Too much is at stake on one day for a few hours for youngsters who are 13."

Of 3,336 students at Stuyvesant in the last school year, about 74% were Asian, 18% were white, 3% were Hispanic and 1% were black, according to city data.

At Stuyvesant, Mr. Contreras expanded arts and music, added supports for teachers and worked with the alumni association to expand a mentoring program for students at middle schools underrepresented at the high school.

At the city Department of Education, he is succeeding Anna Commitante, who is retiring from the senior post.

Department officials said the process to pick a permanent principal will begin in coming months.

Mr. Contreras, who is 45

years old and lives in Queens, has one daughter who graduated from Stuyvesant and a son who is entering as a ninth-grader, as well as another son in public school. Raised by an immigrant single mother who worked as a housekeeper, Mr. Contreras spent his early years in Guatemala and started first grade in a Queens public school speaking little English.

Before Stuyvesant, Mr. Contreras was a teacher and executive director for social studies at the city Department of Education, helping to develop a social-studies curriculum. "It was very exciting to see that work come home in backpacks with my kids," he said, and now he can expand his reach to science, math and literacy.

## City Garbage Raises a Big Stink Upstate

BY KATE KING

PERINTON, N.Y.—Gary McNeil grew up playing baseball on fields next to a landfill here and said he never smelled the garbage. Now, at his home about a mile away, he consults an app that forecasts wind direction before inviting family and friends over for cookouts.

"Any event you want to have outside, you should check to see which way the wind is blowing," said Mr. McNeil, 38 years old, who is president of a financial-services company.

Residents in this western New York town along the Erie Canal have lived in the shadow of High Acres Landfill and Recycling Center for nearly 50 years. The smell wasn't a problem, they said, until trains started bringing in trash from New York City about three years ago.

Mr. McNeil and his neighbors want to stop the flow of garbage from downstate, and have organized into a grassroots group named Fresh Air for the Eastside. The group and more than 200 residents from four towns filed a lawsuit this month in federal court in Rochester seeking to force a unit of Waste Management Inc., which owns and operates the landfill, to cut in half the amount of waste it brings in by rail from the city.

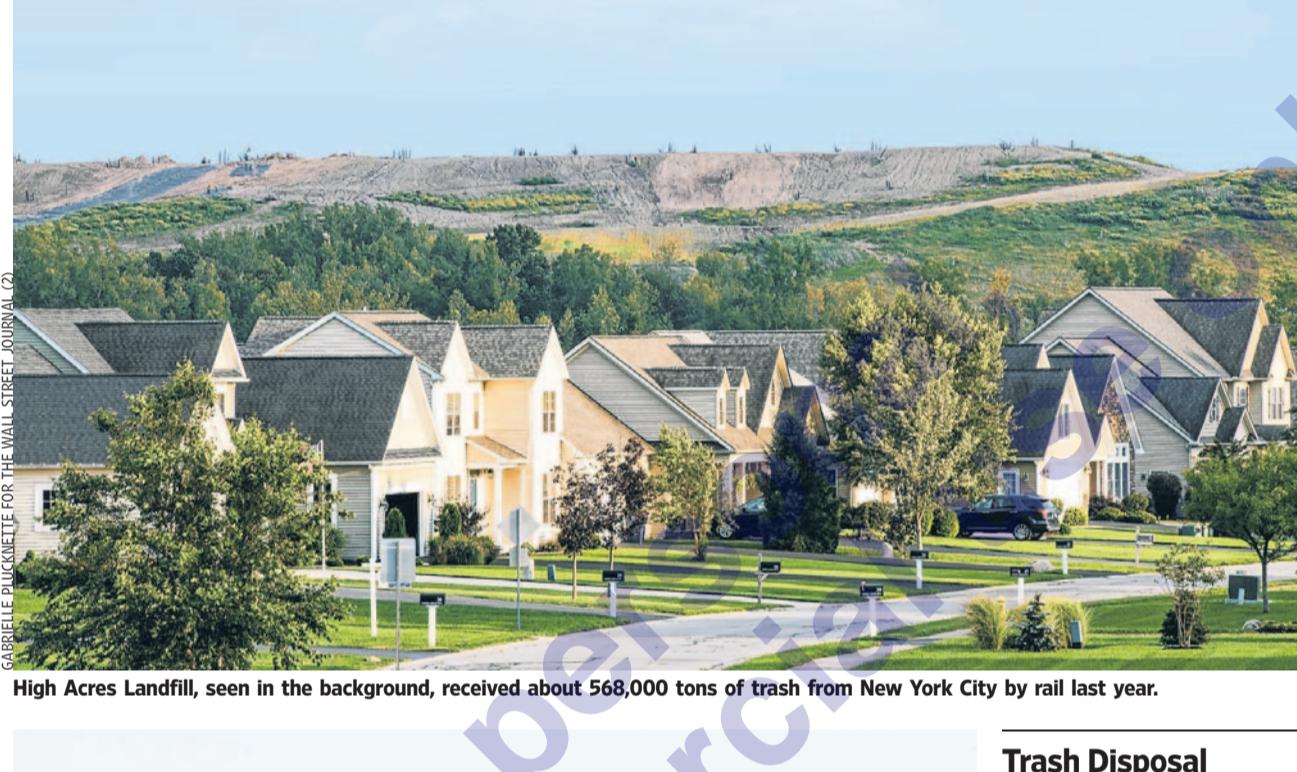
Last week, Fresh Air for the Eastside sent a notice of intent to sue to New York City Mayor Bill de Blasio and the city's corporation counsel, indicating that it plans to add the city as a defendant to the federal case.

Waste Management said the malodor was caused by "limitations" in the odor-control technology used in a new section of the roughly 360-acre landfill, not the garbage coming in by trains. Company officials said they fixed the stench with \$4 million worth of improvements, including new odor-collection wells and an 18-acre plastic cover.

"We now have the odors back under control," said Jeffrey Richardson, senior district manager at the company.

Residents say the odor has improved, but still persists. "If you remove New York City garbage from the equation, we don't think the landfill would have issues," Mr. McNeil said.

High Acres has been accepting trash from the city by long-haul truck for 20 years, according to Waste Management. In 2014, the company spent \$22 million building a rail spur connecting the landfill to a nearby railroad, and trains began bringing in trash the following year. The lawsuit alleges the



High Acres Landfill, seen in the background, received about 568,000 tons of trash from New York City by rail last year.



Containers filled with waste are moved to hauler machines for disposal at High Acres Landfill.

odor problems started shortly afterward.

The landfill received about 568,000 tons of trash from the city by rail last year, roughly 48% of its total waste intake, according to Waste Management. Previously, trucks delivered up to 220,000 tons of garbage annually from the city.

Last year, Waste Management secured a 20-year, \$2.75 billion contract with the city in which the company agreed to ship about 750,000 tons of trash a year by barge and rail from marine transfer stations in Brooklyn to High Acres and to a landfill in Virginia.

Waste Management officials say accepting waste by rail is more environmentally friendly than hauling it in by truck, and

the total amount of garbage the landfill is allowed to take in and its hours of operation haven't changed.

The garbage that arrives by rail is sealed in containers, but Mr. Richardson said that in regard to odor, "whether it's by truck or rail, time matters." The trip from the city to High Acres takes a day or two longer by train, he said.

Perinton resident Heather Merlo, 37, said the rotten-egg smell is especially bad early in the day. "When you're heading out the door to work at 7, 7:30 in the morning, it's very potent," she said.

An app built by a Fresh Air for the Eastside member has logged more than 10,000 complaints since November, Mr.

McNeil said.

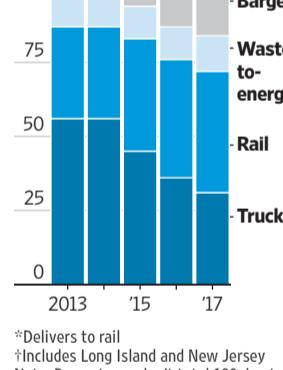
Not everyone is unhappy. Paul Kenyon, deputy town supervisor for Macedon, N.Y., said the town receives about a third of its revenue from the company, which helps keep taxes in check.

New York City has been hauling away all of its trash since Fresh Kills on Staten Island closed in 2001. The city now exports the more than 3 million tons of trash that city sanitation workers collect each year to upstate New York, Virginia, New Jersey, South Carolina and Pennsylvania.

The city's garbage volume has declined: It sent 3.2 million tons of residential trash to landfills last year, compared with 3.6 million tons in 2005. But it is still far from achieving

### Trash Disposal

How New York City gets rid of its refuse



\*Delivers to rail  
†Includes Long Island and New Jersey

Note: Percentages don't total 100 due to rounding.

Source: New York City Department of Sanitation

THE WALL STREET JOURNAL.

Mr. de Blasio's "zero-waste" goal, which calls for reducing the city's trash sent to landfills by about 89% to 360,000 tons by 2030.

New York City Sanitation Commissioner Kathryn Garcia said the city is enforcing recycling and other rules, but trash reduction ultimately depends on residents properly disposing of their waste.

"We still have a lot of material to move, but we have made great progress," she said.

Mr. McNeil said he wants to see the city take care of its trash closer to home, possibly with incinerators.

"When they're exporting garbage to communities like this," he said, "it's like out of sight out of mind."

## Charter Hire Draws Parent Complaints

BY LESLIE BRODY

Success Academy's first charter high school continues to have such high faculty turnover that founder Eva Moskowitz's son is filling in as an economics instructor, though he has no college degree.

Some parents are upset that he is in charge of their seniors' political economy course because the teacher resigned shortly after the high school's first day of classes last week. Parents said assigning Culver Grannis Moskowitz to a class leading to an Advanced Placement exam smacks of nepotism, and their children deserve a qualified instructor.

Success Academy "wants students to be their best, so they should be taught by professionals," said Amanda Santiago, the mother of a senior at Success Academy High School of the Liberal Arts-Manhattan. "You're going to tell us you're trying to secure them an Ivy League education and they're being taught by a kid that hasn't finished college?"

A Success Academy spokeswoman said Mr. Moskowitz is a curriculum intern at the network and earns minimum wage, as he did at the network last year. He started filling in last week after the economics teacher left, and a permanent replacement is in training to start on Sept. 4, she said.

Mr. Moskowitz started off at Haverford College and is now enrolled in the School of General Studies at Columbia University, the spokeswoman said. Mr. Moskowitz didn't respond to requests for comment.

Parents said their concerns are mounting after a spate of departures at the first high school for the city's largest charter operator, which has 47 schools serving about 16,500 students. Of the 67 teachers at the high school last fall, 18 are working there now, network officials said. At least 25 quit, while others were dismissed or took jobs elsewhere in the network.

Charter schools have more autonomy than traditional public schools, and some of their teachers can be uncertified.

Ms. Moskowitz has pushed for new rules that would let charter schools certify their own teachers.

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## GREATER NEW YORK

# Camera Plan Gets Cuomo Green Light

BY KATIE HONAN

Gov. Andrew Cuomo declared a state of emergency on Monday to get speed cameras turned back on in school zones across New York City—but the move is just temporary as it is still tied up in the state Legislature.

Most of the cameras have been turned off since the law authorizing them expired on July 25, and Mr. Cuomo's emergency declaration reinstates the cameras in time for the first day of school on Sept. 5. The executive order also grants access to state Department of Motor Vehicles records to the city.

The order cleared the way for a City Council bill, which will be introduced Tuesday, that would allow the resumption of issuing tickets to speeding drivers.

Although these executive orders are more commonly signed for natural disasters, they can be used when any life is in danger, the governor said Monday.

Mr. Cuomo, a Democrat, must renew the declaration every 30 days. "If we do not put the speed cameras back in an operational capacity...there is a high probability that we will have the loss of human life," he said.

Cameras are located in 140 school zones throughout the city, although most were turned off when the state law expired. The state Senate didn't reconvene to pass the bill, although a spokeswoman for the Senate's majority said the issue was with another bill that expanded the program.

The council's new bill also would give the city the ability to add more cameras in school zones, a council spokeswoman said. The council will vote on the measure Wednesday. Mayor Bill de Blasio will then issue a "message of necessity" to hasten the council bill.

# FAO Schwarz Returns, 'Big' Piano and All

BY CHARLES PASSY

FAO Schwarz is looking for a few good toy soldiers.

A dominant presence in Midtown Manhattan for decades before its closure in 2015, the toy store is coming to life again with a new, 20,000-square-foot Rockefeller Center location, set to open in November. ThreeSixty Group Inc., a California-based firm, acquired the retail brand from Toys "R" Us in October 2016 for an undisclosed price and has since launched an ambitious campaign to revive it on a global scale.

The New York store will be key to that strategy, said officials with ThreeSixty Brands, the ThreeSixty Group affiliate in charge of operating FAO. But in an era when bricks-and-mortar retailers struggle to stay competitive as consumers increasingly go online for their shopping needs, FAO is making its Rockefeller Center location as much about the experience as the buying.

That means the store won't just be staffed with traditional sales clerks, but also product demonstrators, magicians and men and women playing various costumed roles, including toy soldiers.

And that dance-on piano made famous in the Tom Hanks movie "Big"? It will be back, with some dancers ready to tap out a few tunes.

The toy business has faced its share of challenges of late, especially as children focus more on technology and computers than physical toys. There is also the collapse of Toys "R" Us, which once had a massive Manhattan store, located in Times Square, replete

with an indoor Ferris wheel.

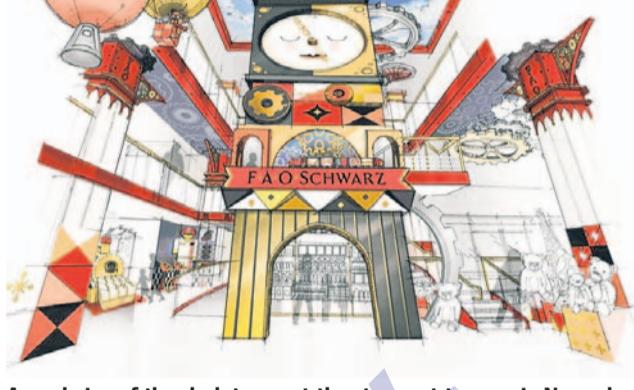
Ultimately, ThreeSixty Brands may not be looking to make a profit on the Rockefeller Center store so much as use it to promote the FAO name, said Jed Wexler, a retail expert who runs 818 Agency, a New York firm. "It feels like an advertising play," he said.

In any case, the New York store, which will be considered the FAO flagship, is part of a larger push. ThreeSixty Brands is also launching a smaller store at LaGuardia Airport this fall and one in China in 2019.



The new store is located at Rockefeller Center, one of the priciest commercial locales in the city.

BESS ADLER FOR THE WALL STREET JOURNAL



A rendering of the clock tower at the store, set to open in November.

FAO SCHWARZ

## GREATER NEW YORK WATCH



Emergency crews rushed to Liberty Island after a fire broke out.

LIBERTY ISLAND

### Blaze Near Statue Prompts Evacuations

Firefighters evacuated more than 3,000 people from Liberty Island on Monday after three propane tanks ignited near the Statue of Liberty, Fire Department of New York officials said.

One person was injured in the fire, which started at a construction site near Lady Liberty, according to an FDNY spokesman.

A National Parks of New York Harbor spokesman said New Jersey-based contractor Grandview Waterproofing Inc. is building a new security checkpoint for the Statue of Liberty at the construction site.

Grandview Waterproofing didn't respond to a request to comment.

—Zolan Kanno-Youngs

### Animal Patrol Gets New Mobile Center

The New York City police squad tasked with rescuing the

city's four-legged crime victims is getting a \$500,000 mobile office, New York Police Department officials said Monday.

The detective bureau's Animal Cruelty Investigation Squad, which responds to emergencies involving neglected or abused animals, will now be equipped with the "mobile command post," a large vehicle with a conference room and space for processing rescued animals.

The vehicle was bought with a grant from the American Society for the Prevention of Cruelty to Animals, a nonprofit.

—Zolan Kanno-Youngs

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# LIFE & ARTS

BY JOHN JURGENSEN

**HOLLYWOOD IS STILL** fighting the Nazis, or in the case of the new film "Operation Finale," bringing them to on-screen justice.

Opening Labor Day weekend, the movie stars Oscar Isaac as Peter Malkin, the real-life Israeli intelligence agent whose undercover team seized Adolf Eichmann in Argentina in 1960 and smuggled the Holocaust overseer (played by Ben Kingsley) out of the country to stand trial in Israel.

Eichmann was hanged in Israel in 1962. In a modern-day echo of his story, the last known Nazi collaborator living in the U.S. was deported earlier this month.

Nazis in uniform have served as some of cinema's most constant villains. In the subgenre of movies about Nazi hunters and Holocaust revenge-seekers, fugitive henchmen of Hitler represent monsters in hiding, having melted into society as the world moved on.

In "Marathon Man" from 1976, Laurence Olivier portrayed a sadistic war criminal hoarding diamonds taken from Auschwitz. "The Boys from Brazil," a sci-fi movie released in 1978, imagined Josef Mengele nurturing a flock of Hitler clones in Paraguay. In a 1989 adaptation of Simon Wiesenthal's memoir "The Murderers Among Us," Mr. Kingsley starred as the concentration-camp survivor and Nazi tracker who played a role in finding Eichmann.

Chris Weitz, the director of "Operation Finale," says such thrillers offer the potential for an effective Hollywood hybrid: "a genre machine into which you can smuggle all kinds of meaning and inquiry."

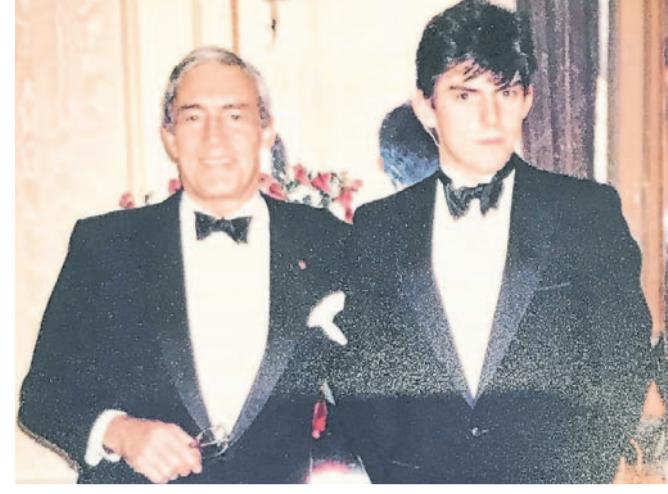
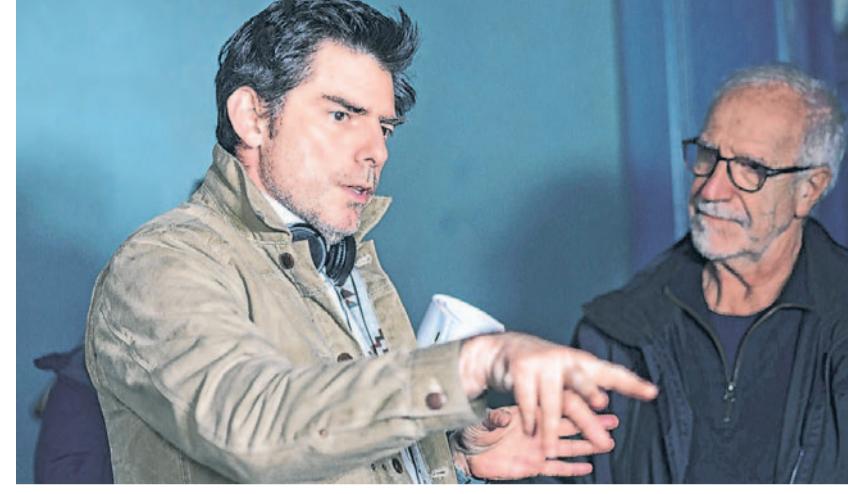
Shot with a script by first-time screenwriter Matthew Orton, "Operation Finale" sets up the suspense with a tip from a young woman in Buenos Aires being courted by Eichmann's son, who doesn't realize she's Jewish. From there, a Mossad strike team assembles to kidnap Eichmann, who is living with his family and working in a factory under an assumed name.

For cinematic purposes, "Operation Finale" filmmakers condensed and heightened aspects of the episode's true history, such as speeding up the chronology of the Israeli plot. But Mr. Weitz says the film is exacting in other details, such as portraying Eichmann's trial in Israel.

"If you get things wrong, it can be as bad as providing fodder for Holocaust deniers," he says.

The movie also explores the motivations of the Mossad operatives. Holed up in an Argentine safe house after they capture Eichmann, they struggle with their role in his fate.

Is it better to kill the war crimi-



## FILM

## A Fresh Take on the Hunt for Eichmann



Oscar Isaac, left, plays an Israeli agent who finds Adolf Eichmann, played by Ben Kingsley, right, in 'Operation Finale.' Director Chris Weitz with director of photography Javier Aguirresarobe, top left, and with his father in 1984, top right.

nal themselves, keeping him in obscurity? Or bring him to public trial as an opportunity for national catharsis and a global message? As a Mossad team leader played by Lior Raz says, "We will

judge our executioner and warn off any others that wish to follow his example."

As a filmmaker who, with his older brother and fellow director Paul, helped bring the world the

1999 teen sex comedy "American Pie," Mr. Weitz might seem an unlikely leader for "Operation Finale." But the director, whose other films include the 2002 Hugh Grant comedy "About a Boy," a

FROM LEFT: METRO GOLDWYN MAYER PICTURES (2); CHRIS WEITZ

2009 "Twilight" sequel and the 2011 immigrant tale "A Better Life," has a familiarity for Nazi Germany and its fallout.

His father, John Weitz, was the son of a former Prussian soldier and grew up in Berlin in a privileged Jewish family, which left Germany in 1933 when Hitler came to power. John eventually emigrated to the U.S., joined the Army and was recruited into the Office of Strategic Services, the predecessor of the Central Intelligence Agency. His World War II duties, Chris says, included searching for high-value prisoners in the liberated Dachau concentration camp, and going undercover to disrupt a German resistance cell.

Decades later, after becoming a fixture in New York society and building a successful fashion business, John Weitz also wrote two biographies: "Hitler's Banker," about former finance minister Hjalmar Schacht, and "Hitler's Diplomat," about former foreign minister Joachim von Ribbentrop.

As a teenager, Chris worked for his father as a research assistant and proofreader. He recalls trips to the New York Public Library, making photocopies of entire memoirs by German diplomats, as well as correspondence his father kept with von Ribbentrop's personal secretary.

John Weitz died in 2002 at age 79. Looking back, his son Chris, 48, believes that his father, who didn't sleep well, was coping with the aftereffects of war. Instead of therapy, he wrote the Nazi histories as a way of "working out his thoughts and feelings through this academic exercise and immersion in the period," the younger Mr. Weitz says.

In one scene, he added a historical fragment that he remembered from his father's research: a joke about the irony that the looks of Hitler and some of his top lieutenants didn't live up to their Aryan ideals. "To be the perfect Nazi," Mr. Kingsley's character tells his Jewish captors, "you have to be as blond as Hitler, tall as Goebbels and as slim as Göring."

## FASHION

## DARK COMEDY IN THE FASHION WORLD

BY RAY A. SMITH

**DESPITE HAVING** written "#fashionvictim," a new novel that portrays the fashion-media industry as a catty world of fat-shaming, under-the-bus throwing, and constant acceptance-craving, the book's author Amina Akhtar says she still loves fashion people.

The 41-year-old Ms. Akhtar's career includes four years as fashion editor of NYMag.com, where she helped form and develop New York Magazine's popular fashion and lifestyle site, "The Cut." She was later executive editor of Elle.com. But as the industry's ad revenues decreased and pressure for clicks grew, Elle.com laid her off in 2013. She joined theFashionSpot blog as editorial director in 2014 and was laid off a year later. Ms. Akhtar was still reeling after her mother's death from pancreatic cancer in 2013.

"I was in the midst of my hot-mess phase," she says. "Everything that could go wrong did. I wasn't functioning. I needed something to focus on." She resurrected a 10-year-old idea she had for what she calls a "serial-killer book in fashion."

The dark-comedy novel, due out Sept. 11 during New York Fashion Week, follows a driven young fashion-magazine editor named Anya St. Clair who goes to murderous lengths on her quest to climb her way to the top.

Excerpts from an interview with Ms. Akhtar:

**What made you want to write this type of book?**

I love horror movies and horror stories and, also, my dad is a shrink and I think that rubbed off a little. I wanted to turn it completely over the top and more comedic. I want people to enjoy reading it, even if they feel weird.

**How much of this is based on things you experienced? Were there really scales in office bathrooms and tantrums where bosses threw shoes or earings at underlings?**

Obviously, no one is going around killing anybody, but I had a boss who would throw shoes at my head. The scales, not in my experience. But I had an editor tell me there were scales at the magazine she worked for.

**The book touches on race and ethnicity. Do you see signs that fashion magazines are taking inclusivity and diversity more seriously?**

It makes me so happy when I see more and more writers of color. I want people to have the same opportunities, and hopefully have a less weird time with it. (Ms. Akhtar is Pakistani-American.) I felt too brown and too curvy to be in fashion. I hope that nobody feels that way anymore, but they do. I feel the industry has

come such a long way but we have a long way to go.

**Are there any redeeming things about working in fashion? Things you miss?**

Fashion sometimes gets a bad rap, but there are some really amazing people. Are people in fashion as awful as in my book? Absolutely not.

**What do you think will happen if Vogue editor-in-chief Anna Wintour retires? If the reigning queen of fashion departs, who or what takes her place?**

If you're a publisher, do you want to tie yourself to one person in this day and age? I think Anna might be one of the last big personalities leading a magazine.

**Fashion magazines are going through sharp declines in advertising and readership. Are they essentially dead?**

I don't think they're dead. I think things are going to have to change. I've been through a couple of layoffs and they're awful. If someone asks me for advice [about working for a fashion magazine] I'd say have something on the side, make sure you can do your own thing.



**She resurrected an idea for a serial-killer book in fashion.**

**Amina Akhtar is a former fashion editor.**



member when we thought Style.com [a popular fashion site in the 2000s] would never go away? I think we can't take anything for granted.

**Why did you leave New York in 2016 for Arizona?**

I was trying to hold on to my career when it wasn't really there anymore. I was like, "This isn't working. This isn't how I envisioned my late 30s." At the same time, my [widowed] father was alone [in Arizona]. I thought, if I want to write fiction, I can do that anywhere.

**Would you ever work in fashion again?**

Would anyone hire me is the real question. What I don't miss is having a fashion-media job. I don't want to have to worry about page views and engagement and SEO [search-engine optimization]. I never want to hear the word SEO anymore.

ORLANDO PELARIO

## LIFE &amp; ARTS

## MUSIC

# A New Sound from a Familiar Duo

BY MARC MYERS

**TONY BENNETT** looked long at the black-and-white photo handed to him recently at his New York art studio overlooking Central Park. The image, from June 1950, showed a 23-year-old Mr. Bennett and 22-year-old Rosemary Clooney smiling in front of a microphone.

"Rosie was my first duet partner," Mr. Bennett said, touching her face in the image. "I don't remember what we sang. The CBS radio and TV show, 'Songs for Sale,' only gave us songs by amateur songwriters. They weren't very good, but Rosie and I admired each other. When you feel that way, it shows in the singing."

Sixty-eight years later, Mr. Bennett, 92, is once again singing songs built for two. On Sept. 14, he will release "Love Is Here to Stay" (Verve/Columbia), a duet album with jazz singer Diana Krall.

The album features 12 George Gershwin standards written with his brother and lyricist, Ira Gershwin, and with lyricists Buddy De-Sylva and Ballard MacDonald. Mr. Bennett and Ms. Krall are accompanied by pianist Bill Charlap, bassist Peter Washington and drummer Kenny Washington.

"Diana didn't want to know what I was going to do on each song," Mr. Bennett said, seated on his sofa. "She's very spontaneous, and I like that. I'd sing something and she'd come back with something else that complemented what I'd done. It was wonderful."

Though Mr. Bennett and Ms. Krall toured together in 2000 and recorded individual song duets on his "Playin' With My Friends" in 2001 and "Duets: An American Classic" in 2006, "Love Is Here to Stay" marks their first joint studio album.

Between 1950 and 1977, Mr. Bennett sang alone on most of his singles and albums. But on nearly all of his many TV variety-show appearances during this period and into the early 1980s, he was paired with dozens of classic pop, jazz and country giants including Louis



Tony Bennett and Diana Krall sing together on an album of duets coming Sept. 14.

MARK SELIGER

Armstrong, Frank Sinatra, Ella Fitzgerald, Nat King Cole, Judy Garland, Patsy Cline and others.

"Singing a duet is very different than singing alone," said Mr. Bennett, the winner of 18 Grammys. "You have to listen carefully to the other person. Your voices have to work together to give a song life. If you're competing, it doesn't work."

When Mr. Bennett embarked on his celebrated comeback in 1986, he began recording duets with contemporary pop, soul and country singers, including k.d. lang, Elton John, Aretha Franklin, Amy Winehouse and Lady Gaga, among others.

"I love singing harmony on duets," he said. "It's total involvement. You have to anticipate where the other person is going

and figure out instantly what to leave out and put in."

Mr. Bennett's new collaboration with Ms. Krall has a different feel than many of his recent duet recordings. Ms. Krall is a seasoned jazz singer and pianist, and a natural improviser who is at home on songbook standards.

In this regard, their collaborations on "Love Is Here to Stay" have a jazzy, free feel. There is also a contrasting marked difference between their vocal styles. Where Mr. Bennett's voice has a sun-drenched, ascending optimism, Ms. Krall's voice is nocturnal and breathy. The two styles nestle comfortably together and generate heat.

For instance, on "Do It Again" and "I've Got a Crush on You," Mr. Bennett seems to dance across the

melodies. By contrast, Ms. Krall's husky voice curls seductively around notes, running counterpoint to Mr. Bennett's trumpet-like delivery.

An accomplished jazz pianist who has accompanied Celine Dion, Barbra Streisand and Paul McCartney on albums, Ms. Krall ceded the keyboard on the new album to Mr. Charlap, widely considered to be one of today's finest accompanists and a master of every jazz style.

The appeal of Mr. Bennett's voice is rooted in the hope-filled approach of the street singer, an open vocal style that dates back to Renaissance Italy.

"A street singer in my old neighborhood in Queens was someone who wanted everyone to fall in love with the music," he

said. "I found it was the best way to communicate with audiences, starting with my family during the Depression."

Ms. Krall sings alone on the ballad "But Not for Me" with a tender, conversational style accompanied only by Mr. Charlap. Mr. Bennett's solo turn comes on the peppy "Who Cares." On the line, "I love you and you love me and that's how it will always be and nothing else could ever mean a thing," Mr. Bennett sings the line using a spiraling, ascending arpeggio.

"I love improvising—it's why I'm still singing today," he said. "It's difficult to describe. When I improvise with Diana or alone, I push myself to sing things I haven't done before. I'm really into it. I like being in that mood."

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Diana Krall, performing last year, says singer Rosemary Clooney was a mentor and influence.

RANDY HOLMES/ABC

### 'My Goal Was to Be Myself and Let Tony Be Himself'

**WHILE ON TOUR** in Vancouver, British Columbia, recently, jazz pianist and singer Diana Krall took a break to speak with The Wall Street Journal about "Love Is Here to Stay" (Verve/Columbia), her new duet album with Tony Bennett, due Sept. 14. Here are excerpts from the interview:

#### How did you feel, emotionally, about recording with Tony Bennett?

Tony's voice made me feel like Cher in "Moonstruck." He's evocative, cinematic, elegant, professional and knows what he wants. He also has a good sense of humor, which put me at ease.

#### What was different this time from past duets with him?

Tony and I recorded individual songs for his duet albums in 2001 and 2006. Recording an entire album gave me a chance to really listen to him work. On songs, I'd let his vibe happen and then I'd put my vibe on there.

#### In places, you appear to sing notes while exhaling. Is that hard to do?

I don't know. I think I still

sound like the same 16-year-old kid (laughs). It's a conversational approach, for sure. I don't hold notes for very long. I typically sing and play piano, which requires a different vocal approach. I wish I had a voice like Rosemary Clooney or Nancy Wilson or Dinah Washington. They could hold notes.

#### What was the biggest challenge on this album?

To avoid being self-involved or trying to do what the icon was doing. My goal was to be myself and let Tony be himself. You can't step into his dream, so I just listened to him sing and enjoyed what he was doing. I tried to keep it all swinging and feeling good.

#### What surprised you most about Mr. Bennett?

His high notes. He hits them perfectly and hangs on them. His phrasing also is perfect. His voice is so powerful, it's scary. He cares so deeply about a song.

#### Who were you thinking of while singing?

Rosemary Clooney. She was a mentor and one of my biggest influences. When Tony

and I were recording, I felt Rosemary around me more than any time in life. She was a major force for me, musically and personally. I loved her singing. I miss her.

#### What did you learn about yourself?

That less is more. Instead of trying to match Tony line for line, I'd take a step back. For example, at the very end of "I've Got a Crush on You," I made an intuitive, artistic choice to let Tony finish the song. While we both sang the last line in unison—"I have got a crush, my baby..." Then I stepped back and let Tony sing the last two words—"on you." No one closes a song like Tony. At the end, you can hear him laugh.

#### What does your family think about the new album?

I sat down at home with my husband Elvis [Costello] a week ago to listen to it for the first time. Elvis is my biggest cheerleader. We listened and both of us cried. It's overwhelming to hear Tony's voice sing, followed by your own. Everything he's lived in that voice.

—Marc Myers

## LIFE &amp; ARTS

BY JULIE V. IOVINE

## New York

**IN THE TOWERING** arachnid limbs hoisting up the Avala TV Tower (1960-65) in Belgrade, the ovoid webbing of the gas station canopy (1967-68) in Ljubljana or the 99 domes stacked on 99 cubes at the National and University Library of Kosovo (1971-82), concrete has never looked so sculpturally plastic.

The pizzazz on show in "Toward a Concrete Utopia: Architecture in Yugoslavia, 1948-1980" is all the more stunning for being so unfamiliar. Three years in the making, the exhibition brings to light a world of expressive modern architecture to which few have been exposed. It is part of a larger effort by the museum to embrace a wider definition of modernism—both geographic and stylistic—that began, in the architecture department, with the 2015 exhibition "Latin America in Construction." Considering that historian Kenneth Frampton's "Modern Architecture: A Critical History" was already arguing about the breadth of regional modernist architectures back in 1980, the attention is welcome, if long overdue.

The exhibition covers a Briga-don moment from 1948, when Yugoslavia broke from Soviet orbit, to 1980, when the independent-minded dictator Josip Broz Tito died.

It was a period of political and creative ferment when architects were often in league with politicians and social engineers as they formulated new models for rebuilding the cities, communities and infrastructure laid waste during World War II. Yugoslavia's brand of self-managed socialism—called the Third Way—was distinctively bottom-up, unlike the top-down regimes of the Soviet bloc, where structures tended more toward unarticulated, assertive hulks. In Yugoslavia, architecture played an important role in helping to give material form to the progressive ideal known as the "social standard," with buildings free to all for education, health care and culture.

The Macedonian Opera and Ballet (1968-81), designed by the Slovenian firm Biro 71 in Skopje after an earthquake in 1963 destroyed most of the city, is one of the many standouts in the exhibition. With its massing of sharp planes folded at vertiginous angles obliterating distinctions between roof and wall, floors and ramps, it could have been built yesterday. The bubbly Kosovo library by Andrija Mutnjaković is equally original in its very modern combination of traditional geometric forms associated with Islam and the Serbian Orthodox Church.

Yugoslav architects were at the forefront of technological advancements in concrete structures. The dome at the Belgrade fairgrounds (1957) held the record for largest in the world until 1965, when according to a wall plaque it was surpassed by the Houston Astrodome. The space-frame roof of a stadium in Split built in the '70s looks equally sophisticated. And yet the shapely marvels on display here suggest that Yugoslav architects



VALENTIN JECK, COMMISSIONED BY THE MUSEUM OF MODERN ART (3)

Berislav Šerbetić and Vojin Bakić's Monument to the Uprising of the People of Kordun and Banija (1979-81)

## ARCHITECTURE REVIEW

# Yugoslavia's Imaginative Moment

were more attracted to concrete's expressive powers than to technological innovation.

The exhibition does not explore deeply enough why this might be so. In place of in-depth analysis are fascinating side trips—Yugoslavia building in Nigeria; Japanese Metabolists at work in Skopje; midcentury tourism in Eastern Europe. Pocket galleries dedicated to individual architects could have supported small shows of their own. Photographs by Valentijn Jeck commissioned for the exhibition give evocative testimony not only to buildings that still stand but to those that are replicas or abandoned ruins, having been destroyed during the Yugoslav Wars.

Skimming lightly over context, curators Martino Stierli and Vladimir Kulic, the former a chief curator at the museum and the latter a guest curator, devote their attention to arguing that Yugoslavia's architects were fully versed in Western ideas, especially those stemming from Le Corbusier (including his disastrous urban plans,



Miodrag Živković's Monument to the Battle of the Sutjeska, Tjentište, Bosnia and Herzegovina (1965-71), above; Živa Baraga and Janez Lenassi's Monument to the Fighters Fallen in the People's Liberation Struggle (1965), left

and not under Soviet influence. Efforts are made to point out early iterations for today's au courant trends: Public spaces in hotels like the Hotel Podgorica in Montenegro operated as social condensers where locals could mix with Westerners; historic Zadar implemented forward-looking limits on automobile access; megastructure housing for 50,000 was a success in Split.

Shorter shrift is given to the



role of vernacular architecture and how such traditional elements as the Ottoman *divanhana* (house-wrapping porch) enriched modernist structures. Despite Mr. Jeck's eloquent photographs—silent odes to letting things fall apart—the exhibition does not attempt to draw out threads connecting the optimism of this mid-century building boom to the disintegration of social order and ultimate breaking up of the country once known as Yugoslavia.

Nowhere is the lack of deeper insight felt more keenly than in the powerful last section of the exhibition devoted to monuments. Here, a handful of astonishing structures—part buildings, part sculptures; often collaborations between architects and artists—surge with

unchecked emotions of agony, sacrifice, loss and remembrance.

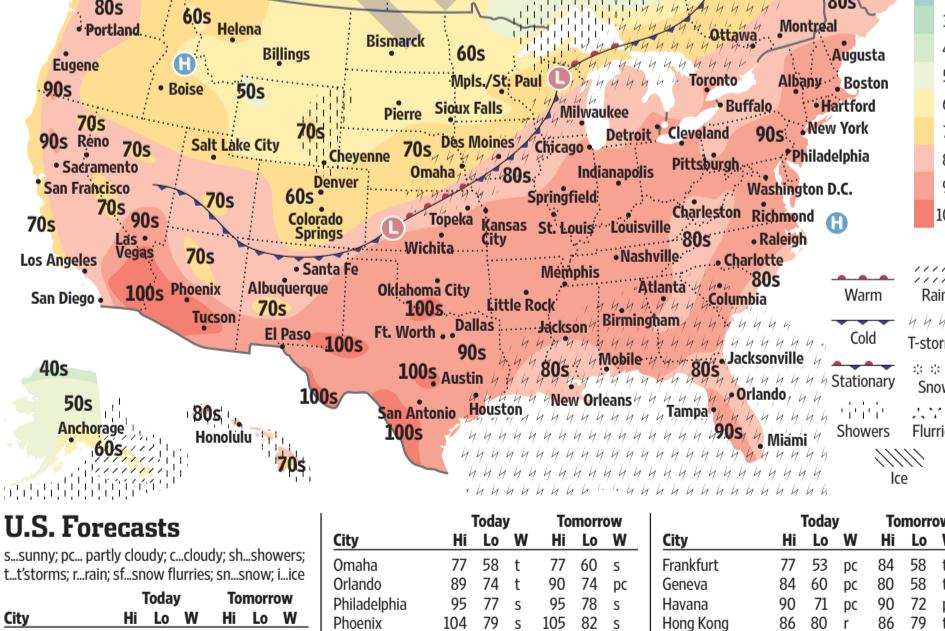
Outstanding among them is Miodrag Živković's Monument to the Battle of the Sutjeska, Tjentište, Bosnia and Herzegovina (1965-71). Whether reminiscent of wind-whipped flames, outstretched hands, or monstrous sentinels, this World War II monument does more than almost anything else in the show to capture and convey the full power of the imaginative forces at work for a time in Yugoslavia.

Upbeat and uncritical, "Toward a Concrete Utopia" tries hard to give this utterly fascinating architecture standing according to Western modernist norms. But what it succeeds at is providing the beginnings of an introduction to an architecture with a powerful voice in its own right.

**Toward a Concrete Utopia: Architecture in Yugoslavia, 1948-1980**  
Museum of Modern Art, through Jan. 13, 2019

*Ms. Iovine reviews architecture for the Journal.*

## 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

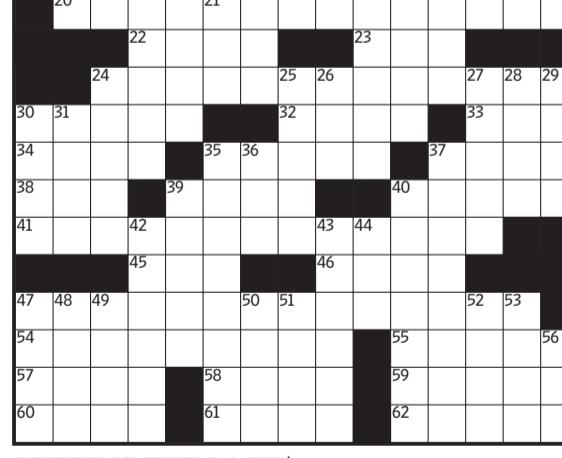
City	Hi	Lo	W	Hi	Lo	W
Anchorage	62	49	pc	61	54	pc
Atlanta	90	73	pc	87	72	t
Austin	101	75	pc	98	73	pc
Baltimore	94	74	s	94	74	s
Boise	77	52	s	86	57	s
Boston	96	78	s	98	78	s
Burlington	93	77	s	91	64	t
Charlotte	93	71	pc	91	70	pc
Chicago	91	68	c	74	58	sh
Cleveland	92	75	s	88	66	t
Dallas	97	79	s	97	78	s
Denver	74	51	pc	85	58	s
Detroit	92	73	s	83	60	t
Honolulu	89	78	c	88	76	pc
Houston	91	78	pc	90	77	pc
Indianapolis	90	75	s	86	65	t
Kansas City	90	63	t	79	63	s
Las Vegas	98	78	s	101	79	s
Little Rock	91	73	pc	88	71	t
Los Angeles	81	67	pc	83	67	pc
Miami	88	77	pc	89	77	t
Milwaukee	88	66	t	69	57	sh
Minneapolis	91	53	c	92	55	s
Nashville	93	75	pc	91	74	t
New Orleans	88	78	t	88	77	s
New York City	94	78	pc	94	78	s
Oklahoma City	95	70	s	89	71	pc
Orlando	77	58	t	77	60	s
Orlando	89	74	t	90	74	pc
Philadelphia	95	77	s	95	78	s
Phoenix	104	79	s	105	82	s
Pittsburgh	89	71	s	87	69	pc
Portland, Maine	91	74	s	93	71	pc
Portland, Ore.	86	57	pc	78	59	pc
Sacramento	80	58	pc	80	57	pc
St. Louis	95	77	s	84	69	t
Salt Lake City	74	55	s	85	67	s
San Antonio	100	85	pc	83	60	t
Seattle	81	55	pc	72	56	s
Sioux Falls	69	48	pc	74	58	s
St. Louis	95	79	s	95	78	s
Washington, D.C.	70	59	s	70	54	pc
Wash., D.C.	95	79	s	95	78	s

## International

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	71	55	pc	68	57	r
Athens	85	77	pc	91	74	s
Baghdad	109	80	s	109	80	s
Bangkok	90	76	t	89	79	t
Beijing	88	70	pc	89	70	s
Berlin	72	56	pc	79	59	s
Brussels	71	51	pc	67	54	t
Dubai	109	80	s	107	88	s
Dublin	65	48	c	62	47	pc
Edinburgh	66	49	c	62	46	pc

## The WSJ Daily Crossword | Edited by Mike Shenk



## GETTING THE SACK |

By Wendy L. Brandes & Martha Jones

## Across

- 1 Dynamite ingredient
- 6 Cut out
- 10 Classroom recitation
- 14 Spot seller, for short
- 15 Latvia's capital
- 16 Piece that begins on a corner square
- 17 Beethoven dedicatee
- 18 With stronger reason, in law
- 20 Argument deflection #1
- 22 Glittery fabric
- 23 Toward the rudder
- 24 Argument deflection #2
- 30 Choose from the menu
- 32 Bornite and bauxite
- 33 "The Matrix" hero
- 34 Whites on washday, e.g.
- 35 Listed as a source
- 37 Enjoy the banquet
- 38 Cry often heard by Lisa Simpson
- 39 Ripped
- 40 Smidgens
- 41 Argument deflection #3
- 45 Angler's tool
- 46 Scanty skirt
- 47 Spots for some tackles, or a description of 20-, 24- and 41-Across
- 54 Basic
- 55 Running total
- 57 Lo-cal
- 58 Texas \_\_\_ M
- 59 Follow as a consequence
- 60 Starring role
- 61 Outcome of bargaining, perhaps

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



## SPORTS

**MLBPA Boosts Ranks With Hire of Meyer**

Following a challenging off-season that saw the slowest free-agent market in history, the Major League Baseball Players Association is shaking up its labor-negotiation ranks.

The union has hired veteran labor attorney and litigator Bruce Meyer to serve in the newly created role of senior director for collective bargaining and legal. Meyer will take the lead when the union negotiates a new collective-bargaining agreement for the 2022 season and beyond.

MLBPA executive director Tony Clark, a former player, led the union's bargaining efforts in the last contract cycle.

"Bruce Meyer will lead our team," Clark said in an interview.

Baseball's labor relations sank to their lowest point in nearly a quarter-century this past off-season, as veteran free agents struggled to find new homes. The freeze-out reached the point that the MLBPA put together an alternate spring training in Florida for unsigned players to stay in shape, workouts dubbed "Camp Jobless."

Meyer will take the lead when the union negotiates a new deal for the 2022 season.

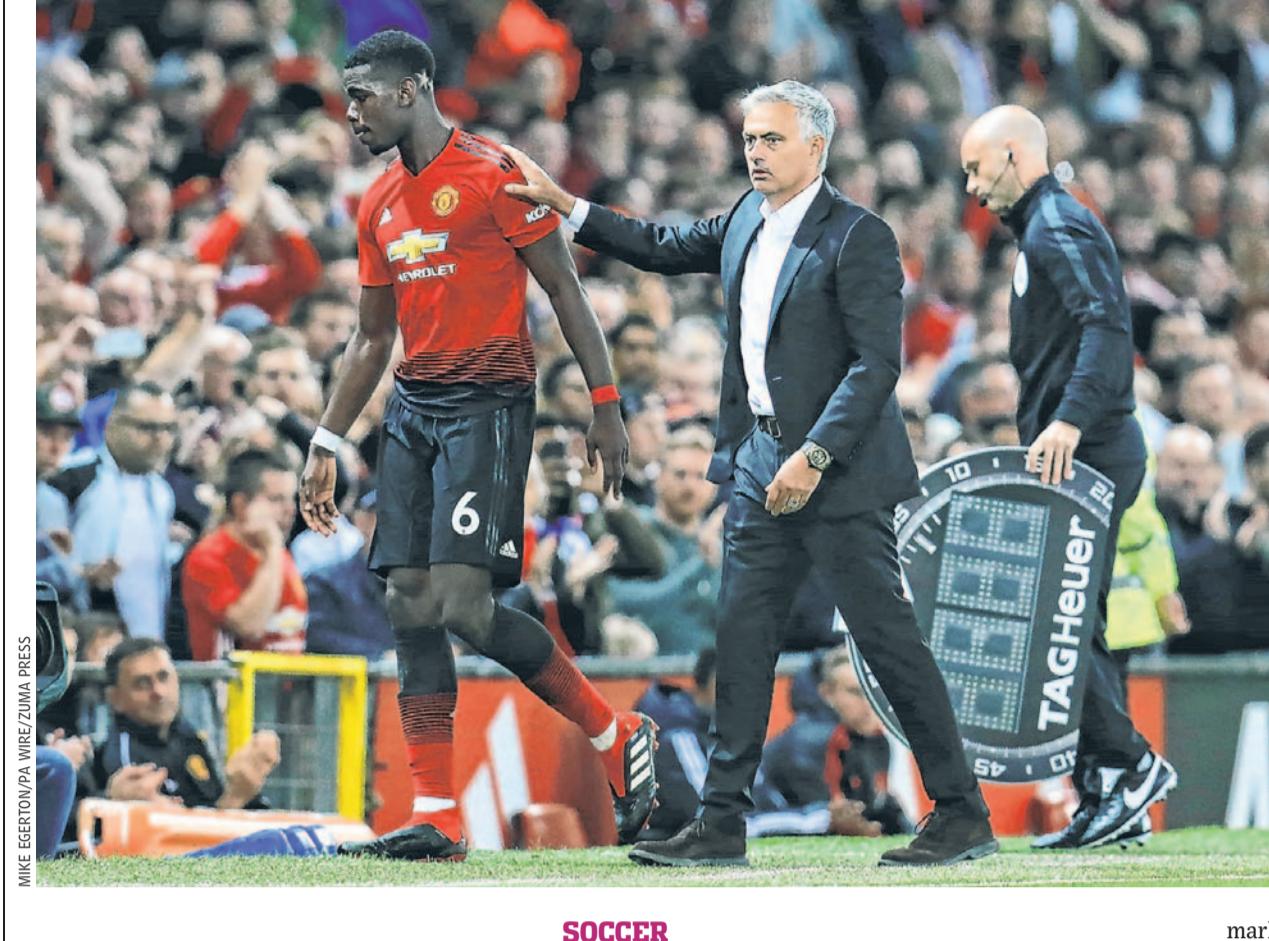
Clark said the change is owing in part to the expanding demands of the union contract. "Our Basic Agreement isn't getting smaller," Clark said. "It's getting more complex with more issues that need to be addressed."

The union believes Meyer will better position it to navigate the changing landscape, as it hunkers down for what could turn into a bitter battle after an extended period of labor peace. Meyer joins the MLBPA after filling a senior leadership position at the NHLPA. Before that, he spent three decades at the international law firm Weil, Gotshal & Manges LLP, where he counseled the players' unions in the NFL, NBA and NHL.

That sort of résumé puts Meyer in line with MLBPA's previous executive directors: Michael Weiner and Don Fehr were both experienced labor attorneys, while Marvin Miller, the union's first director, was the chief economist for the United Steelworkers. Meanwhile, MLB's top brass, commissioner Rob Manfred and deputy commissioner Dan Halem, both graduated from the Cornell University School of Industrial and Labor Relations and Harvard Law School.

Over the next few months, Clark said he anticipates building out the union's staff in other areas as well.

—Jared Diamond



MIKE EGERTON/PA WIRE/ZUMA PRESS

**Manchester United** midfielder Paul Pogba, left, with manager Jose Mourinho during a match on Aug. 10.

awkward silences coming from Mourinho's side of the club, the business continues to hum along.

United, the company, hasn't posted a year-end loss since 1990. Most of that streak coincided with the most glorious period in the club's history under manager Alex Ferguson, who ran the soccer side as his empire. He was supported first by chairman Martin Edwards, whose commercial decisions built the foundation of the club's modern edifice, and then chief executive David Gill who continued to make sure that the most famous club on the planet always had enough cash to pay Ferguson's players handsomely.

Manchester United hasn't won a league title since 2013, the last season of Ferguson's tenure. In that time, the product on the field has declined

markedly despite huge investments in playing talent. Since 2016 alone, United has plowed \$500 million into the transfer market, including the \$130 million it paid to make Pogba the most expensive player in English soccer history.

Now Pogba has become a focal point for everything going wrong on the field. For all of his talent, the man who just won a World Cup as a key piece of the French national side hasn't managed to find a consistently high level at United. He was rumored to be heading for the exit over the summer, only for Mourinho to hand him the captain's armband for the season opener.

That hardly eased the tension, however. When Pogba was criticized last week by former United legend Paul Scholes, Pogba's agent, an erstwhile pizzaiolo who turned into one of the most powerful representatives in the game, replied on Twitter by suggesting again that Pogba could leave.

Whether or not Pogba is to blame, United has begun this campaign looking like a distinctly ordinary side. It narrowly beat Leicester City in its first game—while surrendering most of the ball possession to one of the most possession-phobic teams in England—and fell to Brighton in its second. A 3-0 defeat at home to Tottenham on Monday night meant that United is off to its worst league start since 1992.

"The attitude we had was not like we wanted to beat them, they had more hunger than us," Pogba said after the Brighton loss. "The fans should be mad. We are."

## SOCER Boiling Point for Manchester United

BY JOSHUA ROBINSON

London

**SHARES OF** Manchester United Football Club rose to the highest price in their history last week, six years after its American owners made the unpopular decision to take the company public. At any other business listed on the New York Stock Exchange, this would be unequivocally good news.

Except Manchester United isn't just any NYSE-listed business. It is a \$4 billion company that trots out 11 highly paid staffers every week to represent one of the most celebrated soccer teams on the planet. And no matter how strong the share price is, United's performance on the field—and the management turmoil it is generating—is driving the club's supporters crazy.

The bad headlines around Manchester United—the club and the company—belong to a raft of brewing crises. Like, for instance, its most public-facing employee, manager Jose Mourinho, deciding to throw a tantrum in a news conference. Or its most expensive employee, French midfielder Paul Pogba, making it little secret that

he would rather work elsewhere.

The Premier League season is only three weeks old, but already the fundamental tension inside Manchester United has returned to the surface, where the fates of the company and the soccer team seem increasingly divergent.

Asked about reports in the British press about unrest inside the club, Mourinho all but refused to answer. "I don't read. I don't know 10% of what is written."

The bad headlines around the team and the company belong to a raft of brewing crises.

To anyone who has followed Mourinho's career, his moodiness appears to come right on cue. Since he first emerged as a savvy tactician in his native Portugal nearly two decades ago, he has never spent longer than 3 ½ years at a club. Without fail, the relationship breaks down. It happened at Inter in Italy. It happened at

Real Madrid in Spain. And it happened twice at Chelsea.

One reason is that Mourinho's management style relies on breeding tension inside his squads. A successful team, he believes, is one driven by an internal rage to compete. That approach has rewarded him in the past, but it has also been his downfall. During his second stint at Chelsea, for instance, he lost the locker room even as the club romped to the 2015 title.

But at United, Mourinho is fighting battles on two fronts. He isn't merely struggling to keep his players on his side. He is also picking fights with his boss, club chief executive Ed Woodward. A former JPMorgan banker, Woodward represents the interests of United's American owners, the Glazer family, who also own the Tampa Bay Buccaneers.

Mourinho's mood ahead of Monday's match against Tottenham wasn't helped by the sting of already trailing rivals Manchester City and Liverpool in the standings.

"You are pessimistic. I am not," he said in one of his more verbose answers last week.

Yet for all of the squirming and



Andy Murray beat James Duckworth 6-7(5), 6-3, 7-5, 6-3 in his first-round match at the U.S. Open on Monday.

## FROM A BLIMP? FANS ASSAIL CAMERA ANGLE

The brand new Louis Armstrong Stadium at the U.S. Open made its official debut Monday. And, on television, you could follow the tennis being played there if you squinted really hard or perhaps stood uncomfortably close to the television.

The pristine stadium features seating for 14,069 people, a retractable roof and modern design. It was the last piece of the \$600 million renovation at Billie Jean King National Tennis Center.

But for all the hype and money that went into the project, the new Armstrong drew immediate criticism for the high-up camera angle that made the match somewhat difficult to watch for TV viewers. And that first match was a doozy—No. 1 seed Simona Halep shockingly fell to Kaia Kanepi in straight sets.

At least half a dozen people on Twitter asked if the match was being shot from a blimp. Another questioned if the camera was on the moon. Others tweeted that it was making them dizzy.

A USTA spokesman did not provide an immediate comment.

The steep vertical angle made it difficult for viewers to gauge the height of many shots.

At times during the match, the broadcast switched to an angle at court-level that provided an up-close look of the action—but also provided a limited view of the far side of the court.

Both cameras are behind the court's baseline, with the lower one over a wall behind the players. The second camera, which displays most of the points, is up above, at the level of the second set of seats.

This could be problematic because, throughout most of the tournament, more matches will be played at Armstrong than the facility's premier venue, Arthur Ashe Stadium. And, as was the case with Halep's match at Armstrong, other high-profile players are scheduled to come through.

—Andrew Beaton, Tom Perrotta

Murray, ranked No. 382, has played just eight matches this year, and won five. He will play Fernando Verdasco, the 31st seed, in the second round. If Murray survives that, he would likely meet Juan Martin del Potro, who after recovering from even worse injuries than Murray's has now climbed to No. 3. In tennis, injuries often cause other problems. When pros play while hurt, they often change their technique and habits, sometimes without realizing it. That can cause more injuries, or hamper other aspects of their game. As is often the case in tennis injuries, Murray compensated for his pain too much. His serve suffered the most. Like most pros, Murray had tossed the ball near 12 o'clock, and even 11 o'clock when he wanted to hit a kick serve with a high

bounce. But because of his hip, he started serving the ball more to his right—at 1 or even 2 o'clock—in order to ease the pain.

"I was throwing the ball quite far to the right because I didn't want to extend my back as much as I used to," Murray said. "And then bad habits creep in, and then when I started playing again and competing, I realized I had sort of practiced with a bad technique for like seven or eight months."

Though he's not there yet, Murray sounded confident that more of his top tennis—and hopefully, another Slam—remains before he retires. "It has been a physical thing that's been holding me back and hampering me," Murray said. "Once I overcome that, I do believe that my tennis will be able to return to the level that it was at."

## OPINION

# She's No Ted Kennedy



**MAIN STREET**  
By William McGurn

Is there anything sadder than the sight of progressives solemnly going through their borking rituals when nobody cares? That's what happened Sunday, when activists sought to mobilize the public to keep Brett Kavanaugh off the Supreme Court. From Toledo to San Francisco, protesters dutifully showed up with "Kava-NOPE" placards, "Unite for Justice" T-shirts and, of course, their signature "Handmaid's Tale" red frocks, meant to symbolize Judge Kavanaugh as an instrument of the patriarchy.

The website Common Dreams called the protest "the largest of its kind in U.S. history." But it barely registered a blip. All that sound and fury signifying one thing: They don't have the votes.

How different this is from the original performance three decades back. Say what you will about Ted Kennedy, but when a demagogue was needed he was the man for the job. Within 45 minutes of Ronald Reagan's announcement that Robert Bork was his pick to replace the retiring Justice Lewis Powell on the high court, Kennedy introduced him to America this way:

"Robert Bork's America is a land in which women would be forced into back-alley abortions,

blacks would sit at segregated lunch counters, rogue police could break down citizens' doors in midnight raids, schoolchildren could not be taught about evolution, artists would be censored at the whim of government, and the doors of the federal courts would be shut on the fingers of millions of citizens for whom the judiciary is often the only protector of the individual rights that are the heart of our democracy."

Now compare this, for sheer style, with the attempt by Elizabeth Warren, current occupant of the seat once held by Kennedy, to do the same for Mr. Trump's nominee:

"Judge Kavanaugh is part of a movement to twist the Constitution in ways that are deeply hostile to the rights of everyone but those at the top. He's been a part of that movement for the majority of his professional life, both before and after he became a judge. And now, he has a record of 12 years of judicial decisions that demonstrate his loyalty to that radical ideology."

Here's some bad news for Sen. Warren. I remember Ted Kennedy. I watched when Ted Kennedy turned Robert Bork's name into a nasty verb. And I say this to the woman who now holds the late senator's seat: Ms. Warren, you are no Ted Kennedy.

To be fair, it isn't her fault.

Back in 1987 when Kennedy painted his ugly caricature, he enjoyed several advantages.

Two proved dispositive. First, the move was unprecedented, so it caught the Reagan administration unaware and unprepared. Second, Democrats held 54 seats in the Senate.

These advantages are gone now, thanks in good part to Democrats themselves. Republican presidents know any Supreme Court nominee will be savaged no matter how sound a jurist or decent a person.

## Why Sen. Elizabeth Warren's attempt to bork Judge Brett Kavanaugh will fail.

But now a Republican nominee has armies of groups ready, willing and able to make the public case for him. And not only do Democrats not have a majority in the Senate; they have squandered the power they might have had as a minority when they all but invited Republicans to scrap the filibuster for Supreme Court nominees, their last line of defense.

Immediately after Judge Kavanaugh's nomination was announced, the press speculated about Republicans who might sink him: Sens. Rand Paul, Susan Collins, Lisa Murkowski, Jeff Flake, etc. But Majority Leader Mitch McConnell has quietly kept his caucus on track, and the closer we get to the Kavanaugh hearings,

the more it appears likely that it's Democratic senators running for re-election in states Mr. Trump carried who may stray from the party, including Sens. Joe Manchin, Joe Donnelly and Heidi Heitkamp. John McCain's death, moreover, means a replacement who will provide yet another Kavanaugh vote.

Oh, there will be drama yet. Judge Kavanaugh still must answer questions at his hearing, and opponents will try to twist some innocent remark into an "Aha!" moment. We'll see a few more red handmaiden outfits at the Judiciary Committee. But Judge Kavanaugh knows the law—and the drill—and he won't give his enemies anything of significance to use against him.

Democrats know this too. Hillary Clinton may tweet out that "people are mobilizing across the country today to #StopKavanaugh," and Sen. Warren may thump about "every Senator who believes in equal justice" voting "no." But watching Minority Leader Chuck Schumer's increasingly spiritless attacks on Mr. Kavanaugh, it's clear he's just going through the motions.

After so many years of crying Bork, Democrats have forgotten an essential in politics: count your votes. Brett Kavanaugh will take his seat on the Supreme Court in the end. And yours truly is betting it will be with the votes of at least two Democratic senators.

Write to [mcgurn@wsj.com](mailto:mcgurn@wsj.com).

## The 'Crisis of Democracy' Is Overhyped



**GLOBAL VIEW**  
By Walter Russell Mead

As Turkish strongman Recep Tayyip Erdogan lashes out against the "interest-rate lobby" for his country's economic crisis, as Nicaragua's dictatorships mobilizes against its own people, and as Venezuela's socialist utopia sinks deeper into chaos, it's remarkable how often we hear that a "crisis of democracy" is the defining political story of our times. And as Vladimir Putin's persistent economic failures force him toward deeply unpopular pension reforms, it is even more remarkable how many people attribute this ostensible crisis to Russian cunning and might.

Admittedly, there are signs that consent-based political systems aren't operating as smoothly as they should, including the rise of extremism and anti-Semitism in the British Labour Party, the collapse of the political center in scandal-plagued Brazil, Viktor Orbán's determination to build "illiberal democracy" in Hungary, and the disruptive and polarizing Trump administration in the U.S. More generally, according to Freedom House, civil liberties and political rights have declined in 113 countries and improved in only 62 since 2006.

But the failures of authoritarian states are often far graver than the problems that preoccupy the professional

hand-wringers of the liberal West. There are no crises in the democratic world that match the economic meltdown in Iran, the hellish conditions in Syria, or the turmoil in the Democratic Republic of the Congo, where efforts to eliminate an Ebola epidemic are hampered by armed militias.

Even China, often described as the poster child of the new authoritarianism, is failing key tests of governance. Chinese censors are scrubbing images of Winnie the Pooh from the internet; the Bear of Very Little Brain is said by some to bear a subservient resemblance to Xi Jinping. But the authorities seem paralyzed when it comes to more consequential issues.

Chinese leaders know that their country suffers from massive overinvestment in construction and manufacturing, that its real-estate market is a bubble that makes the Dutch tulip frenzy look restrained, that both conventional debt and debt in the shadow-banking system are too large and growing too rapidly. But even as the Communist Party centralizes power and clamps down on dissent, it dithers when it comes to the costly and difficult work of shifting China's economic development onto a sustainable track. Chinese authorities have tried to tackle some of these problems, but often retreat when reforms start to bite and powerful interests push back.

Authoritarians without the authority to restructure the

economy—this is not what Chinese communism was supposed to produce. Neither China nor any of the other major dictatorships offer a model that can reshape the world the way liberal democracy has over the past two centuries. Mr. Erdogan's Islamic democracy is a sham;

## Ask the professional hand-wringers: Would you rather be in Iran? Venezuela? China?

Hugo Chávez's Bolivarian socialism is yielding only starvation and violence. The Saudis are scrambling to reform their oil-funded monarchy before it implodes, and Cuba is stowing in the historic failure of its socialist project. The 21st century is many things, but Springtime of Autocrats it is not.

Those most worried about democracy tend to focus on the role of authoritarian states, especially Russia, in the destabilization of weak democracies.

Russia clearly seeks to advance a malicious agenda through disreputable means—and that it has successfully provoked such anxiety among Western elites is evidence that its efforts have not been entirely in vain. But Mr. Putin is no more able to destroy democracy abroad than to revive Russia's stagnating economy at home.

A force infinitely more powerful than Russian hackers

is at work in the world: the torrent of creative destruction known as the information revolution. From Alaska to Azerbaijan, from Pyongyang to Peru, the internet is disrupting social and business hierarchies, automation is transforming economic life, and social media is changing the way news is produced and shared. Democracies and dictatorships alike are struggling as one of the most consequential and uncontrollable events in global history unfolds in real time.

The global disruption comes at a bad time from the standpoint of democracy promotion. The late 20th century saw a large number of new democracies emerge. Many are still rather fragile. Countries where democratic institutions and values are deeply rooted are likely to ride out the storm—much as British and American democracy survived the Great Depression. Countries with weak institutions and turbulent histories may fare worse as they come under stress from the new forces.

The real question is not whether Russian black operations can subvert democracy worldwide.

It is whether democratic societies can harness the energies released by the information revolution without being overwhelmed by the disruption they bring. To ignore Mr. Putin's malignity would be a serious mistake; to obsess about Russia while neglecting the larger challenge would be even worse.

**BOOKSHELF** | By Edward Niedermeyer

# Fast-Tracking A Driverless Car

## Autonomy

By Lawrence D. Burns with Christopher Shulgan (Ecco, 356 pages, \$27.99)

In 2004, a Defense Department agency, offering a prize of \$1 million, challenged technologists to create a driverless vehicle that could travel roughly 150 miles through the Mojave Desert. At the time, the idea of a car autonomously navigating even empty roads seemed preposterous. Red Whittaker, a robotics professor at Carnegie Mellon University, set about forming a team to meet the challenge, admitting to his prospective members: "The race defies prevailing technology, and many hold that the challenge prize is unwinnable in our time." That talented students of his like Chris Urmson put their lives on hold to join Mr. Whittaker's team and work long hours on a problem that looked as if it might never be solved speaks volumes about the profound optimism that lurks inside the best engineers.

So far, the optimism has been well-rewarded. In the more than 14 years since the so-called Grand Challenge—in which the Whittaker team drove the longest distance—autonomous-drive technology has made enormous strides, and self-driving cars are now widely considered an inevitability.

As for Mr. Urmson, he went on to serve as the project leader for Google's self-driving car program—named Waymo—and has since started his own autonomous-drive technology company.

Not surprisingly, optimism leaps off the pages of Lawrence D. Burns's "Autonomy: The Quest to Build the Driverless Car—and How It Will Reshape Our World," a combination of memoir and visionary

manifesto. In contrast to "the personally owned, gasoline-powered, human-driven vehicles that have dominated the last century," Mr. Burns writes, "we're transitioning to mobility services based on electric-powered and driverless vehicles, paid for by trip or through subscriptions." These services, he says, will get us around "safely and conveniently." Meanwhile, we will avoid the "hassles of car ownership" and the time lost in parking and pumping gas, not to mention the costs that having a car entails.

Mr. Burns has been a longtime believer in cars ushering in a brighter future, first as head of research and development at General Motors and later as a consultant at Google. In "Autonomy," he takes pains to portray himself as an outsider at GM: neither a "car guy" nor a "bean counter" but a reformer inspired by auto-industry critics like David Halberstam and Ralph Nader. Seeing the events of 9/11 as a product of Detroit's oil addiction, he pushed GM, he says, toward the now-familiar goal of zero emissions and zero road deaths.

While Mr. Urmson and other autonomous-drive pioneers were working on their entrants in the 2004 Grand Challenge, Mr. Burns was pouring his engineer's optimism into futuristic GM concept cars called Autonomy, HyWire and EN-V, all aimed at showing the way toward autonomous

A period of remarkable progress seems to be giving way to a host of challenges that can't be solved with engineering talent alone.

electric mobility. Their designs led to developments like the "skateboard" chassis that now underpins GM's Chevrolet Bolt and Volt (and almost every other modern plug-in vehicle). But real change has come slow. Today the rhetoric from GM's top leaders matches Mr. Burns's lofty idealism, but the company's bottom line shows that its financial well-being still relies heavily on its all-too-traditional staples of trucks and SUVs.

After leaving GM during its 2009 bankruptcy, Mr. Burns became an ever-more emphatic advocate for the reinvention of the automobile, soon teaming up with Mr. Urmson and other technology pioneers at Google. This front-row seat at the project that popularized autonomous cars informs some of the most lively parts of "Autonomy." At one point, a milestone goal is thought to be needed, with a payout bonus, so when Larry Page (Google's co-founder) says, "I want this thing on any street in California to drive one hundred percent autonomous," the LarryIK challenge is launched. The development of Waymo's "Firefly" low-speed driverless car takes longer than expected and teaches the Silicon Valley team a new respect for Detroit's skills. In turned out that "designing a vehicle was comparatively easy," Mr. Burns writes. What was difficult was "hardening the vehicle's various components"—making every part work under every driving condition. This was "the process at which Detroit engineering talent excelled." A deal with Ford Motor Co. fails, but an investment banker and analyst, inspired by one of Mr. Burns's visionary papers, does join Ford on a driverless-car project. As Mr. Burns recounts, personality clashes eventually blew up Google's dream team and led to a lawsuit over intellectual-property theft against Uber, which had bought a driverless-trucking company founded by a Waymo veteran.

Many sections of "Autonomy" extrapolate the future from the remarkable progress that Waymo has made in recent years. And, yes, Waymo vans are already providing on-demand driverless rides to members of the public. But so far the service reaches only about 400 riders in the ideal weather and traffic conditions of suburban Phoenix.

In fact, a period of rapid progress seems to be giving way to a host of challenges that can't be solved with engineering talent alone: developing regulations, demonstrating safety, insuring liability risks, building trust, discovering workable business models. To take but one example: Nearly constant "uptime" (that is, revenue-producing use) will be needed to make expensive autonomous taxicabs work economically. Thus companies like Ford and Toyota, hoping to enter such a market, say that their robotaxis would have to be hybrids, not the slow-charging, pure electric cars of Mr. Burns's vision.

Shared autonomous vehicles may well become, as Mr. Burns hopes, the backbone of personal transportation—and "Autonomy" will have the extra value of offering a history of the technological revolution that made it all possible. But between the heroic engineering feats Mr. Burns vividly documents and the safer and more efficient mobility he foresees lie challenges that will not be rapidly overcome.

Mr. Niedermeyer is the Silicon Valley reporter for *Automotive News*.

## Neither Broadway Bound nor Lost in Yonkers

By Matthew Hennessey

Neil Simon's producers were looking for teenage actors to play a pair of brothers in "Lost in Yonkers." It was 1990 and they were scouring the New York area for fresh talent. I was a high-school senior with a bit of community theater on my résumé. The opportunity to audition fell in my lap.

Taking a day off from school, I arrived with the absolute conviction that my stage career was about to take its first legendary step. My family rarely went to see shows. Then, as now, Broadway prices were out of most people's reach. But I tracked the theater listings like some kids follow box scores. I could have told anyone what was playing—musicals, revues, one-man shows, comedies, dramas, whatever. New Jersey is filled with kids like me.

Broadway in those days was

chock-a-block with straight plays. Now it's dominated by crowd-pleasing jukebox musicals and adaptations of popular movies. In the last few decades of the 20th century, Simon, who died Sunday at 91, was a household name.

## At 17 I auditioned for a Neil Simon play. No, I didn't get the part.

His domination of the Great White Way from the 1960s through the '80s has no contemporary comparison. The current toast of Broadway, "Hamilton" creator Lin-Manuel Miranda, has staged two original hit shows in a decade. In 1966 Simon had four plays running in Broadway houses at the same time.

The plays in Simon's semi-autobiographical "Eugene Trilogy"—"Brighton Beach Memoirs" (1982), "Biloxi

Blues" (1984) and "Broadway Bound" (1986)—swept the theaters during my teen years. Two of them were turned into movies with Jonathan Silverman and then Matthew Broderick as Simon's charming alter ego, Eugene M. Jerome. My aspirations were inspired in part by Eugene. I wanted to be that guy.

He had the wit to get out of scrapes and the sincerity to enrapture the audience with his fourth-wall-shattering asides. He was a wisenheimer with a good heart. He dreamed of a career either in baseball or in showbiz. He looked at the big world and wondered what it had to offer him. I saw myself in Eugene. The "Lost in Yonkers" audition seemed like destiny.

But I was all wrong for the part. They were looking for a 15-year-old urban Jewish kid. I was a 17-year-old suburban Irish-American. My poor performance made it even worse. I had no idea how to audition for

Mr. Hennessey is an associate editorial features editor at the Journal.

## OPINION

## REVIEW &amp; OUTLOOK

## Half a Nafta

The Presidents of America and Mexico announced a new trade agreement Monday that Donald Trump called "much better" than the North American Free Trade Agreement. We'll reserve judgment until we see the fine print, but on first inspection this is half a Nafta that contains some improvements but is notably worse in many ways. Whether it can pass Congress is far from certain.

Financial markets staged a modest relief rally Monday on the talk of trade progress. At least for now, and at least for Mexico, Mr. Trump has set aside his threat to withdraw unilaterally from Nafta. We're not sure he has the legal authority to withdraw, and it would be a huge economic blow to all of North America if he did—and to his own chances for re-election. But with Mr. Trump, self-damage isn't always an effective restraint.

\* \* \*

The good news in the new deal includes an extension on data protection for biologic drugs to 10 years from five. Genetically modified crops couldn't be discriminated against, and there are protections for agriculture producers such as cheese farmers against regulatory abuse. These and other details are helpful modernizations for a pact that is nearly 25 years old.

The U.S. also seems to have stepped back from its demand for a five-year "sunset" that was essentially a backdoor way to dampen cross-border investment. The two parties agreed instead to a 16-year pact with a review period after six years. They could then extend the pact for another 16 years if everyone is happy, or they could renegotiate areas that have become problems. This introduces more political uncertainty for investors than under the current pact but may be tolerable.

The new deal has many problems, however, not least that it excludes Canada. U.S. Trade Rep Robert Lighthizer used the desire of Mexican President Enrique Peña Nieto to sign a deal before he leaves office to raise the negotiating pressure on Canada. Mr. Trump implied Monday that either Ottawa signs on or he'll slap a 25% tariff on cars made in Canada.

Canada handled that threat with prudent restraint, praising the U.S.-Mexico "progress" and offering to rejoin trilateral talks this week. Mr. Trump griped Monday with cause about Canada's dairy protection, but Canada is right to want to retain Nafta's Chapter 19 provisions that provide a way to settle trade disputes by a special tribunal.

Another problem, a large one, is that the bilateral deal strips current protections from most U.S. investors in Mexico. Oil and gas, telecom and power-generation investors will retain what they now have. Others will be protected only against physical expropriation.

But countries other than Venezuela are

smart enough not to send in the police to occupy a plant or hotel. They'll use regulation to favor domestic competitors. Believe it or not, this was a Trump-Lighthizer demand: They figure that if U.S. companies are more vulnerable to foreign abuse, CEOs will keep their money at home. This is economic nonsense since American workers prosper when their companies prosper—abroad and at home.

Why make it harder for U.S. firms to court customers abroad?

The deal also imposes new red tape and costs on the auto industry to punish imports. The deal says that to get tariff-free treatment cars sold in North America must have 75% of their content made here, up from 62.5%, and at least 40% of the content must be made with workers who earn \$16 an hour.

This is politically managed trade, and its economic logic is the opposite of Mr. Trump's domestic deregulation agenda. Ford and GM seem to have made their peace with this intrusion into their management, but car makers with assembly plants in Tennessee, Alabama and other GOP-leaning U.S. states could suffer if they import more than 25% of their parts.

This auto gambit is part of the Trump-Lighthizer strategy to blow up global supply chains, and it is a political strategy to get a revised deal through Congress. That also explains the deal's new labor provisions that go far to imposing U.S.-style labor laws on Mexico. The details still aren't clear, but Mr. Lighthizer said Monday those rules will be "enforceable" on Mexico as part of the new deal.

Mr. Lighthizer has quietly courted Ohio Democrat Sherrod Brown and protectionist Lori Wallach of Public Citizen during the negotiations. He's betting that helping the AFL-CIO unionize more of Mexican industry will coax Democrats to support a new Nafta. Good luck with that. No trade deal has passed in recent decades without a preponderance of Republican votes. Democratic leaders in Congress have fought every one.

\* \* \*

Yet by waiting so long to strike a new deal, Mr. Lighthizer may have made himself hostage to Democrats. Under trade-promotion law, there isn't enough time to vote on the revised deal during the current Congress. The deal would go to the next Congress, which could be run by Nancy Pelosi and Chuck Schumer. Are they really going to support a Donald Trump trade deal? The President will need their votes because free-trade Republicans and U.S. businesses are likely to be a hard sell.

The deal announced Monday has moving parts and there is still time to make improvements before it is signed and sent to Congress. We're glad to see Mr. Trump step back from the suicide of Nafta withdrawal, but on the public evidence so far his new deal is worse.

## A Dossier Debunking

**M**ichael Cohen's accusations have replaced Russian collusion as Washington's reason-du-jour to impeach Donald Trump, which may explain why few are reporting that Mr. Cohen has cast further doubt on what was supposedly a key piece of collusion evidence.

Mr. Cohen's lawyer, Lanny Davis, confirmed last week that Cohen has never been to Prague in the Czech Republic. This is one of the main claims in the Steele dossier that was commissioned by oppo-research firm Fusion GPS, paid for by the Clinton campaign and used by the FBI in its Trump investigation.

The dossier claims Mr. Cohen traveled to Prague in August or September of 2016 to discuss with Kremlin officials how to make "cash payments" to hackers of the Clinton campaign. Mr. Davis now says that the Prague trip and all other allegations about Mr. Cohen in the dossier are "false."

Mr. Cohen has long denied the Prague accusation and offered his passport as proof. He certainly has no reason to lie now in light of his plea deal, and Mr. Davis would not make such a de-

finite statement if special counsel Robert Mueller had evidence to the contrary.

Yet as recently as April the McClatchy news service reported that "two sources" said Mr. Mueller had evidence that Mr. Cohen had gone to Prague by traveling "through Germany." That story was widely echoed in the media, yet few have reported

Mr. Davis's denials of last week.

The FBI has tried to diminish the dossier's importance to its investigation, though documents show it relied on the dossier in significant part to obtain a surveillance warrant against former Trump aide Carter Page. Perhaps the question to ask is whether the FBI bothered to corroborate anything in the dossier that started the entire Russia-collusion media frenzy.

President Trump could help to answer this and other questions by declassifying and ordering the public release of the relevant classified documents. That would include those that detail the FBI's work to verify the dossier's provenance and accusations. If Mr. Trump won't declassify those documents, he should stop griping about his Justice Department.

## A Hair-Brained Veto

**D**emocrats like Phil Murphy style themselves as defenders of women, people of color and immigrants. On Monday the New Jersey Governor dealt a blow to all three by vetoing legislation to remove licensing rules for hair braiders.

The New Jersey Board of Cosmetology and Hairstyling currently requires hair braiders to complete 1,200 hours of training that can cost up to \$17,000. Braiders who work without a license in the state risk hefty penalties. Hortense Fassu, an immigrant from Cameroon, was fined more than \$1,000 for daring to support herself.

There's bipartisan agreement that the requirements and penalties are excessive. With advice from the Institute for Justice, lawmakers in Trenton voted unanimously to exempt braiders from licensing. Braiders would simply have to register their businesses, which would be subject to unscheduled inspections.

Mr. Murphy's veto threatens that reform. In a letter to lawmakers, the new Governor who

made a fortune at Goldman Sachs acknowledged that "burdensome licensing requirements" on braiding have disproportionately limited economic opportunities "for African-American women, immigrants from African and Caribbean countries, and others." But he said the new legislation goes too far, jeopardizing consumer safety.

That's the same excuse cosmetologists have long used to limit competition and force entrepreneurial braiders to shell out thousands of dollars for schooling. But unlike cosmetologists, hair braiders don't cut hair, mix and apply chemicals, or do other dangerous work.

Mr. Murphy suggested cutting back the licensing requirements to 40 or 50 hours, but New Jersey has long deferred to the cosmetology board on standards. Mr. Murphy also suggested braiders must either hold a cosmetology license or have three years' working experience before opening their own shop. That further deters entrepreneurship. Mr. Murphy talks about the poor he acts for the unions and guilds.

## LETTERS TO THE EDITOR

## Should Taxpayers Subsidize Minimum Wages?

David Neumark's proposal to "Let Taxpayers Pay the Minimum Wage" (op-ed, Aug. 22) and provide tax credits to businesses that pay a higher minimum wage is another unnecessary corporate giveaway by another name. When CEO pay is up 725% over three decades and corporations are swimming in profits and tax cuts, businesses can afford to pay workers more.

A recent report looking at the restaurant, retail and food manufacturing industries found that companies spent almost 60% of their net profits on stock buybacks between 2015 and 2017. McDonald's could pay its almost two million workers close to \$4,000 more a year if the company chose to spend on wages the money it gives shareholders in the form of buybacks. Companies like Lowe's, CVS and Home Depot could give their workers raises of almost \$20,000 annually with the money they've used to reward shareholders with buybacks.

Taxpayers should not have to foot the bill to ensure corporations do the right thing. Taxpayers already pay over \$150 billion each year to subsidize companies that pay low wages and force employees to rely on programs like Medicaid and food assistance.

Companies like Amalgamated Bank, Allstate and Target pay at least \$15 an hour or are phasing in a \$15 minimum wage. If they can, why can't others?

Mr. Neumark's proposal would only further advance a race to the bottom when it comes to corporate responsibility. The countless workers

who power this country deserve policies that put them—not corporate profits—first.

LEO GERTNER  
National Employment Law Project  
Washington

I'm a taxpayer, and I vote no.  
DAVE D'ALTORIO  
Mission Viejo, Calif.

Mr. Neumark makes the point that the minimum wage "takes money away from business owners who may not have high income themselves." I suggest that exactly the same thing happens in rent-control cities. With rent control, the many mom-and-pop rental property owners may not be in a position to easily absorb the rent reduction forced upon them. Should we consider a tax credit for them as he proposes for minimum wage employers? It might be an answer to help spread the cost of rent control to the entire community instead of imposing it on only the rental property owners.

AL PIPPETT  
San Jose, Calif.

Mr. Neumark's plan would be easily manipulated by savvy employers as well as reducing incentives for employees to raise their own skill levels. Realistic programs for education or training to create or augment marketable skills would much better fill the needs of employers and employees in our growing economy and represent a far better investment.

BILL DOMOE  
Grafton, Wis.

## On Paying Too Much to Bend the Knee Again

In response to "What Does Knee Surgery Really Cost?" (page one, Aug. 22), the biggest problem is confidentiality agreements between payers and providers that preclude the disclosure of actual contract reimbursement rates. Those agreements make it impossible for patients and doctors to identify the most cost-effective, high-quality providers in real time.

We also can reduce health-care costs by driving as much care out of hospitals as possible without compromising patient safety. Academic medical centers have inherently higher costs than community hospitals because of their medical-education and research missions. All hospitals have higher costs than ambulatory surgical centers and independently owned imaging centers because hospitals must operate around the clock.

BARRY CAROL  
Aberdeen, N.J.

As health systems get larger and are more concerned with "population health management," each patient becomes a smaller cog in the big machine. We strive to make the results of knee replacement universally excellent, but patients are more and

more thought of as "covered lives." There also is lack of choice for the individual patient. If you are getting a knee replacement and would rather get the name-brand cement than generic cement, you are out of luck if the hospital has decided to make more profit by purchasing generic cement at a lower cost.

GARY ZARTMAN, M.D.  
Lancaster, Pa.

When I had my knee replaced, the billing from the hospital to my insurance company totaled \$142,946. The insurance paid \$15,648. Pity the poor folks who don't have insurance and are confronted with the astronomical hospital costs.

DAVE COULIE  
Albuquerque, N.M.

A charitable, nonprofit hospital raises its prices 3% a year based on nothing but the need to meet profit targets, so it ultimately ends up with a 400% markup on the cost of a knee replacement? The trustees should be embarrassed. The regulators should be investigating. The legislatures should be acting.

BILL HETTINGER  
Windham, Conn.

## It's a Different Process for Judge Kavanaugh

Your editorial "The Kavanaugh Document Fight" (Aug. 14) about how the Senate should consider a Supreme Court nominee couldn't be more wrong. For more than 14 years, I served as a staffer on the Senate Judiciary Committee and was responsible for negotiating, organizing and poring over the records of six previous Supreme Court nominees. I have never seen a more secretive, corrupt and troubling process than I have with Brett Kavanaugh's nomination.

When President Obama nominated Elena Kagan to the Supreme Court, then-Chairman Patrick Leahy joined with then-Ranking Member Jeff Sessions to request and receive access to her records from the Clinton White House—a full 99% of them. But now that the shoe is on the other foot, Chairman Chuck Grassley refuses to even request the same set of records for Mr. Ka-

vanaugh from the National Archives. He wants to keep three years of Kavanaugh's time as a top political operative in the White House completely hidden from senators who need that record to do their jobs.

Further, most records released thus far have been produced by former President George W. Bush's lawyer, Bill Burck, a former deputy to Mr. Kavanaugh during Mr. Kavanaugh's time as staff secretary in the White House.

It is shameful that Sen. Grassley scheduled a confirmation hearing for Sept. 4 knowing that the vast majority of Mr. Kavanaugh's White House records won't be available by then. We all expect our senators to do their due diligence, but how can they do that without his full record?

KRISTINE LUCIUS  
Leadership Conference on Civil and Human Rights  
Washington

## Pepper ... And Salt

THE WALL STREET JOURNAL



"This is not a priority—put our worst people on it."

## OPINION

# The Trump War Is a Boomer Battle

By Lance Morrow

**T**he Godfather" was the American dream enacted as organized crime. Donald Trump is the American president as crime boss—a sort of zesty travesty (zesty anyway for those who are not appalled). He gave an interview to Fox News in which he talked about people who flipped, about rats, in the Cosa Nostra sense of the word—he sounded like James Cagney or George Raft telling war stories about run-ins with the district attorney. Mr. Trump says he has many friends who were the victims of rats and flippers.

But you should remember that most people who read Mario Puzo's book, or saw Francis Ford Coppola's movie, rooted for Don Corleone and (though less enthusiastically) for Michael Corleone—and in any case not for the Senate committee or for the corrupt senator who woke up in a bloody bed in a Nevada whorehouse. The people loved the Don's story so

**The president's supporters and detractors alike use politics to re-enact old narratives of rebellion.**

much they brought it back for encores—"Godfather II" and beyond. Audiences loved the smirk on Vito Corleone's face when the terrified landlord spluttered, "De rent—stays-a like-a before!" And the widow kept her dog! Democrats should bear these things in mind.

Presidents have their favorite movies. Nixon loved "Patton," and he watched it as the prosecutors closed in. Mr. Trump is the Godfather. Let us have cartoons all around—fantasies of decisive autocrats.

Look at the president's behavior from the Corleone point of view. The first premise held by Mr. Trump and his supporters—their entire philosophical basis and civic rationale—is that the American government and



GRANT ROBERTSON

other institutions (universities, media, many big corporations) are gone, captured by Long March Progressives (people who, in the manner of ideologues, have no idea how odious they often seem in the eyes of perfectly decent people with different politics and different memories of the country) and by a Democratic Party that itself has become a sort of Cosa Nostra run along Maoist lines. By this logic, only an outlaw regime such as Mr. Trump's can restore freedom, justice and the old ways. The Resistance is the Mob, and Mr. Trump represents the bracingly uncouth primacy of the earlier republic. The Trumpists are Russia's Old Believers, and he is the archpriest Avvakum.

The left sees a different historical comparison. New York magazine's Frank Rich, for example, refers to Mitch McConnell et al. as "the Vichy Republicans." According to Mr. Rich's analogy, embraced by many others on the left, American government has become the Third Reich. Donald Trump is indistinguishable from Adolf Hitler. Republicans who collaborate with the Trump administration are Marshal Pétain and his Vichy regime. They will face judgment when this is all over.

They will be tried, they will have their heads shaved, and some will be hanged.

What we behold in all of this, *inter alia*, is the rancid denouement of the baby-boom generation. Donald Trump was born June 14, 1946. Hillary Clinton entered the world a little later, on Oct. 26, 1947. They were proto-boomers, among the earliest arrivals in the first wave of that vast generation that would go on to invent rock, drugs, sex, the iPhone and everything else that is wonderful. The boomers refreshed American exceptionalism. They represented a nation with the dew still on it, a new beginning, a miracle of history.

Who needs Lexington and Concord when you have Woodstock and Stonewall? Like the Clintons and Donald Trump, boomers are their own most ardent fans. Their overwhelming numbers have ensured that as they pass through history, they remain snug in a cloud of their collective self-regard. They generate their own publicity, then affirm its truth by believing it. The narcissist is his own best customer. (The Kennedys—who emerged in an earlier era and were immunized by Joseph

Kennedy's cynicism and money—were more realistic about their own hype.)

In the 1960s, battles among boomers were mostly sublimated in the overall boomer rebellion against their elders—their authority, their ways and their war. Boomers put off, for almost a lifetime, the intragenerational struggle that finally emerged in 2016. The dissident boomer elites won the wars of their youth; they triumphed when the war in Vietnam was lost, and they deposed two presidents, Johnson and Nixon. These were heady, Oedipal victories that exacted a high long-term price and, almost unnoticed, embedded in the boomer legacy a self-righteousness born of their own secretly perceived guilt, and a need to validate their dissidence by embracing a radical critique and a sort of institutionalized and theological mistrust of their own country.

The dissident boomers, to justify their rebellious indulgences, must maintain that the fathers needed killing, and, as a matter of fact, that America was wicked in its origins and remains wicked even now: racist, genocidal, sexist and unjust.

As they approached the end of their story in the 2010s, it made sense that Donald Trump and Hillary Clinton (boomer twins and opposites) would be the 2016 presidential nominees—or at least it made as much sense as the obsessive chic of transgenderism, or discretionary pronouns, or tattoos, or Bob Dylan as a Nobel laureate. The boomers invented themselves. They have their own ways of doing things. They are a universe floating in time and space, deaf to earlier cultural transmissions and to the lessons of experience.

By this time, they have grandfathered their peculiarities into American culture and politics and planted them deep in the minds of millennials and those even younger. There is no turning back. And that, in part, is how we have arrived at this interesting place in our journey.

*Mr. Morrow, a senior fellow at the Ethics and Public Policy Center, is a former essayist for Time.*

# How to Restore the FBI's Culture

By Thomas J. Baker

**T**he Federal Bureau of Investigation has turned a corner. Deputy Director Andrew McCabe and now Deputy Assistant Director Peter Strzok have been fired. The Justice Department's inspector general has issued a report, and is at work on another, looking at specific alleged abuses. Attorney General Jeff Sessions has appointed U.S. Attorney John Huber to review the recent failings. Since James Comey's dismissal, the bureau now has a new director, deputy director and chief of staff.

The way forward now requires a renewal of culture—a turn away from the "intelligence driven" mindset of the Robert Mueller and Comey years and a return to the old ethos of a fact-finding, swear-to-tell-the-truth law-enforcement agency.

## Decentralize management of cases, improve relations with Congress, and focus on the Constitution.

Director Christopher Wray has acknowledged that there were problems. He has stated to numerous audiences that in running the bureau he will put an emphasis on process and the "brand." Each of the specific problems from the Mueller/Comey years that have identified must be addressed:

- *The centralization of case management at FBI headquarters.* According to Florida Rep. Matt Gaetz, an email from Mr. McCabe said that Hillary Clinton would receive an "HQ special"—lenient treatment in the investigation into her handling of classified materials. Mr. Wray has tasked Associate Deputy Director Paul Abbate to review how the bureau manages sensitive investigations. Part of the answer is for case management to return to the time-tested field-office model with its layers of review.

- *Bad relations with Congress.* The FBI needs to re-establish a climate of mutual respect with lawmakers. The "Gang of Eight"—congressional leaders and intelligence committee chiefs—is the time-tested vehicle for sharing sensitive information. The bureau should use it. The head of the Office of Congressional Affairs should come from the ranks of agents. During the troublesome Comey years that role was held by a politician. A special agent would have the institutional knowledge to respond to Congress, whose members would afford an agent more credibility.

- *A dysfunctional Foreign Intelligence Surveillance Act process.* House Intelligence Committee Chairman Devin Nunes has said Congress will look at this after the midterm elections. But the FBI and Justice Department need not wait. They should adopt an internal standard to avoid the use of FISA to target an American citizen before Congress forces more restrictive controls on counter-intelligence investigations.

- *A lack of emphasis on the Constitution.* FBI special agents always have been instructed about the Constitution. But a new category of employee arose after 9/11. Intelligence analysts, who don't directly interact with citizens in ways that touch on the Constitution's guarantees, now play a major role in the bureau's mission. These employees deal in estimates and best guesses. Their actions also ultimately affect people's liberty. It is imperative that they, too, receive training about the Constitution.

As former FBI Director William Webster repeatedly told us: "We must do the job the American people expect of us, in the way that the Constitution demands of us." All actions and decisions must once again be viewed through that prism.

When I was in training as a new agent, we were each given a pocket copy of the Constitution by our legal instructor. He told us to keep it in our breast pocket. If we did that, we would think about it when interviewing a suspect or conducting a search. If you keep it "close to your heart, you won't go wrong," he said.

That may sound corny, but many of us did hold it close to our hearts. Sadly, I have learned that for years new agents have no longer been given a Constitution. A little thing perhaps—but little things mean a lot.

What is called for now is a renewal of the FBI's culture. The bureau must turn the page on this intelligence-driven chapter of history. It will be a difficult task, but the hardworking men and women of the FBI deserve it. The American people deserve it too, and the Constitution demands it.

*Mr. Baker is a retired FBI special agent and legal attaché.*

# After a Hurricane, FEMA Makes the Disaster Drag On

By Parker Abt

**H**awaii rarely encounters hurricanes; none have made landfall since 1992. Yet within three weeks this month, Hurricane Hector sideswiped the islands and Hurricane Lane flooded them. Homeowners who lack sufficient insurance will now expect the Federal Emergency Management Agency to make their houses habitable again. But if recent history is any guide, Hawaiians should brace themselves. When FEMA rules conflict with local ones, the agency's legalistic argle-bargle sometimes requires a decade to sort out.

Hurricane Harvey shows what can go wrong. It lumbered through Texas, unloading 5 feet of rain, one year ago. Yet 8% of survivors have not returned to their homes, as per a recent Kaiser Family Foundation study. Some low-income families had their aid requests denied by FEMA because of "insufficient damage" to their homes. But FEMA also denied aid to homes with roofs blown off or mold creeping up the walls.

A plausible explanation for at least part of the discrepancy is that FEMA's comparatively strict aid policies are in conflict with Texas' minimal housing regulations. FEMA aims to restore property to "safe and sanitary" condition while being careful not to make "improvements or additions to the pre-disaster condition." At the same time, Texas allows families to build their homes to a lower standard than what FEMA considers "safe and sanitary." In other words, a house can be good enough for Texas but not for FEMA. Consequently, the only way FEMA can rebuild it to the "safe and sanitary" standard is by contradicting the "no improvements" rule.

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In 2008 when Hurricane Dolly hit Texas, FEMA solved the paradox by invoking an unwritten rule called "deferred maintenance." This allowed federal inspectors to deny aid if they thought a home's poor condition was caused by lack of care, not

**Federal rules fail to take local laws into account, making it especially hard for the poor to get aid.**

the hurricane. In the colonias of South Texas, where substandard housing is the norm, thousands of families were refused relief on this basis. People who couldn't afford to upgrade in good times were punished at their most vulnerable. It took eight years in court for a judge to declare the rule illegal in 2017 and order FEMA to pay up.

In Puerto Rico, FEMA is denying aid to those who do not possess the deeds to their homes. Although

reasonable on its face, this rule is unfair given that 35% of Puerto Rican homes are not registered with the government and informal land development is locally accepted. As a result, FEMA has denied about 60% of Puerto Rican requests under its program for individuals and households.

For those trying to navigate the FEMA appeals process, prospects are grim. The rules are so complicated that lawyers are often necessary at every step, which is a huge burden on low-income families. One Puerto Rican obtained a letter signed by local officials saying he owned his land, yet FEMA still rejected him as unable to prove it. As of July, FEMA had denied or failed to respond to 79% of appeals.

In Texas and Puerto Rico, rules that sounded good in theory excluded poor homeowners in practice. It is inexcusable that FEMA did not iron out such wrinkles ahead of time. Americans whose lives differ from the federal bureaucracy's expectations should not be abandoned when disaster strikes.

Hawaiians can expect similar glitches as FEMA rushes to their state, which has some of the nation's most restrictive land-use regulations. More local rules create more chances for discrepancies. Low-income homeowners who cannot afford to satisfy modern building codes must remain wary of FEMA's "safe and sanitary" boondoggle. Native Hawaiians must navigate the intersection of FEMA rules and their unique status.

Don't forget, too, the 18,000 Hawaiians in public housing, a result of a residential market so expensive that families making \$93,000 a year officially qualify as low-income. Rather than having to deal with only FEMA, they will have to stay vigilant to ensure the alphabet soup of responsible federal and state agencies makes timely repairs. "I'm from the government, and I'm here to help" is never a reassuring line, but in the wake of a natural disaster, it's downright ominous.

*Mr. Abt is a research fellow at the University of Pennsylvania's Wolf Humanities Center.*

# Keep Your Tariffs off My Harley

By Edward Lazear

**W**hen I served in the George W. Bush administration, a group of Harley-Davidson-riding cabinet members and White House principals led the 2008 Memorial Day Rolling Thunder motorcycle parade. I own a 100th Anniversary Year Road King Classic. I am disappointed to see President Trump singling out the iconic American motorcycle company for harassment—a precedent that could

inflict long-run damage on the U.S. economy.

In response to the Trump tariffs on steel and aluminum, the EU imposed a 25% tariff on American-made motorcycles. To avoid this levy, Harley-Davidson announced a shift of some of its production to overseas plants. Mr. Trump responded with a tweet promoting a boycott of the company.

The problem is the tariffs, not Harley-Davidson's response. The company has a fiduciary responsibility to its shareholders to maximize their return—not to engage in what the president believes is patriotic behavior. The alternatives to shifting production abroad are to absorb the tariffs and accept lower profit, or else to raise prices and lose sales. Both imply harm to Harley's stock price, which its board has a duty to protect. If it ignored shareholder interests to please the president, Harley's management would be renegeing on one of its core obligations.

Mr. Trump has every right to use the bully pulpit to promote his policies. But the president's explicit encouragement of a boycott against a specific U.S. company for acting in the interests of its shareholders is harmful and threatening. He has now made it clear to Harley-Davidson—and to other companies by example—that their share values may fall if they buck the White House. Like it or not, this strategy is working. Since it announced the move,

Harley has suffered negative publicity and taken a hit in the stock market, egged on by the presidential Twitter feed. The result is that U.S. companies may come to believe that their longer-run shareholder interest is to live with the president's protectionism rather than risk being singled out for attack.

The president should drop his ill-conceived tariff policies. Short of that, he would do less damage if he criticized the practice of offshoring in general rather than targeting specific companies to act against their fiduciary obligations.

Mr. Trump may genuinely believe his trade tactics will pressure other countries to reduce their tariffs, resulting in freer trade overall. This is unlikely. In the meantime his policies impose steep costs on American firms, like Harley-Davidson, and the people who want to buy from them. The best way to get others to buy American is to produce high-quality goods inexpensively. Those American products that do well abroad, Harley-Davidson motorcycles among them, succeed because consumers value them, not because tariffs and trade-war threats force them to buy American.

*Mr. Lazear, who was chairman of the President's Council of Economic Advisers from 2006-09, is a professor at Stanford University's Graduate School of Business and a Hoover Institution fellow.*

## WORLD NEWS

# Pope Faces Calls to Answer Coverup Claim

Francis keeps silent on charge he rehabilitated cardinal accused of sexual misconduct

BY FRANCIS X. ROCCA

**ROME**—Accusations that Pope Francis helped cover up sexual misconduct reverberated around the Catholic Church on Monday, threatening to undermine his credibility on sexual abuse and to hinder his pontificate more generally.

The shock allegations by Archbishop Carlo Maria Viganò, who claimed over the weekend that Pope Francis knew about past sexual misconduct by a cardinal but rehabilitated him despite the previous pope's sanctions, generated uncertainty, skepticism, and calls for more information from Catholic commentators and clergy.

The uncertainty over the truth is itself damaging to the pope, observers said. Until now, Catholics around the world have looked to the Vatican for guidance and support in stopping and punishing clerical sex abuse. Now that the pope himself is accused of complicity in a coverup, he must dispel suspicions or risk tainting his efforts at reform across the church, some said.

Since a pope wields influence in the church and society primarily through exhortation and example, a loss of moral authority would cripple his ability to preach or lobby on a host of other issues, from abortion to immigration.

"Without those answers," he said, "innocent men may be tainted by false accusation and the guilty may be left to repeat sins of the past."



STEFANO RELLANDINI/REUTERS

Pope Francis prayed in front of a candle lit to remember victims of abuse by the church, inside St Mary's Pro-Cathedral in Dublin Saturday.

University of the Holy Cross. "People could be left lingering in a limbo of uncertainty."

The president of the U.S. Conference of Catholic Bishops, Cardinal Daniel DiNardo of Houston, said in a statement that Archbishop Viganò's letter raised questions that "deserve answers that are conclusive and based on evidence."

"Without those answers," he said, "innocent men may be tainted by false accusation and the guilty may be left to repeat sins of the past."

Archbishop Viganò, a former

Vatican ambassador to the U.S., published a letter over the weekend charging that the pope knew as early as 2013 about sexual misconduct by then-Cardinal Theodore McCarrick of Washington, whom the archbishop accused of sexual activity with seminarians and priests. The archbishop claimed that Pope Benedict XVI privately disciplined then-Cardinal McCarrick as early as 2009, but that the cardinal openly flouted the papal sanctions. Pope Francis knew of the cardinal's record

yet restored him to a position of high influence in the U.S. church, the archbishop wrote.

In July, now-Archbishop McCarrick became the first man in nearly a century to resign as a cardinal, after a church investigation found credible a separate accusation that he had sexually abused a teenager nearly 50 years earlier. The former cardinal has said he can't recall the incident with the teenager. His lawyer said on Sunday that he deserves due process with regard to the fresh allegations.

Pope Francis told reporters on Sunday night that he wouldn't respond to Archbishop Viganò's accusations, thus ensuring that the controversy would persist.

Many commentators have expressed doubts about the archbishop's charges while calling for more information. "The pope leaves it to journalists in their professional competence to evaluate the truth....Clearly, their work would be facilitated by the release of relevant documents" from the Vatican, said the Rev. Robert Imbelli, emer-

tus professor of theology at Boston College.

"The proper attitude is to take it seriously but with a large grain of salt," said John Allen, president of Crux Catholic Media and author of many books on the Vatican.

Mr. Allen cited as reasons for "healthy skepticism" Archbishop Viganò's many unsubstantiated accusations against other church leaders in the same document, and the archbishop's history as an emphatic critic of the pope's relatively liberal views on homosexuality and divorce.

The archbishop's accusations test the pope's credibility in particular with regard to the McCarrick case. Cardinal DiNardo has asked the pope to approve a full investigation of the matter by the Vatican, working with an independent commission of laypersons. But that request is based on the idea that an investigation by the Vatican itself would be seen as credible—an assumption now challenged by Archbishop Viganò's claim that protection for former Cardinal McCarrick came from the highest level.

Pope Francis' record on the church's sex-abuse crisis has long been criticized as inadequate by activists, and popular attitudes have reflected such disappointment. In January, a survey by Pew Research Center found that only 45% of Catholics in the U.S. thought the pope was doing an "excellent" or "good" job addressing the crisis, down from 55% three years earlier.

That survey was taken before a trip to Chile that month when the pope drew international outrage by saying that abuse victims who had accused a bishop of covering up sex abuse were guilty of "calumny."

## Pennsylvania Weighs Waiving Statute for Sex Abuse

BY JACOB GERSHMAN

The recent Pennsylvania grand-jury report detailing child sexual abuse in the Catholic Church could pave the way for granting adults who were victimized as children more opportunity to sue for damages.

Legislation pending in the Pennsylvania House of Representatives would temporarily waive the civil statute of limitations for child sexual-abuse claims, opening a two-year window for lawsuits that were previously time-barred. The House returns from vacation on Sept. 12 and it is expected to consider the measure.

Nine other states have enacted similar measures, giving plaintiffs with expired claims one or more additional years to sue, according to a child-advocacy group. Those laws gave life to thousands of lawsuits, prompted dioceses from Delaware to Minnesota to file for chapter 11 bankruptcy protection, and led to hundreds of millions of dollars in payouts.

The grand-jury report urged Pennsylvania to join those states, saying the legal deadlines imposed on older victims were "a sham."

In Pennsylvania, anyone sexually abused as a child has until the age of 30 to bring a civil action, under a 2002 law that wasn't retroactive. The statute of limitations for criminal prosecutions is longer, expiring when the victim turns 50.

The grand-jury report released this month chronicled decades of sex crimes committed by hundreds of priests against more than 1,000 boys and girls. The bulk of the incidents took place decades ago, far too late under current law to bring a wrong action claim against alleged perpetrators or their employers. For many of those alleging they were abused in the 1980s and before, the period for suing ran out before they turned 18.

Pennsylvania has considered reviving expired abuse claims at least twice since 2005, but the bills have never



JOSE F. MORENO/THE PHILADELPHIA INQUIRER/AP

port, but say Mr. Rozzi's so-called reviver bill goes too far, warning of a flood of costly litigation that could close parishes and schools.

The church and the state insurance industry, the other main source of opposition, say Mr. Rozzi's bill would violate a provision in Pennsylvania's constitution protecting the "vested rights" of litigants.

If enacted, the measure would get challenged in court, said Matt Haverstick, an attorney representing the dioceses of Harrisburg and Greensburg.

Church officials say they favor a different approach: a bill approved by the Senate. It raises the age limit for civil actions from 30 to 50, but grants the time extension only to those now under 30. Both the Senate and Mr. Rozzi's bill abolish the criminal statute of limitations for future cases of child sexual abuse.

Altoona, Pa., attorney Richard Serbin, who has spent decades representing clergy victims, estimated that he has turned away more than 150

potential abuse cases because the statute of limitations had expired.

California was the first state to retroactively extend the deadline for bringing child sex-abuse claims with a one-year waiver in 2002. That law opened the door to more than 1,000 lawsuits against the Catholic Church and other institutions. The Los Angeles archdiocese struck a then-record \$660 million settlement in 2007 with more than 500 people.

Delaware passed a pair of laws in 2007 and 2010. The first one—a two-year window for expired child sex-abuse claims—led to nearly 200 lawsuits. In 2009, hours before the start of civil trials, the Diocese of Wilmington filed for chapter 11 bankruptcy, later agreeing to a \$77 million payout to around 150 plaintiffs. The other two-year window allowed lawsuits against health-care providers, prompted by the indictment of a Lewes pediatrician convicted of raping scores of child patients.

## WORLD WATCH

## AFGHANISTAN

### Moscow Postpones Afghan Peace Talks

Russia's foreign ministry said that it postponed a multilateral meeting on peace in Afghanistan after the Afghan government declined an invitation to meet the Taliban in Moscow.

The Moscow talks, initially scheduled for Sept. 4, presented a challenge to U.S. and European officials seeking to steer the Taliban toward negotiations with the Afghan government and an end to the 17-year war.

A Russian foreign ministry statement Monday said the talks were postponed after President Ashraf Ghani asked Russia's foreign minister, Sergei Lavrov, for more time to prepare.

"An agreement was reached to jointly work out a new date for the meeting through diplomatic channels," the Russian foreign ministry statement said.

The Afghan government said the Moscow meeting could have offered "a unique opportunity for achieving our common goal of peace" and provided a venue for direct talks with the Taliban.

Other regional nations were expected to attend including China, Iran and Pakistan, but not the U.S. The U.S. didn't comment.

on the decision, but officials previously have expressed skepticism about Moscow's intentions.

A senior Afghan official said the meeting had been put on hold for at least a month after the government in Kabul had pressed Russia to avoid hosting the Taliban on a multilateral platform. "We worked very hard for this," the official said. The Taliban's political office didn't respond to a request to comment.

—Jessica Donati and Ann Simmons

## RUSSIA

### Opposition Leader Gets a Month in Jail

A Moscow court sentenced Russian opposition leader Alexei Navalny to a month in jail for an unsanctioned protest, a move that puts President Vladimir Putin's most prominent political rival behind bars and not in the streets for the next nationwide antigovernment protest.

Mr. Navalny's arrest Saturday outside his home came as a surprise, since police were detaining him over a protest rally held in January. He has been jailed multiple times for organizing demonstrations, but that typically happens soon after the event.

Mr. Navalny has called for na-

tionwide rallies on Sept. 9 to protest the government's plans to raise the retirement age for both men and women. The issue has united Russians with varying views against the proposal.

After a district court ruled Monday to put Mr. Navalny in custody, he urged his supporters to still take to the streets. In a tweet posted shortly after the ruling, Mr. Navalny said the Kremlin "shouldn't think that my arrest changes anything."

—Associated Press

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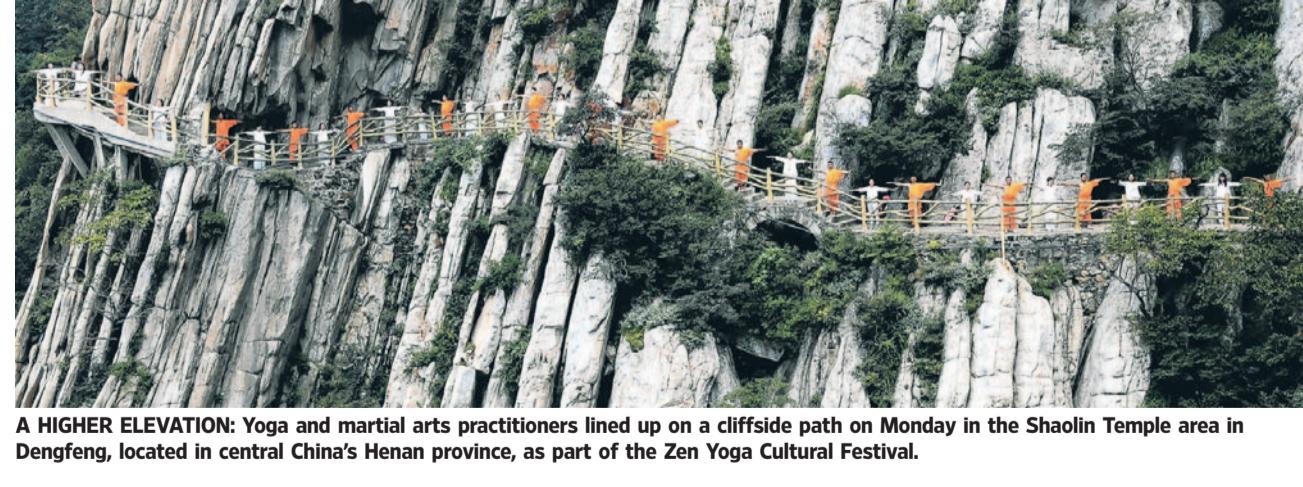
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—Associated Press



WANG ZHONGJIU/SIPA ASIA/ZUMA PRESS

A HIGHER ELEVATION: Yoga and martial arts practitioners lined up on a cliffside path on Monday in the Shaolin Temple area in Dengfeng, located in central China's Henan province, as part of the Zen Yoga Cultural Festival.

## NORTH KOREA

### Pyongyang Detains Japanese Tourist

Japanese government officials said Monday that they were trying to ensure the safety of a Japanese tourist whom North Korea said it had expelled after detaining him on unspecified charges.

The official Korean Central News Agency said late Sunday that Japanese tourist Tomoyuki

Sugimoto had been "kept under control" for questioning about "his crime," without specifying what he had been accused of.

In a two-sentence report, the news agency said the authorities decided to "leniently condemn him" and expel him on the principle of humanitarianism.

Japanese Chief Cabinet Secretary Yoshihide Suga told reporters that Japan's government was doing its "utmost," but declined to give further details.

Japan's government con-

firmed about two weeks ago that it was looking into reports that one of its citizens was being held in North Korea, but hasn't identified the person.

Japan's Kyodo News agency, citing a government source, said the person was believed to be a videographer in his 30s and may have been suspected of shooting video of a military facility while on a group tour to Nampo, a port city in western North Korea.

—Associated Press

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, August 28, 2018 | B1

S&amp;P 2896.74 ▲ 0.77%

S&amp;P FIN ▲ 1.34%

S&amp;P IT ▲ 0.96%

DJ TRANS ▲ 1.13%

WSJ \$IDX ▼ 0.23%

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## Nasdaq Soars Past 8000 to Record

Surge in tech-heavy index, powered by Amazon, Netflix and others, recalls 1990s

BY AKANE OTANI

The Nasdaq Composite vaulted above the 8000 threshold for the first time Monday, underscoring the dominant role megacap technology shares have played in propelling the U.S. stock market past its global peers this year.

It took the tech-heavy index just short of eight months to climb a thousand points after crossing 7000 in January. The last time the Nasdaq hit two thousand-point milestones in a year was 1999, when dot-com fervor sent tech shares surging before a precipitous crash.

Nearly two decades later, technology stocks are rocketing again, with online-streaming giant **Netflix** Inc. soaring 90% this year, **Amazon.com** Inc. climbing 65%, **Microsoft** Corp. advancing 28% and Google parent **Alphabet** Inc. rising 19%.

Yet while investors have drawn parallels between the rally of the '90s and now, many are reluctant to call it quits on the tech sector. A number of the technology titans, including Amazon and Microsoft, have upended investors' expectations this year as they continued to post soaring profits.

More broadly, the U.S. economy remains strong, a factor that has propelled not just the Nasdaq but the S&P 500, the Russell 2000 index of small-capitalization companies and the Dow Jones Transportation

Average to records this month.

Those gains, as well as a more upbeat U.S. economic outlook, help investors justify the tech sector's rich valuations for now—even as some have grown increasingly nervous that the stocks could be overdue for a pullback. Monday's news that the U.S. and Mexico reached a trade agreement after months of negotiations also helped send stocks broadly higher.

The Nasdaq rose 71.92 points, or 0.9%, to 8017.90 on Monday, notching its 27th record close of the year.

With its 16% gain in 2018, the Nasdaq has nearly doubled the S&P 500's advance. If it holds its lead through the end of the year, it will have outperformed the broader index for the eighth year in 10.

Yet the Nasdaq's milestone is far from its biggest, mathematically speaking. The index had to climb 100% to get from 1000 to 2000 in 1998, 50% to get to 3000 in 1999 and 33% to hit 4000 the same year. Its latest thousand-point advance required a relatively diminutive 14% gain.

## Toyota To Work With Uber, Take Stake

BY GREG BENSINGER AND CHESTER DAWSON

**Toyota Motor** Corp. is investing about \$500 million in **Uber Technologies** Inc. as part of an agreement by the companies to work jointly on autonomous vehicles aimed at improving safety and lowering transportation costs.

Toyota's investment values Uber at about \$72 billion, slightly higher than where SoftBank Group Corp. valued the ride-hailing company earlier this year with its funding, according to people familiar with the matter.

Under terms of the tie-up, Uber will integrate self-driving technology into Toyota Sienna minivans for use in Uber's ride-hailing network, the companies said. The vehicles later could be owned and operated by third-party fleet managers, they added.

Uber has been seeking ways to lower development costs and losses in its autonomous-vehicle unit following a fatal crash involving one of its cars earlier this year in Arizona. Last year, the Uber division spent about \$750 million on self-driving car development before making cuts this year, according to people familiar with the matter.

In recent months, Uber has closed its Arizona autonomous-vehicle operations and laid off about 400 test drivers, some of whom it will rehire after undergoing new training. Uber also has taken its self-driving vehicles off the roads in the San Francisco Bay Area, Pittsburgh and Toronto while investigators look into the circumstances of the Arizona crash.

For ride-sharing concerns like Uber and Lyft Inc., autonomous vehicles could cut their biggest expense: paying human drivers. For auto makers such as Toyota, the potential of self-driving cars to power car-sharing services represents a major challenge to an industry dominated by individual car ownership.

Toyota's investment is reminiscent of General Motors Co.'s \$500 million bet on Lyft in early 2016 as part of a plan to jointly develop autonomous vehicles. That deal marked the first time a major car maker joined forces with a ride-hailing company, and accelerated a confusing array of alliances between Detroit and Silicon Valley.

A few months later, GM acquired startup Cruise Automation Inc., a maker of a system for retrofitting existing vehicles with autonomous-driving technology. That acquisition enabled GM to go its own way and

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## INSIDE



### NETFLIX NAMES CHIEF COMMUNICATOR

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### BERKSHIRE INVESTS IN MOBILE IN INDIA

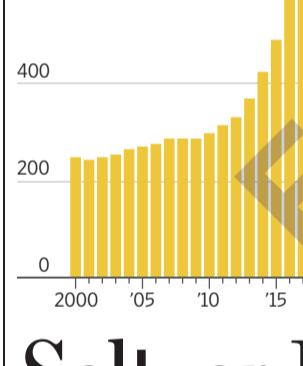
BUSINESS NEWS, B10



F. MARTIN RAININ/THE WALL STREET JOURNAL

As the popularity of sparkling water surges, drink makers are using seltzer to create a variety of hybrid beverages.

#### U.S. consumption of sparkling water



Plain	Flavored	Energy	Coffee	Coconut water	Fruit juice	Alcoholic	Cannabis
Perrier	Dasani Sparkling	Hiball	Keepers	Coco Libre Sparkling	Izze Sparkling Juice	Truly Spiked & Sparkling	Lagunitas Hi-Fi Hops
S. Pellegrino	LaCroix	Limitless	Matchless Coffee Soda	Vita Coco Sparkling	Minute Maid Sparkling	Spiked-Seltzer	
Topo Chico	Polar	Phocus	Stumptown Sparkling Cold Brew		Spindrift	White Claw	

Source: Beverage Marketing Corp. (U.S. consumption)

THE WALL STREET JOURNAL

## Seltzer Bursts Other Drinks' Bubble

BY JENNIFER MALONEY

three sparkling waters a day. "It's the fizz," said Ms. Aleckson, who works at a Minneapolis nonprofit. "It kind of feels like a treat but not a bad treat."

Sparkling water sales are soaring in the U.S. as consumers like Ms. Aleckson ditch soda for healthier, more natural beverages. And with that explosion has come a wave of variants: caffeinated and alcoholic versions, sparkling coconut water and coffee, even seltzer laced with cannabis.

Americans will buy an estimated 821 million gallons of sparkling water this year, including imports like S. Pellegrino and domestic brands like LaCroix, according to industry tracker Beverage Marketing Corp. That is nearly three times as much as 2008.

U.S. retail sales of nonalcoholic sparkling water, seltzer and club soda totaled \$2.7 billion in the year ended June 30, surpassing fruit juice sales, which were \$2.5 billion in the

same period, according to Nielsen.

Beverage giants are investing heavily in the category. **Coca-Cola** Co. last year bought Topo Chico, a sparkling water bottled in northern Mexico that has a cult following in Texas. That was in addition to the carbonated versions of Coke's two bottled-water brands, Dasani and smartwater.

**PepsiCo** Inc. this year launched a new flavored seltzer. Please turn to page B2

HEARD ON THE STREET | By Justin Lahart

## Papa John's Makes for a Satisfying Investment

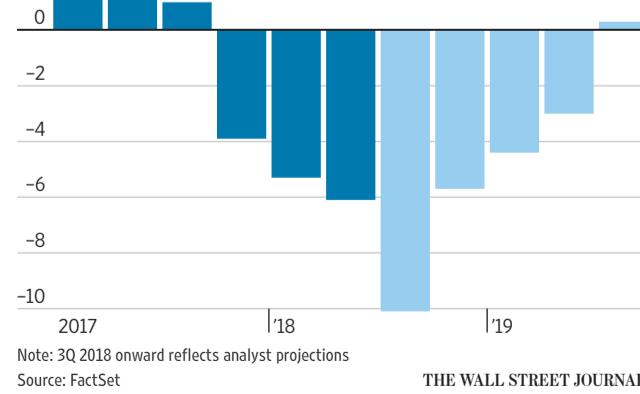


**Papa John's International** is a mess. Investors should

consider picking up a slice of it anyway.

Last November, the pizza chain's founder, John Schnatter, embroiled the company in the controversy over football players' national anthem protests, blaming it for declining National Football League television viewership and for his company's slowing sales. Mr. Schnatter, who owns 29% of Papa John's, stepped down as CEO at the end of 2017 and the company ended its NFL sponsorship. But a report last month that he had used a racial slur during a call with a marketing agency stirred up more trouble and led to his resignation as chairman. None of this has been

Papa John's domestic same-store sales, change from a year earlier



THE WALL STREET JOURNAL

good for business. Earlier this month the company reported that its North American same-store sales were down 6.1% in the second quarter from a year earlier and that its July same-store sales were down 10.5%. The company said it was a reflection of

customers' reaction to news of Mr. Schnatter's comments.

None of this has been good for Papa John's stock, either. The company's shares rose 5% on Friday following a report it had hired bankers, but they remain 42% below their

year-ago level. They are cheap enough that not much would need to go right for them to rebound. They might do so even if things merely don't get any worse.

Papa John's trades at 29 times expected earnings, according to FactSet. That high ratio is a reflection of just how weak analysts estimate the company's earnings will be over the next year as it copes with the lower sales that have come from the controversy and as it faces higher costs from its efforts to set things right. Even so, its P/E is below industry leader Domino's level of 33.

The decline in earnings may not be as extreme as the estimates suggest. Analysts expect domestic same-store sales will be down 10.3% in the current quarter from a year ago and that they will increase by just 0.3% in the year that follows. That amounts

to a forecast that none of the customers the pizza chain has lost will come back.

On Friday, the company said it is mandating diversity training for its staff, and starting in the fourth quarter it says it will aggressively roll out a new advertising and marketing campaign aimed at rebranding itself. A lot of people seem to like its pizza—it continues to rank highly in customer satisfaction.

Moreover, a lot of the additional costs Papa John's will incur over the next year, including financial assistance to franchisees and replacing items with Mr. Schnatter's image on them, are going to be temporary. When they fade, margins should improve.

Like a good pizza, Papa John's could provide investors with tremendous satisfaction for the money.

## BERKSHIRE INVESTS IN MOBILE IN INDIA

BUSINESS NEWS, B10

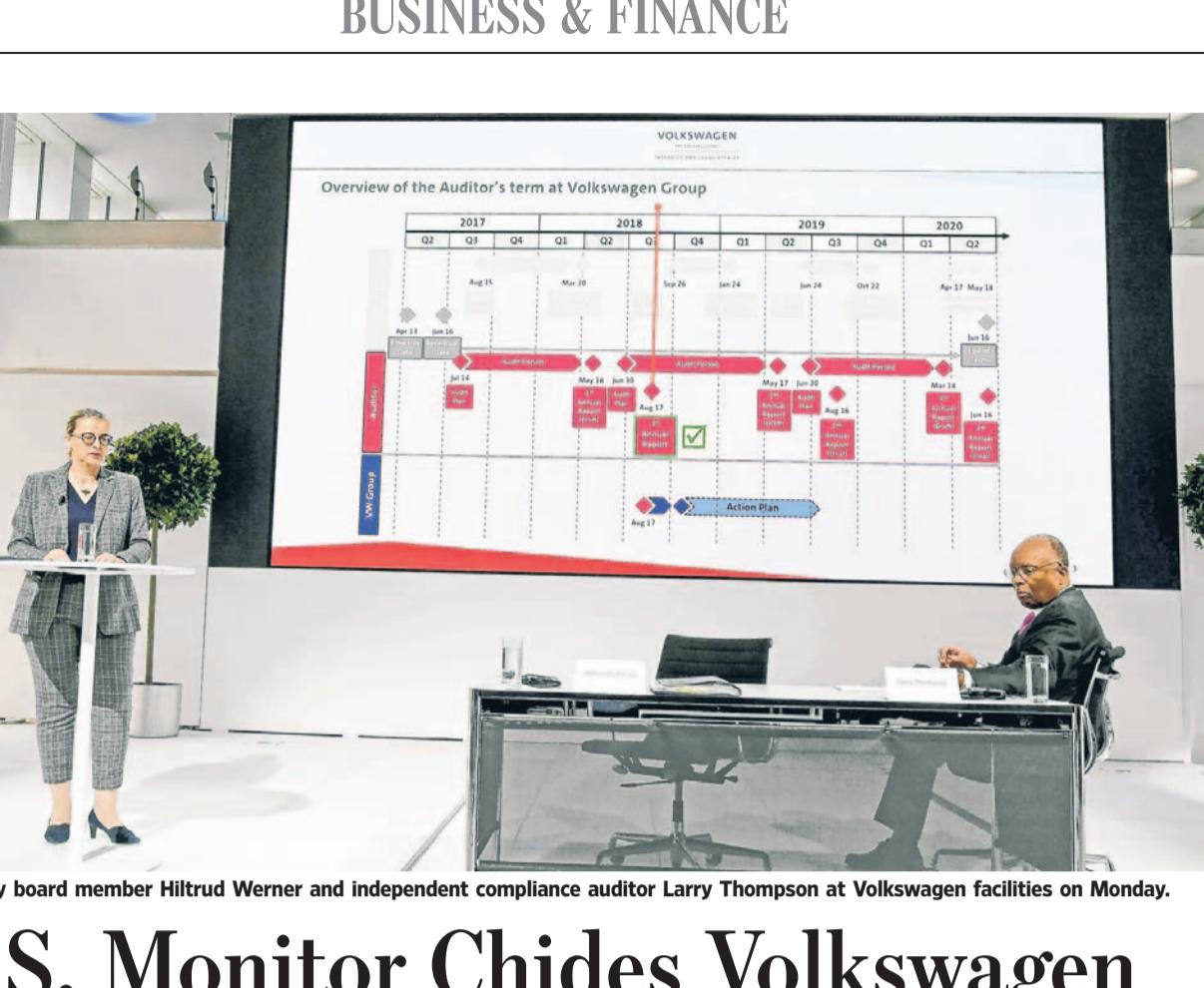
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Company board member Hiltrud Werner and independent compliance auditor Larry Thompson at Volkswagen facilities on Monday.

## U.S. Monitor Chides Volkswagen

By WILLIAM BOSTON

WOLFSBURG, Germany—Nearly three years after U.S. authorities charged **Volkswagen AG** for cheating on emissions tests, the German auto maker is only starting to implement changes needed to prevent another scandal, according to a report by a government-appointed monitor.

The report, published on Monday, is the work of Larry Thompson, a former deputy U.S. attorney general appointed by the Justice Department as independent compliance auditor after Volkswagen pleaded guilty to violations in connection with the diesel scandal.

Mr. Thompson criticized the company for being insufficiently transparent, citing a "reluctance to share certain information." Volkswagen, he

wrote, routinely "included the use of redactions" in documents provided to the auditor, with company officials often invoking attorney-client privilege and German privacy laws.

Addressing journalists at the company's headquarters, Mr. Thompson and Hiltrud Werner, a Volkswagen board member, said the company has pledged to be more open in the future.

The report is the first audit of Volkswagen's efforts to comply with its agreement with the Justice Department and the state of California since its guilty plea in the wake of the September 2015 disclosure that the company had rigged nearly 11 million diesel-powered cars to cheat emissions tests.

Mr. Thompson, who oversaw the federal investigation of Enron, the energy company

that went bankrupt in 2001, has been critical of the sluggish pace of change at Volkswagen in the past.

Ms. Werner told reporters that the sheer magnitude of the scandal might have accounted for some inertia at the company initially but that outsiders might underestimate just how much internal change the company has undertaken.

"It is not easy to come from shock to shame to change," Ms. Werner said.

Even as Volkswagen works on enterprise-wide compliance systems, a code of conduct and various technical changes to guard against another scandal, German prosecutors have asserted that some company officials were meddling with their investigation.

As recently as May, Audi AG, the luxury-car maker owned by Volkswagen, said it

had found illegal software that manipulates emissions in about 60,000 of its best-selling diesel-powered vehicles, acknowledging that the car maker continues to struggle to get control of the emissions-cheating scandal.

Audi Chief Executive Rupert Stadler was later arrested and is still being detained on suspicion of trying to tamper with witnesses and impede the criminal investigation.

Volkswagen maintains the diesel scandal was carried out by a small group of lower-level engineers without the knowledge of higher executives. But Mr. Stadler's detention and a federal indictment in May of Martin Winterkorn, the former Volkswagen CEO who resigned in the days after disclosure of the scandal, are undermining the car company's rogue-engineer narrative.

## Japan's Auto Makers Focus on China

By SEAN MC LAIN

TOKYO—Nissan Motor Co. said Monday it has started producing its first made-for-China electric car, leading a wave of electric vehicles planned for the world's biggest car market by Japanese makers.

China is becoming a critical part of Japanese companies' growth plans for both gasoline-powered and electric vehicles, while uncertainty clouds their U.S. business because of possible tariffs by the Trump administration on imported cars and car parts.

Nissan said its joint-venture factory in southern China has started making a battery-powered version of the Sylphy compact—the car, known as the Sentra in the U.S., is its best-selling vehicle in China—with a lower-priced electric model due out next year. By 2022 Nissan plans for about one-third of its China sales to be battery-powered vehicles.

Car makers need to boost production of plug-in vehicles to keep growing in China. Next year, Beijing will start mandating that a certain percentage of vehicles produced in China be electric.

Nissan and Japanese peers **Toyota Motor** Corp. and **Honda Motor** Co. collectively are set to introduce more than a dozen battery-powered vehicles in China in the next few years, while also stepping up production of conventional gasoline-powered cars.

The U.S. is still the most important market for Japan's big



A battery-powered Sylphy, Nissan's first made-for-China electric car, at a factory in Guangzhou.

### Making Inroads

January-June car sales in China



three, but China is closing the gap. Nissan sold 1.59 million cars in the U.S. last year, and 1.52 million in China. Toyota

sold 1.29 million vehicles in China last year, compared with 2.43 million vehicles in the U.S. At Honda, China represented 28% of global sales last year, behind 30% for the U.S.

In June, Nissan said it would add an eighth factory in China, taking over facilities owned by Chinese joint-venture partner Dongfeng Motor Group Co. The plant will produce about 120,000 Nissan vehicles a year.

The production expansion is part of the ¥1 trillion (\$9 billion) that Nissan and Dongfeng have said they plan to spend in China through 2022.

Nissan has said it plans to have 10 electric and plug-in hybrid vehicles in China by 2020. Overall, the company is hoping to increase sales in the

country to 1.4 million vehicles this year, whereas its local production capacity is only about 1.2 million.

A construction tender posted this month on a government website in Tianjin, where Toyota produces its Corolla sedan and C-HR compact sport-utility vehicle with a local partner, said the company was planning to spend about \$258 million to expand capacity.

Toyota's other Chinese partner, Guangzhou Automobile Group Co., said Toyota was planning to expand a plant.

Honda said in April it would introduce a new electric-vehicle brand called Everus for Chinese customers.

—Yoko Kubota in Beijing contributed to this article.

## Toyota To Invest In Uber

Continued from the prior page  
become an able competitor to Uber, Alphabet Inc.'s Waymo and others in the effort to get driverless cars on the road.

Around the time of GM's Cruise acquisition, Toyota made a small investment in Uber with plans to help create a car-leasing program for potential Uber drivers as well as jointly explore other ride-hailing services, including in-car apps.

SoftBank's Vision Fund, a big backer of Uber, in June bought a nearly 20% stake in GM's Cruise as the auto maker plans to launch a robot ride-hailing service next year. Months ear-

lier, SoftBank invested \$1.25 billion in Uber at a roughly \$68 billion valuation, and bought shares from investors at a valuation of \$48 billion, making it the largest Uber investor with a 15% stake at the time.

Last month, Ford Motor Co. carved out its self-driving car program into a subsidiary to make it easier to lure investors.

Toyota hasn't been as quick to embrace autonomy as rivals, but moved recently to bolster its capabilities. It has a goal of launching an autonomous car by 2020. Toyota's Uber investment indicates how serious it has become about autonomous vehicles, said Glen De Vos, chief technology officer at automotive software supplier Aptiv PLC. "It clearly shows they recognize they've got to do something a bit different from the traditional model where you do everything in house with your established partners," he said.

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## Seltzer Upends Beer, Coffee

Continued from the prior page

zter brand called bubbly, and last week announced a \$3.2 billion deal to buy SodaStream International Ltd., which makes countertop seltzer machines.

"I think we were late to the flavored sparkling water category," PepsiCo's outgoing Chief Executive Indra Nooyi told investors in February. "I wish we had launched bubbly a couple of years ago."

National Beverage Corp.'s

multiflavored LaCroix brand remains the market leader with 19% of sparkling water and seltzer sales in the four weeks ended July 14, according to a Wells Fargo analysis of Nielsen data.

Meals and festive occasions have "been the last stronghold for carbonated soft drinks," said Andrius Dapkus, general manager of domestic brands for Nestlé Waters North America. That is where sparkling water is making inroads, he said.

The company this year relaunched the fizzy versions of its regional spring water brands including Poland

Spring and Arrowhead with new packaging and flavors like pomegranate lemonade. The small-but-growing caf-

einated sparkling water category—including brands such as Phocus and Limitless—offers drinks with an energy kick minus the sweeteners. **Anheuser-Busch InBev**, the world's largest brewer, last year bought Hiball Inc., a San Francisco-based company that makes caffeinated sparkling water. And the flavored-water company Hint Inc. plans to release a caffeinated fizzy water this fall.

Sales of hard seltzer are small but surging, stealing market share from beer. Sales of alcoholic fizzy water totaled \$295 million in the year ended July 14, up from \$106 million the previous year and \$11 million two years ago, according to Nielsen. Hard seltzer now

represents about 10% of all flavored malt beverage sales in the U.S.

Sam Adams brewer **Boston Beer** Co. credits the success of its hard-seltzer brand Truly Spiked & Sparkling with helping the company turn around this year after a two-year slump, though sales of its flagship beer continue to decline.

"A year ago, it was questionable whether this was sustainable—was this a fad or a trend," Boston Beer CEO David Burwick told analysts in July.

Heineken NV, for its part,

has a different type of buzz on tap. The company's Lagunitas brand in July launched an IPA-inspired sparkling water line infused with cannabinoids. Its name: Hi-Fi Hops.

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## BUSINESS NEWS

# Tesla's Production Back In Spotlight

By TIM HIGGINS

It's back to "manufacturing hell" for Elon Musk.

Now that Mr. Musk has squashed efforts to take Tesla Inc. private, the spotlight will turn back to the auto maker's operational challenges, namely whether it can maintain its grueling production pace for the Model 3 to meet customer demand and generate cash to stave off fundraising.

Tesla's shares fell 1.1% to \$319.27 on Monday as investors digested the 17-day drama that began Aug. 7 with a shocking tweet from Mr. Musk saying he was considering taking the company private at \$420 a share. As details emerged, however, it became clear that a deal was far from finalized as he and Tesla directors raced to put in place financial and legal teams needed to seal a deal.

Mr. Musk pulled the plug on the suggestion last Thursday in a meeting with his board at the auto maker's Fremont, Calif., factory, and then announced the decision late Friday after the market closed. Staying public means Mr. Musk will need to continue answering to shareholders about

**Among those who are scrutinizing Elon Musk's Aug. 7 tweets are the SEC.**

periodic goals, while fending off investors who are shorting the company's stock.

Analysts on Monday were quick to question Mr. Musk's credibility and Tesla's financial prospects now that the auto maker isn't tapping investors for more money.

"His credibility has taken a hit—there's no question about it," Gene Munster, managing partner at investment and research firm Loup Ventures, said. "The more important question is: will it recover?"

Ryan Brinkman at J.P. Morgan had already cut his estimate for Tesla's share price to \$195 a share ahead of Mr. Musk's announcement on the revelations that a deal wasn't as close to completion as it initially appeared.

Following Friday's announcement, Philippe Houchois, an analyst for Jefferies, warned clients to expect a hit to shares on Monday, noting "more erratic corporate behavior" by Tesla.

"We wonder if the 'going private' tweet has effectively put Tesla in play and may lead to additional discussions with other investors, mainly corporates, that value Tesla's vision and can help bridge gaps in growth and execution skills," he wrote in a note.

Among those who are scrutinizing Mr. Musk's Aug. 7 tweets are the Securities and Exchange Commission, which is examining Mr. Musk's claim to have "funding secured" for a deal.

Some analysts and investors were sanguine about Tesla's decision to stay public. ARK Invest, a Tesla shareholder, said it was "delighted" because it believes Tesla's stock could be worth far more as a public company.

"We are not surprised that the bid failed, as there were many hurdles to leap," Efraim Levy, an analyst for CFRA Research, said in a note Monday. "We believe that there are more benefits for [Tesla] by staying public than by going private and adding additional debt to a levered balance sheet."

In his late night posting Friday, Mr. Musk noted the distraction that proposal had become, something unwelcome as he tries to focus the company on building the Model 3.

"I knew the process of going private would be challenging, but it's clear that it would be even more time-consuming and distracting than initially anticipated," Mr. Musk wrote Friday. "This is a problem because we absolutely must stay focused on ramping Model 3 and becoming profitable."

WEYERHAEUSER

## Stockfish to Succeed Simons as CEO

Weyerhaeuser Co. said Chief Executive Doyle Simons intends to retire.

Weyerhaeuser said its board chose Devin Stockfish, senior vice president of timberlands at the company, to take over as CEO at the start of 2019. Mr. Simons will be an adviser to the company until April 1 and will leave the board when Mr. Stockfish becomes CEO, the company said.

Weyerhaeuser said the head of its wood-products business, Adrian Blocker, will become timberlands senior vice president in 2019. Keith O'Rear, who runs sales and marketing for the wood-products division, will become senior vice president of wood products in 2019.

—Allison Prang

PETROBRAS

## Dutch Judge Backs Houston Oil Firm

An Amsterdam judge allowed **Vantage Drilling International** to restrict some assets of Brazil's state-run oil company, Petrobras Brasileiro SA, a win for the Houston-based offshore energy contractor in its attempt to collect a \$622 million arbitration award.

The dispute concerns a drilling contract Petrobras terminated in 2015, a turn that contributed to Vantage filing for chapter 11 bankruptcy protection in December of that year. The contract was cut off amid a corruption probe in Brazil. The prospect of collecting damages from Petrobras for the terminated contract was a component of Vantage's bankruptcy plan.

—Jonathan Randles

# J.Crew Makes Over Its Business

Apparel brand widens product assortment in an effort to reach more-diverse clientele

By KHADEEJA SAFDAR

When James Brett took over as chief executive of **J.Crew Group** Inc., Facebook was littered with complaints from angry shoppers. He took that as a sign the struggling apparel brand still had a chance.

"If this many people care enough to say these things—even though they're harsh, negative things—it's still good for us," he said. "We're still in the game."

The 49-year-old retail veteran, who previously led furniture chain West Elm, was hired in June 2017 when long-time J.Crew leader Mickey Drexler stepped aside as chief executive amid a yearslong sales slump.

More than a year later, J.Crew's 404 stores have cleared out inventory left over from Mr. Brett's predecessor, in time for Mr. Brett to give the brand a makeover.

"We must reflect the America of today, which is significantly more diverse than the America of 20 years ago," he said in an interview at his New York office. "You can't be one price. You can't be one aesthetic. You can't be one fit."

Mr. Brett's strategy is to expand J.Crew's assortment with more entry-level prices, as well as plus sizes and more fit options. He also will sell the clothes at more retailers in a bid to reach shoppers across the globe. The company plans to roll out most of the changes in the coming weeks.

Comparable sales at the flagship J.Crew brand have fallen for 15 straight quarters. The company is expected to report second-quarter results on Tuesday.

J.Crew became famous during the 1990s for defining the preppy dress code of upper-



Chief Executive James Brett is introducing more entry-level prices at the brand, as well as plus sizes and more fit options.

middle-class Americans. In recent years, the retailer's fashion became edgier with sequined blazers and feather skirts, catering to a smaller group of New York fashionistas, according to many longtime customers.

"The pricing jumped when it started getting trendier," said Corinne Grousbeck, a 55-year-old J.Crew shopper in Chestnut Hill, Mass. "I grew up in Michigan where you don't wear sequins before 5 p.m.—it just doesn't fly."

In an interview last year, Mr. Drexler said he was planning to emphasize lower prices and a more accessible image, but a month later he stepped aside as CEO. The company is carrying about \$1.7 billion of debt after Mr. Drexler took it private in a 2011 leveraged buyout with TPG Capital and Leonard Green & Partners.

Last year, Mr. Brett left his job at West Elm, where sales

more than tripled under his tenure, and moved into Mr. Drexler's old office. The New Jersey native said he hasn't met resistance from the private-equity firms or Mr. Drexler, who is still chairman. "If I fail, I'll have failed by my own hands," he said.

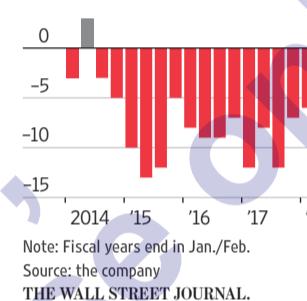
Mr. Brett's strategy is "charting a course for the next generation of an iconic brand," said Jim Coulter, co-founder of TPG. He said every fashion company needs to adapt to changes in consumer behavior. A spokeswoman for Mr. Drexler said he wasn't available to comment.

"The world has moved on around J.Crew," said Neil Saunders, managing director at GlobalData Retail. The company's debt load and a consumer shift toward fast fashion and niche brands could be insurmountable, he said. "Even with some of the innovative changes, they are running up on a down-moving es-

## Crew Cut

At the flagship J.Crew brand, comparable sales have fallen for 15 straight quarters.

### Year-over-year change in comparable sales



Note: Fiscal years end in Jan./Feb.

Source: the company

THE WALL STREET JOURNAL.

ger orders fetch better prices from suppliers.

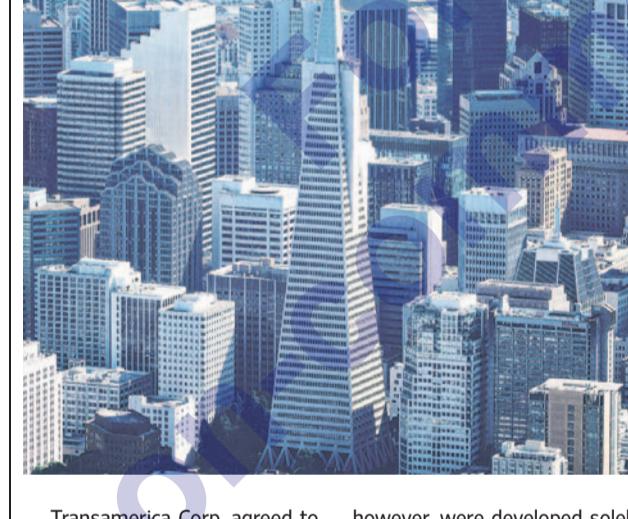
J.Crew's classic T-shirts now start at \$14.50 apiece, compared with \$29.50 last year. Higher-priced shirts will remain part of the inventory, but only if they use specialty fabric that can justify the price tag. "You have to have a competitive T-shirt," Mr. Brett said. "If you lose them on the basics, then they're not shopping you that often."

The company is extending women's sizes up to 24 and bringing back vintage designs such as rugby shirts. "This brand should never show at New York Fashion Week," Mr. Brett said. "We're not Gucci."

J.Crew isn't fully returning to its preppy roots. The brand is incorporating California-inspired styles using soft textures and floral prints.

"We can't be all New England preppy," Mr. Brett said. "Not everyone wants to look like that."

## Transamerica Reaches Pact With SEC



STEPHEN LAW/REUTERS

Transamerica Corp. agreed to pay \$97.6 million following a settlement with the Securities and Exchange Commission over charges that four of its entities misled retail investors.

The SEC said Aegon USA Investment Management LLC, along with Transamerica Asset Management Inc., Transamerica Financial Advisors Inc. and Transamerica Capital Inc., had said that investment decisions would be based on Aegon's quantitative models. The models,

however, were developed solely by an inexperienced junior analyst, contained numerous errors and didn't work as promised, the SEC said.

The four Transamerica entities didn't admit or deny the SEC's charges. In an email, a spokesman for **Aegon NV**, the Dutch parent company of Transamerica, said the company cooperated fully with the SEC throughout the investigation and is "pleased to put the matter behind us."

—Kimberly Chin

## BUSINESS WATCH

WEYERHAEUSER

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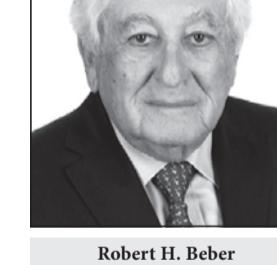
—Jonathan Randles



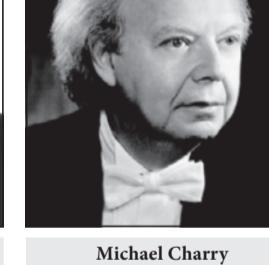
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## TECHNOLOGY &amp; MEDIA

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Executives hope the streaming service will double as a revenue source and a marketing channel.

# Video Is on Tap for Brewer

Scottish craft-beer maker BrewDog offers 100 hours of content on drinking culture

BY BENJAMIN MULLIN

A craft-beer company hopes to give new meaning to the term "binge watching."

BrewDog, a Scottish beer company, is offering a streaming service featuring more than 100 hours of video centered on drinking culture, the latest effort by a brand to launch its own media venture.

"The BrewDog Network," available on smartphone apps and online, costs \$4.99 a month. Breaking through in a crowded subscription-video market won't be easy.

Executives at BrewDog are hoping the new streaming service will double as a money-maker and a marketing channel, to help it stand out in a cluttered market for craft beer.

"Ultimately it's both," said

Chris Burke, general manager of the BrewDog Network. "It has the potential to be a meaningful revenue stream, but it's also about telling the story of BrewDog."

The BrewDog Network will carry a mix of licensed and original content in which drinking is an element, from food shows to travel series.

"The BrewDog Show," featuring the company's founders, will also be available at launch.

The streaming service is the latest in a series of unconventional business moves by the brewer, which has distinguished itself in part by cultivating a roguish image and appealing to a fan base of beer obsessives. Companies from Casper mattress to Airbnb have tried their hands at media ventures, a form of content marketing they hope will connect with consumers in a way that isn't possible with advertising.

BrewDog allows fans to buy into the company through "Equity for Punks," a shareholder crowdfunding cam-

paign that has attracted 85,000 investors. The company has opened a chain of bars, built a hotel with in-room beer taps and even proposed a quickly aborted plan to allow shareholders to gamble their equity on the roulette wheel.

That marketing pizazz, aided by the craft-beer boom, has helped transform BrewDog from a two-man garage brewery into an international company that now employs about 1,500 workers. BrewDog made a profit of \$12 million in 2017 on revenue of more than \$140 million, according to a company presentation. Last year, private-equity firm **TSG Consumer Partners** bought a 23% stake in BrewDog in a deal that valued the company at \$1.24 billion.

Niche subscription services can face difficulty winning market share in a streaming marketplace saturated with alternatives, and with many consumers already spending a healthy amount on major services like Netflix, Hulu and HBO Now. CuriosityStream, a

nonfiction streaming service, recently lowered prices and added advertising after slower-than-expected subscriber growth. And Seeso, the comedy streaming service from NBCUniversal, closed in 2017 about a year after its launch.

BrewDog is aiming to lure at least 50,000 subscribers in the first six months of the service, which Mr. Burke says will be enough to make it sustainable. The company is also planning to boost revenue for the network by cutting licensing deals with pay-TV providers that sell "skinny bundles" to consumers.

Craft-beer volumes grew about 1.6% in 2017, the slowest growth in a decade, according to trade association the Beer Institute. But direct-to-consumer delivery via taprooms and brewpubs is still growing at a fast clip.

BrewDog, which operates its own bars in the U.S. and U.K., has been insulated from the slowdown, said co-founder James Watt.

# Netflix Taps Facebook Executive for Chief Of Communications

BY MICAH MAIDENBERG

**Netflix** Inc. has named a new communications chief, about two months after the previous chief was fired for using a racial slur in conversations at work.

The streaming-content company said it hired Rachel Whetstone to the post, bringing her on from Facebook Inc., which she joined last year as vice president of communications.

In June, Netflix Chief Executive Reed Hastings said he fired Jonathan Friedland as the company's top communications official for using the "N-word" in conversation with colleagues, including black employees at Netflix.

Mr. Friedland has apologized for his remarks. He didn't direct the slur at any co-worker, the Journal previously reported.

Last month, the president of Viacom Inc.'s Paramount Television was fired, and the founder of Papa John's International Inc. resigned, both over inappropriate remarks.

Ms. Whetstone has also

worked as a political adviser in the United Kingdom as well as in senior communications and public policy roles at both Google and Uber Technologies Inc., according to Netflix.

She will start at the Los Gatos, Calif.-based company after spending a few weeks transitioning out of her current job, a spokesman said.

Ms. Whetstone is the second prominent communications leader to announce their departure from Facebook. In June, the company's top policy and communications executive, Elliot Schrage, said he was stepping down, ending a decade-long tenure at the social-media giant.

Mr. Schrage had initially discussed leaving Facebook before the 2016 election. He is still working at Facebook, helping the company find a new top policy and communications executive, a person familiar with the situation said.

Facebook, in a statement Monday, said it was grateful for Ms. Whetstone's service.

Netflix's share price rose 1.6% to close at \$364.58 on Monday.



Rachel Whetstone has worked at Facebook, Google and Uber.

BEN MARGOT/ASSOCIATED PRESS

# Report Clears FCC Chairman

BY JOHN D. MCKINNON

Federal Communications Commission regulators displayed no favoritism toward **Sinclair Broadcast Group** Inc. while retooling media-ownership rules, according to a new report from the agency's inspector general.

Two Democratic lawmakers requested the investigation last year, saying they were concerned that FCC Chairman Ajit Pai might have colluded with Sinclair officials to facilitate its planned takeover of **Tribune Media** Co. The FCC adopted a series of changes to loosen media-ownership rules over the last 18 months, including some that could have helped the Sinclair-Tribune deal pass regulatory muster.

Mr. Pai has denied any col-

lusion since the investigation became known, saying he had long advocated revising the rules to help media owners compete in a rapidly consolidating market.

The inspector general's report, released Monday, said the investigation "revealed no evidence of impropriety, unscrupulous behavior, favoritism towards Sinclair, or lack of impartiality related to the proposed Sinclair-Tribune merger."

The Sinclair-Tribune deal was scuttled this summer after Mr. Pai expressed serious concerns with it and referred it to an administrative law judge for further investigation.

Its collapse was a remarkable turnaround for a deal that at one time seemed to

NATIONWIDE

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NATIONWIDE

# BuzzFeed News Seeks Donations

BY BENJAMIN MULLIN

**BuzzFeed** News is becoming the latest newsroom to ask its readers to help shoulder the cost of newsgathering.

The digital-media company on Monday plans to unveil a feature at the bottom of its news pages that allows readers to donate between \$5 and \$100. The donation feature asks readers to "help us report to you" and calls upon them to join a community that will shape the future of BuzzFeed News.

Contributors will get updates on big investigations and new programming from BuzzFeed News, a person familiar with the program said. If successful, it could be a prelude to a membership program with more perks, the person said, noting the company has no plans to charge readers for content.

Executives at BuzzFeed News decided to launch the feature after observing other news organizations appeal to readers for support. The Guardian, a U.K. newspaper, raised \$130 million from reader contributions from April 2016 to March 2017.

## BUSINESS NEWS

## In-House Agencies Rise in Ad Business

BY ALEXANDRA BRUELL

In-house advertising agencies are rising as marketers look for more effective and cost-efficient ad models, according to a new study from Forrester and the In-house Agency Forum, which represents hundreds of large brands that have their own internal agency groups.

Advertisers with in-house agencies increased to 64% of the survey's respondents from 42% a decade ago, according to the study.

In 2008, most marketers that replaced or supplemented their external agency with an in-house agency prioritized cost savings and speed, according to the report. Today, cost efficiency and speed are still hallmarks, especially as marketers need to produce more digital creative work at a faster pace, but they aren't alone in driving the in-house trend.

More than one-quarter of respondents said the greatest advantage of having an internal agency was "knowledge of the brand," while 20% said the greatest advantage was the group's "knowledge of the business." A number of respondents also selected "cost effectiveness" and "speed," with fewer selecting categories such as "confidentiality" and "dedicated resources."

Ten years ago, amid the recession, clients were cutting back on external services, making cost efficiency a priority, said Marta Stiglin, a consultant, former in-house agency executive and founding member of the In-house Agency Forum. The In-house Agency Forum surveyed 325 companies, including marketers with and without in-house shops, as well as external agencies and vendors.

## Lawyer Battles Misconduct Claims

**John Singer advises Wall Street clients who were fired over allegations to fight back**

BY RACHEL LOUISE ENSIGN

A few months ago, attorney John Singer was catching up with a childhood friend. He told her about a new crop of clients he was representing: men fired over allegations of unwanted advances and other misconduct.

"You're on the wrong side of the issue," the friend, Stacy Creem, told him, half-jokingly. He laughed, she said.

For lawyers, a willingness to take on clients some find unsavory can be part of the job. Mr. Singer has waded into particularly controversial territory, helping men felled by the burgeoning #MeToo movement take on their former Wall Street employers. His approach, insisting his clients are the true victims, has helped earn some of the men unlikely victories.

Mr. Singer's clients include Omeed Malik, a Bank of America Corp. managing director who lost his job in January after a woman at the bank said he made unwanted advances, and Harold Ford Jr., who was ousted from Morgan Stanley last year after the bank learned of a similar claim from a nonemployee. He is also representing former D.E. Shaw Group managing director Dan Michalow, who was fired this year following an investigation into alleged "abusive and offensive conduct."

The three men were all eventually offered money or public statements that could help repair their reputations.

An outpouring of misconduct allegations against powerful men in a range of industries has led to a conundrum for their employers. Companies that don't swiftly fire accused men risk being seen by the public and employees as soft on harassers. But if they do move



John Singer, seen in his New York office, says the #MeToo movement has 'an underbelly to it.'

quickly, the fired men can claim that they were terminated unfairly before a comprehensive investigation. That is creating an opening for employment lawyers like Mr. Singer.

"I think it's wonderful," he said of the #MeToo movement. "But from a myopic standpoint of what I do for a living, I think it has an underbelly to it, because I think that the firms are shooting people without doing a fulsome investigation."

Bank of America and Morgan Stanley declined to comment on their investigations. A D.E. Shaw spokesman said the firm stands by its decision to fire Mr. Michalow.

Since October, Mr. Singer has represented about a dozen fired men in finance and other industries, even as he juggles cases for women alleging harassment and discrimination. He advises his clients to fight back and threaten legal action instead of slinking away in shame. The fired men sometimes hire their own public-rel-

lations consultants, who work with Mr. Singer and other lawyers they retain to try to change the media narrative.

"The goal is to constantly force [former employers] to evaluate the economics of the case and their liability," said Robert J. Girard II, a friend of Mr. Singer who runs a similar employment law practice.

**'You're on the wrong side of the issue,' a friend told Mr. Singer, half-jokingly.**

Mr. Singer, 51, grew up in suburban Boston and attended Tufts University with Ms. Creem.

Around 2003, Mr. Singer left Proskauer Rose LLP, where he represented investment banks in employment disputes, to hang a shingle with a friend out of a small Midtown Man-

hattan office. Their firm, Singer Deutsch LLP, pitched its services to Wall Street professionals fighting with their employers—traders who claimed they were wrongly denied bonuses and brokers fighting citations on their records.

Clients have come from his childhood sleep-away camp, a Patriots fan newsletter he ran until recently and the Norwood social club in downtown Manhattan. Novelist Mary Higgins Clark hired Mr. Singer to handle a case against a broker she thought put her in an unsuitable investment.

Mr. Singer's work for a range of Wall Street employees led to calls from men ousted for alleged misconduct. He declined to discuss the outcome of his recent cases.

Bank of America fired Mr. Malik in January after a young woman in the bank's prime brokerage unit reported him for allegedly making unwanted advances. Mr. Malik has through lawyers denied he sexually harassed anyone.

KENNETH BACHOR/THE WALL STREET JOURNAL

The bank agreed to pay Mr. Malik a settlement a few months after Mr. Singer helped him file a \$100 million defamation claim against the bank with the Financial Industry Regulatory Authority, or Finra, according to people familiar with the matter. The amount was eight figures, one of the people said. Mr. Malik is now consulting for hedge funds and is "active once again on the speaking and investor conference scene," his spokeswoman said.

D.E. Shaw said Mr. Michalow "engaged in gross violations of our standards and values" when it fired him earlier this year after several employees complained about his behavior and allegedly demeaning comments.

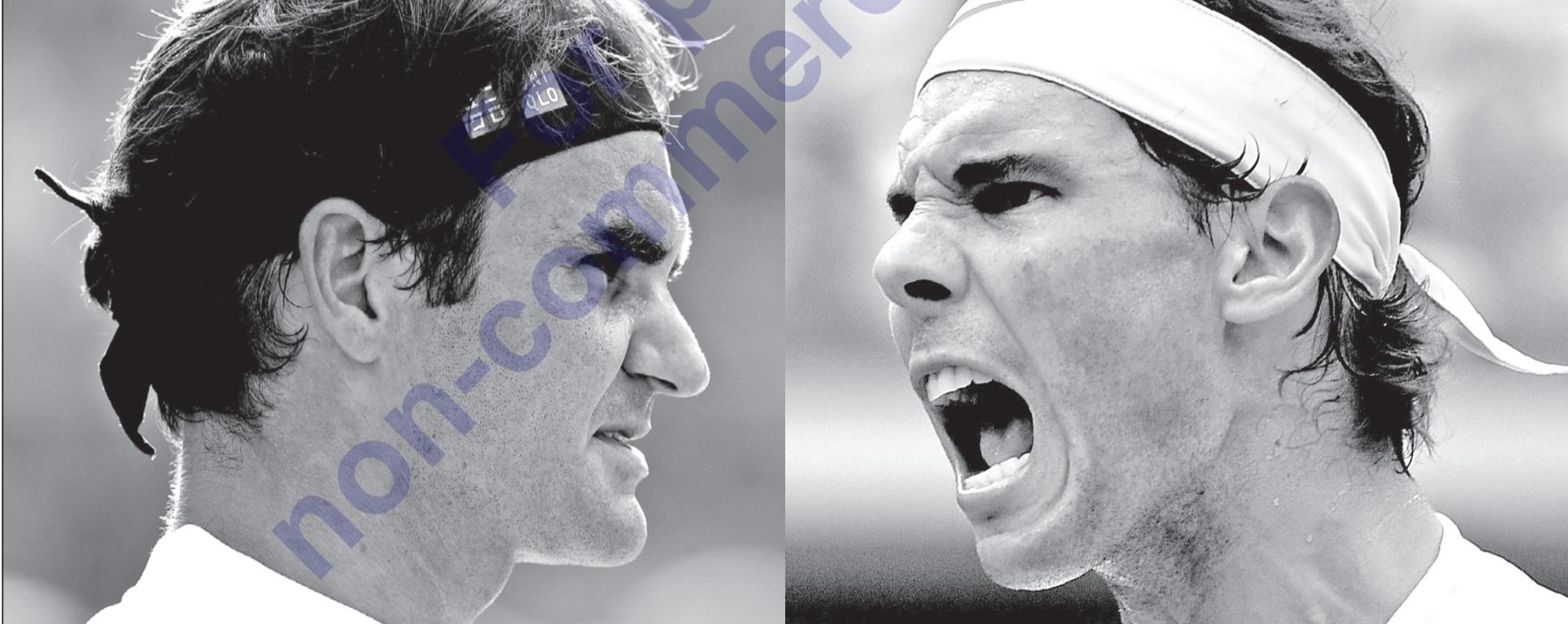
Mr. Michalow rejected a more than \$10 million payment offer from the firm, according to people familiar with the matter. He hired Mr. Singer to represent him and has threatened to file a Finra complaint against D.E. Shaw.

"All I have asked is that the firm say publicly what has repeatedly been told to my representatives and to me privately—that my departure from the firm is not related to sexual misconduct," Mr. Michalow said in a public letter. He says he could be difficult to work with.

When Morgan Stanley fired Mr. Ford in December, the bank said the reason was "conduct inconsistent with our values and in violation of our policies." It had recently investigated a claim that he had made inappropriate advances toward a woman who didn't work at the bank several years earlier, The Wall Street Journal reported at the time.

Mr. Ford said the incident "simply did not happen." He hired Mr. Singer and other lawyers and threatened legal action. In January, Morgan Stanley issued a statement saying Mr. Ford wasn't fired for "sexual misconduct."

—Rachael Levy contributed to this article.



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## THE WALL STREET JOURNAL.

# CIO Network

## Everyone Looks to You. Whom Do You Look To?

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## MARKETS DIGEST

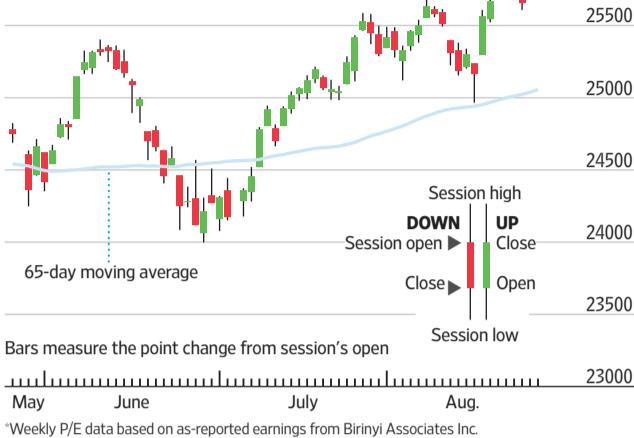
## EQUITIES

## Dow Jones Industrial Average

**26049.64** ▲ 259.29, or 1.01%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.56 20.01  
 P/E estimate \* 16.63 18.38  
 Dividend yield 2.09 2.31  
 All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open

May June July Aug. 23000 23500 24000 24500 25000 25500 26000

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2896.74** ▲ 22.05, or 0.77%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.06 23.53  
 P/E estimate \* 17.68 18.7  
 Dividend yield 1.83 2.01  
 All-time high 2896.74, 08/27/18



65-day moving average

May June July Aug. 2600 2650 2700 2750 2800 2850 2900

65-day moving average

## Nasdaq Composite Index

**8017.90** ▲ 71.92, or 0.91%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.89 24.94  
 P/E estimate \* 21.28 21.19  
 Dividend yield 0.97 1.13  
 All-time high: 8017.90, 08/27/18



65-day moving average

May June July Aug. 7200 7250 7300 7350 7400 7450 7500 7550 7600 7650 7700 7750 7800 7850

65-day moving average

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	26067.57	25882.71	<b>26049.64</b>	259.29	<span style="background-color: #00A000; color: white;">▲ 1.01</span>	26616.71	21753.31	<b>19.4</b>	<b>5.4</b>	<b>16.1</b>
Transportation Avg	11457.81	11308.15	<b>11412.77</b>	127.78	<span style="background-color: #00A000; color: white;">▲ 1.13</span>	11436.36	9156.96	<b>24.6</b>	<b>7.5</b>	<b>13.2</b>
Utility Average	733.89	723.61	<b>727.21</b>	-3.87	<span style="background-color: #FF0000; color: white;">▲ -0.53</span>	774.47	647.90	<b>-2.8</b>	<b>0.5</b>	<b>8.2</b>
Total Stock Market	30144.85	30019.28	<b>30119.23</b>	210.86	<span style="background-color: #00A000; color: white;">▲ 0.71</span>	30119.23	25251.00	<b>19.3</b>	<b>8.8</b>	<b>13.3</b>
Barron's 400	789.69	785.41	<b>785.81</b>	3.43	<span style="background-color: #00A000; color: white;">▲ 0.44</span>	785.81	634.50	<b>23.7</b>	<b>10.5</b>	<b>14.0</b>

## Nasdaq Stock Market

Nasdaq Composite	8024.94	7976.60	<b>8017.90</b>	71.92	<span style="background-color: #00A000; color: white;">▲ 0.91</span>	8017.90	6283.02	<b>27.6</b>	<b>16.1</b>	<b>18.5</b>
Nasdaq 100	7560.76	7512.02	<b>7559.13</b>	73.73	<span style="background-color: #00A000; color: white;">▲ 0.98</span>	7559.13	5838.08	<b>29.5</b>	<b>18.2</b>	<b>20.5</b>

## S&amp;P

500 Index	2898.25	2884.69	<b>2896.74</b>	22.05	<span style="background-color: #00A000; color: white;">▲ 0.77</span>	2896.74	2444.24	<b>18.5</b>	<b>8.3</b>	<b>13.4</b>
MidCap 400	2053.00	2041.31	<b>2044.06</b>	8.96	<span style="background-color: #00A000; color: white;">▲ 0.44</span>	2044.06	1706.68	<b>19.7</b>	<b>7.5</b>	<b>12.9</b>
SmallCap 600	1100.58	1092.28	<b>1092.96</b>	1.41	<span style="background-color: #00A000; color: white;">▲ 0.13</span>	1092.96	828.14	<b>32.0</b>	<b>16.7</b>	<b>17.7</b>

## Other Indexes

Russell 2000	1737.63	1727.33	<b>1728.41</b>	2.73	<span style="background-color: #00A000; color: white;">▲ 0.16</span>	1728.41	1382.23	<b>25.0</b>	<b>12.6</b>	<b>14.4</b>
NYSE Composite	13110.70	13043.43	<b>13102.03</b>	102.59	<span style="background-color: #00A000; color: white;">▲ 0.79</span>	13102.03	11791.88	<b>11.0</b>	<b>2.3</b>	<b>8.6</b>
Value Line	594.14	589.32	<b>591.93</b>	2.61	<span style="background-color: #00A000; color: white;">▲ 0.44</span>	591.93	509.50	<b>16.2</b>	<b>5.3</b>	<b>8.6</b>
NYSE Arca Biotech	5289.25	5174.87	<b>5272.94</b>	124.79	<span style="background-color: #00A000; color: white;">▲ 2.42</span>	5272.94	3999.44	<b>31.8</b>	<b>24.9</b>	<b>10.8</b>
NYSE Arca Pharma	584.69	580.05	<b>582.10</b>	-0.53	<span style="background-color: #FF0000; color: white;">▲ -0.09</span>	582.10	593.12	<b>11.4</b>	<b>6.8</b>	<b>0.9</b>
KBW Bank	111.99	110.56	<b>111.44</b>	1.18	<span style="background-color: #00A000; color: white;">▲ 1.07</span>	111.44	116.52	<b>19.0</b>	<b>4.4</b>	<b>15.2</b>
PHLX\$ Gold/Silver	68.96	67.93	<b>68.79</b>	1.11	<span style="background-color: #00A000; color: white;">▲ 1.63</span>	68.79	93.26	<b>-22.9</b>	<b>-19.3</b>	<b>13.7</b>
PHLX\$ Oil Service	147.92	146.01	<b>146.53</b>	0.52	<span style="background-color: #00A000; color: white;">▲ 0.36</span>	146.53	170.18	<b>21.6</b>	<b>-2.0</b>	<b>-5.6</b>
PHLX\$ Semiconductor	1407.72	1383.64	<b>1397.46</b>	21.57	<span style="background-color: #00A000; color: white;">▲ 1.57</span>	1397.46	1449.90	<b>29.1</b>	<b>11.5</b>	<b>31.8</b>
Cboe Volatility	12.48	12.02	<b>12.16</b>	0.17	<span style="background-color: #00A000; color: white;">▲ 1.42</span>	12.16	37.32	<b>7.4</b>	<b>10.1</b>	<b>-22.5</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
GGP	GGP	41,489.1	22.08	0.02	<b>0.09</b>	22.20	21.95
iShares MSCI Emg Markets	EEM	5,486.2	43.99	...	<b>unch.</b>	44.20	43.93
SPDR S&P 500	SPY	4,483.6	289.97	0.19	<b>0.07</b>	290.04	287.53
Invesco QQQ Trust I	QQQ	3,580.1	184.46	0.12	<b>0.07</b>	184.59	182.50
Van Eck Vectors Gold Miner	GDX	3,563.7	19.28	...	<b>unch.</b>	19.30	19.24
iShares Phlx Semiconductor	SOXX	3,250.6	189.78	0.01	<b>0.01</b>	189.78	189.77
VEREIT	VER	2,904.3	7.85	0.06	<b>0.77</b>	7.85	

# COMMODITIES

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## Futures Contracts

### Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg		
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.							
Aug	...	...	...	2,7050	0.0060	416	
Dec	2,7230	2,7420	2,7160	2,7320	0.0090	123,598	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
Aug	1210.30	1211.40	1205.20	1209.00	2.70	140	
Oct	1209.20	1214.00	1204.50	1211.20	2.60	56,027	
Dec	1214.50	1218.80	1209.30	1216.00	2.70	364,387	
<b>Feb'19</b>	1219.60	1223.80	1215.00	1221.60	2.80	34,681	
June	1229.90	1235.00	1227.00	1233.10	2.80	7,420	
Dec	1245.20	1252.90	1245.20	1251.20	3.00	3,990	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
Sept	933.20	945.80	927.00	941.90	13.30	8,427	
Dec	923.40	940.60	916.70	937.50	18.30	12,974	
<b>March'19</b>	912.50	934.40	912.50	932.00	20.10	353	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
Sept	800.80	801.60	800.80	803.80	14.50	34	
Oct	791.70	805.90	787.40	804.20	14.80	76,389	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
Sept	14,820	14,885	14,715	14,859	0.065	61,414	
Dec	14,935	14,995	14,820	14,972	0.071	155,140	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
Oct	68.63	68.97	68.34	68.87	0.15	412,703	
Nov	68.24	68.62	68.02	68.54	0.18	196,800	
Dec	67.90	68.34	67.72	68.25	0.20	294,017	
<b>Jan'19</b>	67.64	68.08	67.46	67.99	0.21	171,827	
June	66.16	66.56	66.01	66.48	0.18	163,605	
Dec	64.35	64.71	64.21	64.60	0.13	222,270	
<b>NY Harbor ULSO (NYM)</b> -42,000 gal.; \$ per gal.							
Sept	2,2005	2,2194	2,1926	2,2149	.0127	42,802	

### Contract

### Open

### High

### hilo

### Low

### Settle

### Chg

### Open interest

### Gasoline-NY RBOB (NYM)

### -42,000 gal.; \$ per gal.

### .0128

### 109,741

### Oct

### 2,2055

### 2,2250

### 2,1979

### 2,2206

### .0128

### 109,741

### Gasoline-NY RBOB (NYM)

### -42,000 gal.; \$ per gal.

### .0128

### 109,741

### Oct

### 536.00

### 536.00

### 521.75

### 522.50

### -14.00

### 216,474

### Dec

### 536.00

### 536.00

### 521.75

### 522.50

### -14.00

### 216,474

### Wheat (KC)

### -5,000 bu.; cents per bu.

### 518.25

### 518.75

### 500.75

### 501.75

### -17.50

### 26,135

### Dec

### 546.25

### 546.75

### 529.00

### 530.00

### -16.75

### 145,921

### Wheat (MPLS)

### -5,000 bu.; cents per bu.

### 572.00

### 572.00

### 556.00

### 556.75

### -16.00

### 12,063

### Dec

### 589.75

### 590.00

### 577.50

### 578.75

### -11.50

### 32,591

### Cattle-Feeder (CME)

### -50,000 lbs.; cents per lb.

### 149.100

### 150.250

### 148.525

### 150.225

### 1.025

### 2,318

### Oct

### 146.150

### 150.575

### 145.625

### 150.075

### 3.350

### 17,453

### Cattle-Live (CME)

### -40,000 lbs.; cents per lb.

### 106.075

### 108.450

### 105.700

### 108.200

### 1,950

### 2,504

### 123,900

### Oct

### 106.325

### 109.700

### 106.200

### 109.300

### 2,600

### 123,900

### Hogs-Lean (CME)

### -40,000 lbs.; cents per lb.

### 51.775

### 54.775

### 51.675

### 54.775

### 3,000

### 105,345

### Oct

### 51.425

### 54.225

### 51.425

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**  
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.**Footnotes:**

- f**-New 52-week high.
- n**-New 52-week low.
- dd**-Indicates loss in the most recent four quarters.
- df**-First day of trading.
- h**-Does not meet continued listing standards.
- lf**-Late filing.
- q**-Temporary exemption from Nasdaq requirements.
- t-NYSE** bankruptcy.
- v**-Trading halted on primary market.
- wj**-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

**Monday, August 27, 2018****Net****Stock Sym Close Chg****A B C****Stock Sym Close Chg****Net****Stock Sym Close Chg****Net**

## MARKETS &amp; FINANCE

# Berkshire Invests in India Mobile

By NEWLEY PURNELL  
AND NICOLE FRIEDMANNEW DELHI—Warren Buffett's **Berkshire Hathaway** Inc. is getting into the mobile-payments business.The Omaha, Neb., conglomerate said Monday it invested in **One97 Communications** Ltd., the parent company of **Paytm**. The Noida, India-based company is India's largest mobile-payments firm. It makes a popular smartphone app that can be used to pay for everything from movie tickets to auto-rickshaw rides.

Mr. Buffett's assistant, Debbie Bosanek, said Mr. Buffett wasn't involved in the deal. She didn't immediately confirm the size of the investment. Berkshire was in talks to invest 20 billion to 25 billion rupees (\$287 million to \$358 million), according to a person familiar with the matter.

Paytm, which says it has more than 300 million users, saw its usage skyrocket in

2016 when India's government nullified its largest-denomination notes, a bid to root out tax evasion and corruption that triggered a cash shortage.

India now has 390 million internet users, more than the U.S. and second only to China, according to a report last month from consultancy Bain &amp; Co. Global tech titans are rushing to tap into the South Asian nation's internet economy, which is growing quickly as smartphone and mobile data prices fall and hundreds of millions of people get online for the first time.

Paytm last year raised \$1.4 billion from Japan's SoftBank Group Corp. Earlier investors include Chinese tech giant Alibaba Group Holding Ltd. and its financial-services affiliate, Ant Financial Services Group.

A SoftBank spokeswoman in India declined to comment.

A spokesman for Ant Financial said earlier Monday that the company doesn't



Mobile firm Paytm says it has more than 300 million users.

comment on "market rumors."

An investment of 20 billion to 25 billion rupees would give Berkshire a 3% to 4% stake in Paytm's parent, according to the person familiar with the matter. That would give Paytm, which isn't profitable, a valuation of more than \$10 billion, up from more than \$7 billion when it raised funds from SoftBank

last year.

Berkshire portfolio manager Todd Combs is handling the deal, according to the person. He is one of four executives, including India-born Ajit Jain, who the 87-year-old Mr. Buffett has said handle many day-to-day responsibilities in running the firm.

Berkshire, which runs a large insurance operation and has businesses ranging from

retail to railroads, has been searching for profitable ways to spend its more than \$100 billion in cash. Among its biggest stockholdings is Apple Inc. As of June 30, Berkshire was Apple's second-largest shareholder after Vanguard Group, holding roughly 5% of the tech giant's stock.

Mr. Buffett earlier this year offered to invest in Uber Technologies Inc., but the two sides couldn't agree on the terms, he confirmed in June.

Berkshire made its maiden India venture in 2011, launching an online insurance distributor that sells Bajaj Allianz General's products.

"If you'll tell me a wonderful company in India that might be available for sale, I'll be there tomorrow," Mr. Buffett said last year in an interview with an Indian television news outlet. "I think the potential for India is incredible," he said. "It's a lot of people, a lot of buying power."

—Liza Lin contributed to this article.

# Legg Mason Settles Libya Case

By MICAH MAIDENBERG

Legg Mason Inc. will pay more than \$34 million to the Securities and Exchange Commission to settle an investigation into the role one of its former subsidiaries played in bribing officials in Libya, the SEC said Monday.

The settlement comes after the Baltimore-based investment-management firm in June agreed to pay \$64.2 million to settle a Justice Department investigation into the matter. Because of the settlement with the SEC, Legg Mason's payments to regulators will total about \$71 million.

Between 2004 and 2010, a Legg Mason subsidiary joined with Société Générale SA to pursue business with Libyan state-owned financial institutions, according to an order from the SEC. To secure deals, the Paris-based bank paid a Libyan intermediary more than \$26 million between 2005 and 2008 for introductions to government officials, the SEC said.

That intermediary used a portion of the payments to pay officials and to provide them with free travel and entertainment, according to the SEC.

By 2006, two employees of the Legg Mason subsidiary were aware that the intermediary was bribing officials to get investments from the Libyan financial institutions, the SEC order said. But those employees continued to work with the intermediary, the regulator said.

Société Générale eventually was permitted to structure seven debt securities worth a total of \$950 million for the Libyan financial institutions. Those deals were linked to funds managed, at least in part, by the Legg Mason subsidiary, called Permal Group Ltd. Permal earned almost \$32 million of revenue related to the Libya deals, the SEC order said.

Legg Mason's activity violated the internal accounting controls provision of the Securities Exchange Act, according to the SEC. The company will disgorge \$27.6 million of gains related to the deals plus \$6.9 million interest.

A spokeswoman for Legg Mason said the company was pleased to conclude the matter with the SEC. When it settled with the Justice Department in June, Legg Mason admitted its subsidiary's role in the bribes, according to a department statement from the time.

Société Générale didn't immediately respond to a request for comment. In June, the bank agreed to make payments totaling \$585 million to authorities in France and the U.S. related to the issue.

A spokeswoman for the SEC declined to comment.

# Egyptians Bankroll Bid to Boost Gas Exports

By JARED MALSIN

CAIRO—Egypt's government is taking an unconventional approach toward becoming the Middle East's next big energy exporter: Its own citizens are footing the bill.

President Abdel Fattah Al Sisi's government has coaxed some big oil companies back to Egypt in part by paying foreign companies more for natural gas and by raising the price of electricity and gas for consumers, who also face rising costs for transportation, water and other basic goods. In June, electricity prices rose 26%, while natural-gas prices rose as much as 75%.

As a result, Royal Dutch Shell PLC, BP PLC and Eni SpA have invested billions of dollars in Egypt in recent years, including the Mediterranean Sea's biggest natural-gas field off the Egyptian coast. Egypt hopes to be a net exporter of natural gas by the end of 2018 and eventually a Mediterranean natural-gas hub, potentially importing from Israel and Cyprus and then re-exporting to Europe and elsewhere—a prospect Mr. Sisi calls a "dream."

Egypt's strategy for building its natural-resources industry contrasts with big energy producers from Saudi Arabia to Norway, where oil and gas sales underpin social safety nets and electricity prices are cheap compared with most energy importers. Egypt's large debts to oil companies, high budget deficit and the conditions of loans from the International Monetary Fund forced it to invert the petrostate model, raising energy prices for the



Soldiers outside a new combined-cycle power station on the outskirts of Cairo, part of the country's energy effort.

## Oil Prices Settle Slightly Higher

Oil prices swung between small gains and losses before closing slightly higher Monday, with traders waiting for fresh supply signals following last week's rally.

Light, sweet crude for October delivery added 15 cents, or 0.2%, to \$68.87 a barrel on the New York Mercantile Exchange. Prices had their best week since June last week, climbing more

public while hailing a series of major hydrocarbon discoveries.

Rising prices of gas and electricity have contributed to an undercurrent of resentment among Egyptians, who are paying more even as

than 5% on a larger-than-expected drop in U.S. inventories, though they are still about 7.1% below their multiyear peak from earlier in the year. On Monday, Brent crude, the global benchmark, climbed 39 cents, or 0.5%, to \$76.21 a barrel.

Uncertainty about global supply and demand have swung prices in both directions this summer. U.S. sanctions against Iran and supply disruptions in Libya and Venezuela have supported oil at various times, while figures showing steady output from major producers in-

their wages remain stagnant. "Even if Egypt becomes a gas exporter, the government would continue to pick our pockets through electricity bills," said Engy Ezz, a 32-year-old homemaker in Cairo. She recently moved to

cluding Saudi Arabia and Russia have tended to push prices lower.

Analysts are trying to determine whether steady production from those countries and the U.S. will keep the market well-supplied if oil from Iran is removed, with some saying the high number of unknowns has led traders to take profits when prices rise.

Meanwhile, trade tensions between the U.S. and China have raised the possibility of a global economic slowdown that lowers demand for commodities

broadly. That threat has in turn pushed up the dollar, which makes materials priced in the U.S. currency more expensive for overseas buyers.

Investors have been encouraged recently that the two countries have worked to resolve their trade conflict, leading to gains in global stocks, currencies and commodities in the past week. Traders were looking ahead to the latest reading on U.S. crude stockpiles, to be released Wednesday.

—Amrit Ramkumar,  
Neanda Salvaterra,

The economic squeeze has given a fresh talking point to Mr. Sisi's opposition, which has criticized his handling of the economy.

—Amira El Fekki  
contributed to this article.

# Firms Chip Away at Their Debt

Continued from page B1

3.5 times in early 2016. In the previous five years, leverage rose steadily from a postcrisis low of 2.6 times using that measure of debt as a multiple of cash flow.

"Earnings are growing, and companies are not borrowing as much, so the process of delevering is under way," said Oleg Melentyev, a credit strategist at Bank of America Merrill Lynch.

Mining giant **Freeport-McMoRan** Inc. is one company that has reduced leverage. In 2015, Freeport was a prime example of a natural-resources company that had borrowed too much after the crisis, having increased its debt by nearly six times to more than \$20 billion as it expanded into the oil-and-gas business.

The steep drop in oil prices, however, forced Freeport to shift strategy. For the past few years, the Phoenix company has been selling assets and paying down bonds, bringing its total debt down to \$11.1 billion as of June 30. Meanwhile, its adjusted Ebitda nearly doubled in the second quarter from a year

earlier, resulting in leverage of 1.4 times cash flow, down from 2.9 times, according to research firm CreditSights.

Examples of deleveraging outside the energy sector are typically not as dramatic. One factor is the sharp decline in bond issuance by investment-grade technology companies, which generally have slowed their borrowing to finance large share-buyback programs after the tax overhaul changed the treatment of overseas cash holdings.

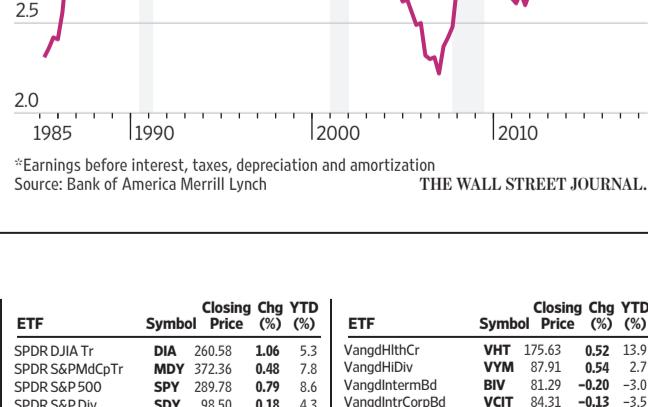
Through Aug. 23, total bond issuance this year by investment-grade tech companies was \$21 billion, down from nearly \$114 billion through the comparable period last year, according to Dealogic.

## Rebalancing

U.S. corporate leverage has edged lower but remains high.

Debt to Ebitda\* ratio

4.0 times



\*Earnings before interest, taxes, depreciation and amortization

Source: Bank of America Merrill Lynch

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## Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, August 27, 2018

Closing Chg Chg YTD

ETF Symbol Price (%) (%)

AlerianMLPETF AMLP 11.13 -0.27 3.2

CnsmDiscSelSector XLP 115.63 0.64 17.2

EnSelectSectorSPDR XLY 54.09 0.06 -4.9

FinSelSectorSPDR XLF 28.62 1.35 2.5

FT DJ Internet FDN 144.86 0.95 31.8

HealthCareSelSel XLV 92.22 0.36 11.5

IndSelSectorSPDR XLI 77.69 1.28 2.7

InvQQQ QQQ 184.34 1.02 18.3

InvS&amp;P500EW RSP 107.24 0.56 6.1

InvSelLoan BKL 23.05 0.09 0.0

ISHCoreMSCIAAFE IEFA 64.41 1.34 -2.5

ISHCoreMSCIEmgMk IMEG 53.10 1.36 -6.7

ISHCoreMSCITothot IXUS 60.98 1.35 -3.3

ETF Symbol Closing Price (%) (%)

ISHMSCLACWI ACWI 74.20 0.97 2.9

ISHMSCEAFE EFA 68.22 1.34 -3.0

ISHMSCEAFESC SCZ 63.06 1.46 -2.2

ISHMSCEmrgMarkets FEM 43.99 1.43 -6.6

ISHMSCEurozone EZU 42.10 1.38 -2.9

ISHMSCLJapan EWJ 58.48 1.51 -2.4

ISHMSCLBiotech IBB 119.46 1.51 -2.4

ISHNatMuniBd MUB 108.93 -0.04 -1.6

ISHRussell1000Gwth IWF 154.26 0.82 14.5

ISHRussell1000 IWS 161.52 0.76 8.7

ISHRussell1000Val IWD 127.61 0.62 2.6

ISHRussell2000Gwth IWO 217.52 0.40 16.5

ISHRussell2000 IWM 171.84 0.15 12.7

ISHRussell2000Val IWW 136.79 -0.04 8.8

ISHRussell3000 IWR 223.04 0.58 7.2

ISHRussellMid-Cap IWS 91.78 0.42 3.0

ISHS&amp;P500Value LJK 235.73 0.61 9.2

ETF Symbol Closing Price (%) (%)

ISHs&amp;P500Growth IVW 174.92 0.84 14.5

ISHs&amp;P500Value IVE 116.68 0.66 2.1

ISHsPfdStk PFF 37.76 ... -0.8

ISHShortCpBd IGSB 51.98 -0.04 -0.6

ISHShortTreaBd SHV 110.42 ... 0.2

ISHTipSBondETF TIP 122.24 -0.15 -1.5

ISH10YTreasuryBd SHY 83.30 -0.04 -0.7

ISH10YTreasuryBd IEF 102.66 -0.22 -2.8

ISH20YTreasuryBd TLT 121.59 -0.57 -4.2

ISHRussellMCGrowth IWP 135.87 0.70 12.6

PIMCOEnhShMaturity MIN 101.61 0.01 0.0

SPDR BlmBarcHvBd DIA 260.58 1.06 5.3

## MARKETS

# Stocks, Commodities Jump on Trade Deal

BY IRA IOSEBASHVILI  
AND AMRITH RAMKUMAR

U.S. stocks, global currencies and commodities surged Monday as investors embraced a deal between the U.S. and Mexico to rewrite portions of the North American Free Trade Agreement.

Monday's deal marks a sizable shift on Wall Street, where investors have spent much of the past two years grappling with concerns that the administration's escalating trade rhetoric and tensions with much of Asia and Europe could hurt global growth.

While the gains could show that U.S. stock indexes have more room to climb, even with the S&P 500 now in its longest-ever bull-market run, many analysts and traders said they remained cautious about overreacting to what might be the latest in an extended back-and-forth.

Stocks extended early gains on the news, pushing the S&P 500 up 0.8% to a record, powering the Nasdaq Composite to its first close above 8000 and sending the Dow Jones Industrial Average to its first close past 26000 since Feb. 1.

The Mexican peso and Canadian dollar rose, while the U.S. dollar declined.

Trade tensions have weighed on markets since the White House imposed global tariffs on steel and aluminum earlier this year and signaled it would ramp up pressure on China, fueling concerns of a slowdown that could diminish an expected boost in U.S. growth from fiscal stimulus such as tax cuts.

"It is definitely a Cinderella moment," said Christopher Stanton, chief investment officer at Sunrise Capital Partners LLC. The potential deal supports some investors' argument that "Trump wants trade deals, rather than trade wars."



DANIEL ACKER/BLOOMBERG NEWS

**It was a big day for livestock and other farm products, which stand to benefit from exports to Mexico. Lean hog futures gained 5.8%.**

Monday's news fueled bets that other trade compromises would follow, with some analysts suggesting a months-long spat between the U.S. and China might not be as intractable as it seems.

Although gains were broad Monday, trade-sensitive assets were among the market's best performers. The materials and industrials sectors both rose more than 1%, and auto makers surged, after tumbling on tariff fears.

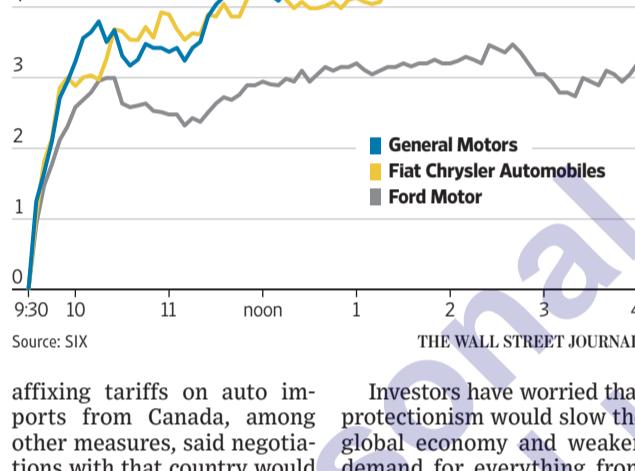
General Motors Co. climbed \$1.74, or 4.8%, to \$37.69, notching its best day in almost three months, while Ford Motor Co. rose 31 cents, or 3.2%, to \$9.99. The auto sector is one of the most contentious areas for trade negotiators, and analysts had worried vehicle makers were particularly vulnerable to fallout from tariffs and production rules.

President Trump, hinting at

## Autos Zip Higher

Shares of automobile companies surged Monday after the U.S. reached a trade agreement with Mexico.

### Performance, in five-minute intervals



affixing tariffs on auto imports from Canada, among other measures, said negotiations with that country would resume soon.

That anxiety has led money managers to favor the U.S., where growth has surged and corporate profits have climbed, and push the dollar to a 15-month high this month.

The worries have also hit prices for commodities that are used in manufacturing and construction, including copper, iron ore and palladium.

But bets on a rebound in global growth continued Monday: The Mexican peso rose 0.8% and the Canadian dollar gained 0.5% against its U.S. counterpart. Fresh optimism over global trade also boosted the currencies of other export-dependent countries, including South Korea and Chile.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, fell for the ninth time in the past 10 sessions, dropping 0.2% to 89.10. Commodity

ties from silver to platinum extended their recent rebound.

Perhaps the largest reaction to Monday's news came in the lean-hog market, where futures prices climbed 5.8% as traders anticipated that Mexico, the largest buyer of U.S. pork, would lift tariffs.

Global stocks, commodities and currencies rising together for one of the few times in recent months was a signal that investors are increasingly confident that trade policies won't derail economic growth, analysts said.

"It's a definite overhang that gets removed and gives people hope," said Thomas Martin, senior portfolio manager at Globalt. "We need more details, but trade policies are moving in the right direction."

Still, analysts cautioned that hurdles remain to the U.S. resolving its fight with China. Although the world's two largest economies have mapped out talks to end their standoff ahead of planned November meetings between Mr. Trump and Chinese leader Xi Jinping, negotiations last week failed to produce visible signs of progress.

Adding to investor worries: Chinese growth has shown signs of weakness. The government said this month that spending on fixed assets such as factory machinery and public works projects cooled to the lowest point in nearly two decades during the first seven months of the year.

But some investors said Monday's news was a sign that the Trump administration was willing to compromise.

Elsewhere, the Europe Stoxx 600 rose 0.5%. In Asia early Tuesday, Japan's Nikkei Stock Average was up 0.7%, Hong Kong's Hang Seng Index was up 0.9% and the Shanghai Composite was up 0.3%.

—Gujan Banerji  
and Benjamin Parkin  
contributed to this article.

# Yield Curve Shows Rising but Low Recession Risk

BY MICHAEL S. DERBY

bonds offer higher yields to cope with the greater uncertainty of holding an extended-term investment.

For much of this year, the normally positive difference between short-dated and long-dated Treasury yields has been growing closer.

If short-term yields moved above that of the long end, it would represent an inversion of the yield curve. Inversions have a history of preceding economic downturns, which in turn has made the yield curve a closely watched signal of future economic performance.

Over the course of 2018, the difference between the two-year Treasury note and 10-year note has generally grown narrower, moving from a difference of around 0.50 percentage point at the start of the year to around 0.20 point recently.

Fed officials largely agree that short-term yields are rising because of the rate rises they have already implemented and because the market is pricing in future increases the Fed has suggested are likely. Longer-dated yields are being kept down by several factors.

There is widespread concern

that if the Fed presses forward with rate increases, that alone could cause the yield curve to invert.

For some officials like Federal Reserve Bank of Atlanta President Raphael Bostic, the Fed might have to hold off on rate increases to stop an inversion from happening.

"I'm going to be very sensitive" to what the market is doing, Mr. Bostic said in a television interview Friday on the sidelines of the Kansas City Fed's annual Jackson Hole, Wyo., research conference. "I wouldn't knowingly" support a

rate rise that would cause an inversion, he added.

Fed officials tend to focus on the relationship between the two- and 10-year note, but the San Francisco Fed paper said there is a more reliable way to link inversions and recessions.

"The difference between 10-year and three-month Treasury rates is the most useful term spread for forecasting recessions," bank economists Michael Bauer and Thomas Mertens wrote.

The authors cautioned, in a refrain common to central bankers, that it is unclear

whether inversions cause recessions or correlate to them. But even so, inversions have been a "reliable predictor" of recessions, they wrote.

The current difference between two- and 10-year notes suggests that one or two more Fed rate increases from the current overnight target rate of 1.75% and 2%, compared with the current two-year note yield of 2.63%, could by themselves cause an inversion.

But looking at the three-month Treasury bill to the 10-year finds a lot more space for the Fed.

## Treasurys Move Lower as Appetite for Risk Rises

BY SAM GOLDFARB

The bond market is signaling that the risk of recession is rising but a downturn is far from imminent, new research by the Federal Reserve Bank of San Francisco released Monday said.

The bank's paper looked at what has been happening with the Treasury bond yield curve, which tracks the return investors get based on the maturity of the security they own.

Shorter-dated securities have lower yields because they carry less risk, while longer-dated

bonds offer higher yields to cope with the greater uncertainty of holding an extended-term investment.

Concerns about trade tensions have helped to buoy demand for Treasurys this summer, pulling the 10-year yield below 3% after it popped above that level earlier in the year.

Also aiding the market is investors' confidence the Federal Reserve will keep to a gradual pace of interest-rate increases, a view that got support Friday when Fed Chairman Jerome Powell pushed back against critics that the central bank is tightening too slowly.

Though Mr. Powell, in remarks at the Fed's annual Jackson Hole, Wyo., conference, also defended the need for rate increases, investors generally viewed "his comments as more dovish," said Mary Ann Hurley, vice president of fixed-income trading at D.A. Davidson & Co.

Another round of large debt auctions—part of the government's effort to fund an expanding federal budget deficit—is also testing investor support for Treasurys.

After selling \$36 billion of two-year notes Monday, the Treasury Department will auction \$37 billion of five-year notes on Tuesday and \$31 billion of seven-year notes on Wednesday.

## Metals Prices Draw Strength From Pact

BY BENJAMIN PARKIN  
AND AMRITH RAMKUMAR

Prices for gold, copper and other metals climbed after the U.S. and Mexico reached an agreement over trade, heralding potential relief to beleaguered commodities markets.

Front-month gold prices for August delivery rose 0.2% to \$1,209 a troy ounce at the Comex division of the New York Mercantile Exchange, with the more-active October contract also 0.2% higher.

August-dated copper contracts, meanwhile, rose 0.2% to \$2.705 a pound and September copper gained 0.3%. Both markets recently traded at the lowest point in more than a year.

Uncertainty about the future of U.S. trade with its North American neighbors, China and others has pressured prices in recent months.

Market participants were concerned that the disputes would hurt global economic growth and thereby demand for metals.

Prices for platinum and palladium also rose. Both metals are used in catalytic converters to scrub emissions from gasoline and diesel engines, making them sensitive to auto demand. Prices for both have fallen this year on bets that trade tension would lead to lower consumption.



CLAUDIO REYES/AGENCE FRANCE PRESSE/GETTY IMAGES

A copper mine in Chile. August-dated copper contracts rose 0.2% to \$2.705 a pound.

### AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### CREDIT MARKETS

Ratings, which rise when bond prices fall, moved higher along with global stocks after U.S. and Mexican officials signaled they were close to resolving their bilateral differences in re-negotiating the North American

### AUCTION RESULTS

Both issues are dated Aug. 30, 2018. The 13-week bills mature on Nov. 29, 2018; the 26-week bills mature on Feb. 28, 2019.

### TWO-YEAR NOTES

Applications \$106,720,692,100 Accepted bids \$38,537,491,100 \*noncompeting \$363,923,900 \*foreign noncompeting \$100,000,000 Auction price (rate) 99.947222 (2.655%) Coupon equivalent 2.120% 2.266% Bids at clearing yield accepted 21.00% 33.00% Cusip number 912796T0 912796P0

Both issues are dated Aug. 30, 2018. The 13-week bills mature on Nov. 29, 2018; the 26-week bills mature on Feb. 28, 2019.

The notes, dated Aug. 31, 2018, mature on Aug. 31, 2020.

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## MARKETS

## Turkey's Options for Coping With Turmoil

BY JON SINDREU  
AND CHRISTOPHER WHITTALL

The Turkish economy took a body blow when its currency depreciated earlier this month. After things calmed in recent days, the lira's selloff continued Monday and investors worry more market dislocation lies ahead.

"Turkey has seen a lot of crises in the past," said Rob Drikkonen, co-head of emerging-market debt at Neuberger Berman. The only question is "the willingness of policy makers to take the medicine that the market requires to make the turnaround," he added.

The pressure could be felt soon. Almost 20% of the total bond financing needs of Turkey's 10 largest banks—two-thirds of them in U.S. dollars—are due between now and the end of 2019, according to data by Thomson Reuters.

This has investors asking, what tools are at Turkey's disposal in case the panic resurfaces?

## Raise interest rates

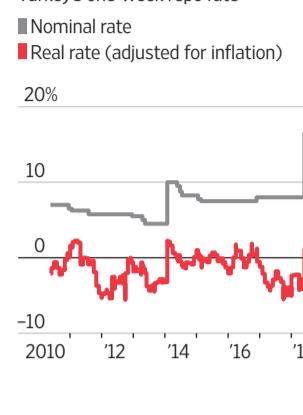
The most obvious move has been the most elusive: Raise interest rates. Doing so would attract cash back into the economy and would help show that the central bank is serious about tackling inflation.

Yet, despite the lira having lost more than 20% against the U.S. dollar in the past month, Turkey's central bank has refused to budge. Investors view the central bank as now under the de facto control of President Recep Tayyip Erdogan, who rejects widely held beliefs about monetary policy.

"A nominal hike of around 10 percentage points is the level of policy rates required to bring about stability," said Derek Halpenny, economist at MUFG Bank Ltd.

In real terms, adjusted for inflation, rates are still ex-

**The Turkish central bank has raised rates a lot, but they remain low compared with inflation.**



**Turkish firms face high debt-service costs compared with other emerging nations.**



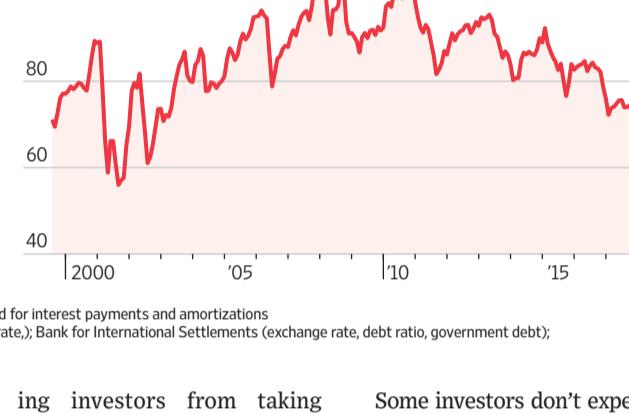
\*12-month rolling average      Share of income used for interest payments and amortizations

Sources: FactSet (current-account balance, repo rate); Bank for International Settlements (exchange rate, debt ratio, government debt); International Monetary Fund (foreign debt)

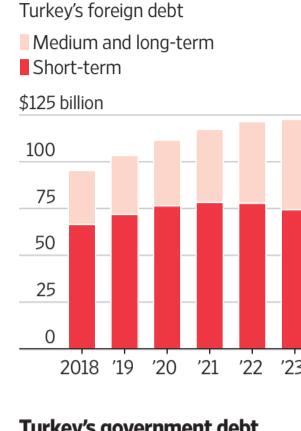
**Over the past two years, Turkey's current-account deficit widened even as the lira fell.**



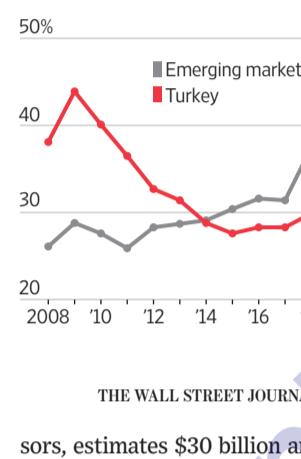
**Lira exchange rate against the currencies of Turkey's trading partners, adjusted for inflation**



**Estimates of how much foreign debt Turkish banks will need to pay off or roll over**



**Turkey's government debt burden is low compared with other emerging nations, and has decreased over the past decade.**



THE WALL STREET JOURNAL.

or to buy much-needed energy imports.

## Use fiscal policy

If there is a recession, the Turkish government could increase spending to cushion the blow, stimulating the economy and bailing out borrowers.

"You can easily imagine a scenario under which some of the private sector has to be absorbed by the sovereign balance sheet," said Viktor Szabo, a senior investment manager at Aberdeen Standard Investments.

Turkey's public-sector debt as a percentage of gross-domestic product is low—below 30%—and has actually fallen over the past decade. That number doesn't include, however, the government's substantial contingent liabilities related to state-backed infrastructure projects, which Neuberger Berman's Mr. Drikkonen estimates at \$19 billion.

## Increase exports

Plummeting currencies often boost exports—because goods and services become less expensive abroad—and shift consumption away from imports. Together this reduces the economy's external financing needs. Turkish tourism has already profited from a lower lira: Travel receipts grew more than 30% in the year to May, S&P said.

But Turkey is highly dependent on imported energy, which makes up two-thirds of its current-account deficit. As the lira tumbled over the past two years, the deficit has widened instead of narrowing, because such imports can't be reduced quickly when prices rise. Mr. Erdogan has given signs that he might seek deals with oil- and natural-gas-producing nations such as Iran and Russia, which could worsen Turkey's geopolitical tussle with the U.S.

tremely low, around 1.9%, roughly the level where they were before inflation began rising in late 2016.

Higher rates would be painful. Turkish companies' debt-service costs are already large compared with most other big emerging nations. "To crush inflation, unfortunately, you'll need to have a recession," said Jan Dehn, head of research at Ashmore Group.

## Install capital controls

Nations often try to cut a currency crisis short by blocking

investors from taking money abroad. Malaysia and Thailand installed capital controls during the Asian financial crisis of the 1990s, as did Iceland after 2008.

The Turkish government has ruled out broad controls for now. It has, however, thwarted international investors who want to sell the lira, by limiting derivatives transactions.

It is "an early stage" of capital controls, said Tatha Ghose,

analyst at Commerzbank AG, "but these are likely to be tightened if pressure returns to the lira."

Some investors don't expect capital controls to be viable given how reliant Turkey is on foreign funding. Next year alone, the IMF calculates, Turkish banks will need to roll over \$103 billion of external financing, with Turkish companies needing a further \$84 billion.

## Spend reserves

Turkey could bail out dollar debts using its official pot of reserves, which amounts to \$100 billion. Nigel Rendell, an analyst at Medley Global Advi-

sors, estimates \$30 billion and \$50 billion in foreign currency would fill the gap for Turkish companies and banks.

The government's reserves, however, might be smaller than they appear: Only half actually belong to the central bank. The rest are reserves that commercial banks are legally required to keep at the central bank to back their own lending.

The central bank recently released some of those reserves back to the banks. Each time it does so, it reduces what is on hand to prop up the currency through intervention

## HEARD ON THE STREET

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## China's Building of Things Stalls

## Look Out Below

Net flows into or out of Chinese local-government financing vehicle bonds rated below AAA



Note: 1 billion yuan=\$146.9 million. August 2018 is month to date.

Source: Wind

rowing, alarmed at its vast scale—and potential for corruption. In the past four months, a net \$19 billion has flowed out of LGFV bonds.

These days, Beijing prefers that local governments borrow on-the-books, through the now legal municipal-bond market.

The problem is that lower-rated and smaller cities are mostly shut out, even though they do most actual capital spending. As a result, investment has kept slowing even

though China's net munibond issuance in July was three times higher than it was in March. Infrastructure investment excluding power and heat was up just 5.7% in the first seven months of 2018 compared with a year earlier, down from 19% growth in 2017. A state-owned investment company in China's far west has just punted on its debt, raising the prospect of more LGFV defaults and a much worse selloff in the corporate-bond

market, further damaging investment.

Eventually, all the cash that big cities and provinces are raising through muni bonds will start filtering down. Meanwhile, the investment drought will likely worsen, raising pressure on Beijing to ease credit conditions further—making the incipient rally in the yuan hard to sustain. That also means China's debt-to-GDP ratio, which fell marginally in 2017, could start rising again next year.

Odds still remain good that this round of stimulus will be smallish, particularly since the crucial real-estate market is still doing well. But China's leaders haven't figured out how to crack down on local governments' dubious infrastructure spending during good times without severely damaging growth—or how to loosen the reins during bad times without creating lots more bad debt. Unless they can square that circle, it bodes ill for the nation's long-term prospects.

—Nathaniel Taplin

## OVERHEARD

Millions of young men and women leaving for college are about to learn that booze and pot don't mix.

Executives of drinks companies seem to have forgotten that important life lesson. A number have made or are considering forays into legalized marijuana.

Farthest along is beer-and-wine company **Constellation Brands** with its investment in **Canopy Growth Corp.** Brewer **Molson Coors** is also signing a deal with a Canadian company. That country has legalized weed and will begin sales in mid-October. Reports last week that spirits giant **Diageo** is talking to Canadian pot companies and news Monday that **Tilray** signed a deal to supply **Nova Scotia Liquor** sent pot stocks soaring.

Too bad the same can't be said for sellers of alcohol. Shares of these drinks companies are down by 7.7% on average over the past six months while three leading pot companies—**Canopy**, **Tilray** and **Cronos**—have rallied by 97% over the same time.

Total buzzkill.

## VMware's Dell Cloud Lingering

Dell's return to the public market can't come soon enough for **VMware**.

It has been nearly two months since the privately held tech giant laid out its complex plan. That involved buying up the tracking stock that was created when Dell merged with VMware's then-parent EMC Corp. in 2016. VMware is helping finance the new deal with an \$11 billion special dividend, which would ultimately allow Dell to list its shares publicly more than five years after taking itself private.

But Wall Street isn't yet sold. The tracking stock, listed as **Dell Technologies**, currently trades at a 12% discount to the deal's implied \$109 price tag, signaling doubts that the deal will ultimately go through. Several large Dell Technologies' shareholders are reportedly unhappy with the price.

Dell owns about 80% of VMware, which makes the software company a major part of any effort by Dell to adjust its capital structure in the wake of last year's tax overhaul. That has long acted as an overhang on VMware's stock, given uncertainty of how any effort by Dell would affect the company.

That includes a 3% drop since the company last week reported strong results for its fiscal second quarter. Those results included a 15% jump in license revenue to \$900 million and a projection for a 14% jump in the current quarter.

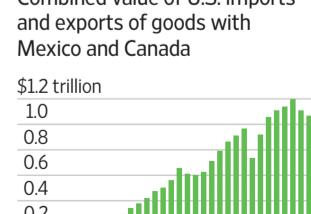
Dell reports its own results on Sept. 6, and is planning a meeting with analysts later in the month. Both events could either bolster or weaken its case for its current bid. That will likely keep the cloud over VMware lingering longer.

—Dan Gallagher

## Reasons Investors Are Relieved at Trade Deal With Mexico

## Art of the Deal

Combined value of U.S. imports and exports of goods with Mexico and Canada



be too different from the trilateral one that has been in place since the 1990s. Investors were justifiably relieved seeing Mr. Trump, who had

threatened to tear up the deal, reach an agreement.