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What's News

Business & Finance

Facebook is contending with a new wave of criticism prompted by the U.S. indictment detailing how Russia manipulated social-media platforms. **A1**

◆ **Albertsons** plans to buy the rest of Rite Aid, as retailers respond to the threat of Amazon.com. **B1**

◆ **Spotify** is counting on its surging private-market value to bolster the music-streaming service's appeal to investors. **B1**

◆ **Startups** are experimenting with "shared-equity," which lets them take an ownership position along with a homeowner. **B6**

◆ **Mining companies** are poised for a turnaround fueled by the global economy's appetite for raw materials and the electric-vehicle market. **B1**

◆ **Some tech entrepreneurs** and workers are leaving Silicon Valley because of its resistance to different political ideologies. **B4**

◆ **Toy companies** are scrambling to produce products tied to social media-driven trends. **B2**

◆ **"Black Panther"** opened in the U.S. and Canada to \$235 million. **B5**

World-Wide

◆ **Trump supports** efforts to improve the federal background-check system for firearms, as students planned marches and walkouts across the country, galvanized by the Florida school shooting. **A1, A6**

◆ **An Iranian airline** secretly bought U.S.-made jet parts through Turkish front companies. **A1**

◆ **Pennsylvania's high court** imposed a new congressional map that may give Democrats a boost in the midterm elections. **A2**

◆ **NATO is pushing** the European Union to work closely with non-EU allies on defense following Britain's planned exit from the bloc. **A7**

◆ **The Syrian regime** agreed to lend military support to embattled Kurds under assault from Turkey. **A8**

◆ **European officials** are intensifying efforts to save the Iranian nuclear deal, pressing Tehran to curtail involvement in neighboring conflicts. **A9**

◆ **Some of France's largest employers** are seizing on Macron's labor-system overhaul to undertake mass layoffs. **A11**

Journal Report

Hidden status battles in the office

C-Suite Strategies: View From the Top. **R1-12**

CONTENTS Markets..... B9-10
Banking & Finance.... B8 Opinion..... A19-21
Business News.... B3 Pyeongchang A16-18
Crossword..... A15 Technology..... B4
Head on Street.... B9 U.S. News..... A2-6
Journal Report.R1-12 Weather..... A15
Life & Arts.... A13-15 World News..... A7-11

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Mourners arrived Monday for the funeral of 14-year-old Alaina Petty, one of 17 people killed last week in the shooting at Marjory Stoneman Douglas High School in Parkland, Fla. Meantime, students began to organize nationwide antigun protests.

Trump Open to Tighter Gun Checks

By JULIE BYKOWICZ
AND SIOBHAN HUGHES

WASHINGTON—President Donald Trump supports efforts to strengthen the federal background-check system for firearms, his press secretary said Monday, adding that he had spoken with a top GOP senator about legislation to do so after last week's deadly school shooting in Florida.

White House press secretary

Sarah Huckabee Sanders said in a statement Monday that Mr. Trump spoke Friday to Senate Majority Whip John Cornyn (R., Texas) about legislation he and Sen. Chris Murphy (D., Conn.) have proposed to strengthen the background checks. Their bill would provide incentives for states to upload criminal-conviction records to the National Instant Criminal Background Check System. Those records already

are required to be uploaded, but can slip through the cracks.

"While discussions are ongoing and revisions are being considered, the President is supportive of efforts to improve the federal background check system," Ms. Sanders said in the statement.

Young people are leading the way in pushing for action after the latest shooting. And the White House statement, along with recent comments

from some congressional Republicans that they could consider supporting some gun-safety measures, suggested the party is weighing options.

Such calls for action are common responses to years of mass shootings, although they

Please see TRUMP page A6

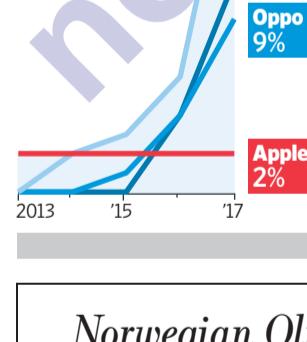
◆ High-school students plan antigun protests..... A6

◆ States have moved to expand gun rights..... A6

Apple's Rivals Lure New Fans

Lower-priced smartphones from Chinese makers blow past iPhones in Asian markets. **B1**

Market share of smartphone makers in India, by shipment



Source: Canalys

2017: **Xiaomi 19%**

Vivo 11%

Oppo 9%

2013 15 17

Apple 2%

Norwegian Olympians Win the Most Medals—and Get the Joke

On a roll at Games, athletes also appear in comedy sketches; wigs and a chicken hat

By SARA GERMANO

PYEONGCHANG, South Korea—Marit Bjørgen arrived at the Winter Olympics this month with a few things on her to-do list.

Tie the record for most decorated athlete in Winter Olympics history: Check. Be congratulated by the Crown Prince of Norway: Check. Don a wig and dance to a parody of the K-pop hit "Gangnam Style" for the Norwegian public broadcaster: Check.

The video features Ms. Bjørgen and other members of the Norwegian cross-country ski team wearing wigs, and one

'Financial-Storm Forecaster' Agency Does Little, Spends \$500 Million

Trump administration puts Office of Financial Research on notice; 'you should leave'

By RYAN TRACY

Congress created a brand new agency after the 2008 financial crisis with a gargantuan mission: Serve as the finance world's version of the National Weather Service.

The new Office of Financial Research wasn't expected to prevent economic storms, but it was supposed to anticipate them and issue warnings to help authorities contain the damage.

Almost a decade and nearly \$500 million later, the agency has struggled

to establish a place for itself in Washington. Major projects have been delayed or scaled back. Morale has suffered amid turf battles with other regulators and opposition from Republicans. And one of its most ambitious initiatives—developing a database for recording financial contracts—has progressed no further than a 16-page paper calling for "information gathering sessions" among constituents.

As the administration of President Donald Trump works to change financial policies it views as governmental over-

reach, the OFR's record of underachievement has made it an easy target. In November, Treasury Department officials told OFR employees that the agency's budget would be cut by one-quarter and its staff by more than one-third.

"If you're not happy here, you should leave," Craig Phillips, a counselor to Treasury Secretary Steven Mnuchin, told the staff.

The OFR's early backers thought it would become an authoritative source when financial markets experienced vol-

Please see AGENCY page A12

INSIDE



U.S. FALLS FLAT IN MEDALS RACE

OLYMPICS, A16-18



PNEUMONIA IS LETHAL ENEMY IN HOSPITALS

LIFE & ARTS, A13

Iran Airline Secretly Bought U.S. Jet Parts

By IAN TALLEY

An Iranian airline under sanctions by the U.S. for ferrying weapons and fighters into Syria repeatedly bought U.S.-made jet engines and parts through Turkish front companies over the past several years, according to federal investigators.

The investigators said that the shell companies bought the equipment from U.S. suppliers as recently as December for Iran's Mahan Air, helping the airline circumvent the sanctions.

The revelation, in a little-noticed filing by a Department of Commerce agency, is likely to further fuel suspicions about Iran within the Trump administration, which is increasingly concerned that the 2015 nuclear agreement is inadequate and that Tehran's growing influence is fueling war and militancy in the Middle East. The

U.S. also has accused Iran of violating international bans on ballistic missile development.

Iran has disputed evidence cited by the U.S. and the United Nations that it is violating weapon bans, and said U.S. efforts to change the nuclear deal and escalate sanctions against Tehran undermine the agreement and violate its terms.

The development comes as the Trump administration faces a decision on whether to grant Boeing Co. licenses to sell scores of new planes to another airline, Iran Air, a multibillion-dollar deal inked after Tehran signed the landmark nuclear accord.

Although the Boeing deal would benefit U.S. companies,

Please see JET page A2

◆ Iranian plane crashes, apparently killing 66..... A9

◆ Europe presses bid to save nuclear deal..... A9

◆

U.S. NEWS

Pennsylvania Gets a New District Map

State high court sets boundaries that seem to boost Democrats' electoral prospects

BY BRENT KENDALL
AND REID J. EPSTEIN

The Pennsylvania Supreme Court imposed a new congressional map for the state that appeared to give Democrats a big boost in their effort to retake the U.S. House of Representatives in November's midterm elections.

The new map could flip at least four Republican-held seats in those contests, according to an analysis from the Cook Political Report, an assessment echoed by other political experts.

The state high court imposed the map as a remedy after it ruled last month that Republicans had unlawfully redrawn the state's districts to maximize GOP gains.

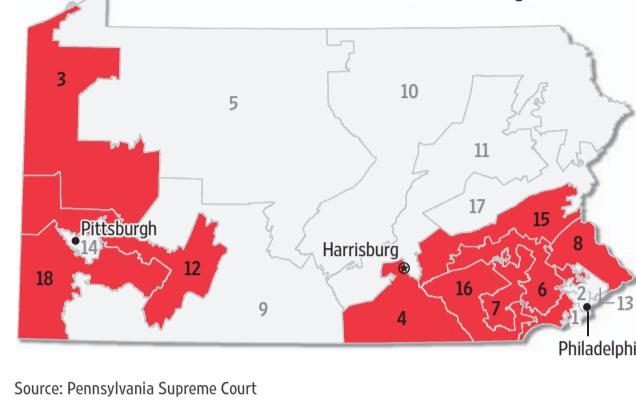
The new map laid out fresh district boundaries for the state's 18 congressional seats that were based on criteria such as geographical compactness instead of partisan advantage.

Pennsylvanians often split closely between Democrats and Republicans in the voting

Redistricting

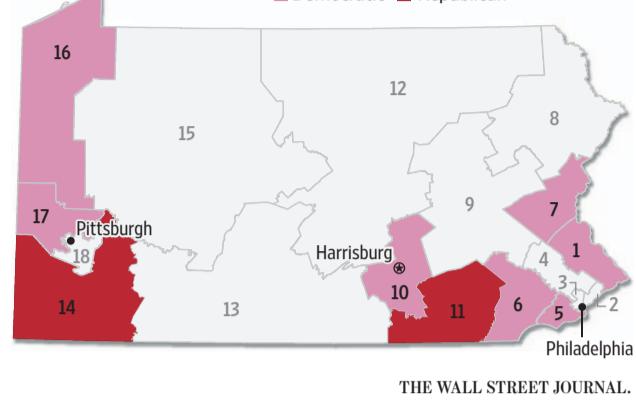
The Pennsylvania Supreme Court on Monday imposed a new congressional map. The changes give Democrats better chances to win in seven competitive GOP-held districts and bolster Republicans' chances of holding two competitive seats.

2011 Congressional districts



■ GOP-held districts with notable swings

New district boundaries



GOP-held districts that became more Democratic ■ Republican

booth, but that hasn't been reflected in the state's congressional delegation, which has tilted 13-to-5 in favor of Republicans under the district lines the Republicans drew in 2011 after the party swept the 2010 elections.

The Pennsylvania court's action is part of a national re-examination of redistricting that has been unfolding in state legislatures, among political activists and in the federal courts.

The U.S. Supreme Court is considering two major cases—from Wisconsin and Mary-

land—to decide whether and how to impose constitutional limits on partisan gerrymandering. The decisions, expected by the end of June, could have an important impact nationwide.

The new map makes seven

competitive GOP-held districts more Democratic and two GOP-held districts more Republican, according to an analysis by David Wasserman of the Cook Political Report. Democrats now have a chance of winning as many as four to six GOP-held seats in November, Mr. Wasserman and other analysts say.

Democrats hailed the map as fair while Republicans said it would sow chaos.

"I applaud the court for their decision and I respect their effort to remedy Pennsylvania's unfair and unequal congressional elections," said Pennsylvania's Democratic Gov. Tom Wolf.

Former Attorney General Eric Holder, the chairman of the National Democratic Redistricting Committee, called the new map "a major victory in the fight against gerrymandering in Pennsylvania and around the country."

Pennsylvania Republicans said the new maps will create confusion weeks before the state's scheduled May primary elections, and said they expect to file a challenge in federal court.

"Implementation of this map would create a constitutional crisis where the Pennsylvania Supreme Court is usurping the authority of the legislative and executive branches," state House Speaker Mike Turzai and Senate President Pro Tempore Joe Scarnati said in a joint statement on Monday.

They called the new map "the ultimate partisan gerrymander—one brought about by the Democrat governor acting in concert with liberal politically connected litigants."

The court changed a suburban Philadelphia seat held by Republican Rep. Pat Meehan, who announced in the wake of a sexual-harassment scandal last month that he wouldn't seek re-election this year, from one that Democrat Hillary Clinton won by two points in the 2016 presidential election to one with a 13-point Democratic advantage. Suburban Philadelphia seats held by GOP Reps. Ryan Costello and Charlie Dent that had small Republican advantages under the old map will now have small Democratic advantages, Mr. Wasserman said.

Three other districts in central and western Pennsylvania that had double-digit GOP advantages—each of which President Donald Trump won by more than 20 percentage points—may now be competitive in November's midterm elections.

Congressional candidates in Pennsylvania won't have long to decide whether to run—and in which district to do so. Pennsylvania's filing deadline is March 20, and the state's primary election is May 15.

Blue Skies and Baseball



INK TIME: Blake Snell signs autographs during the Tampa Bay Rays' first full squad spring workout in Port Charlotte, Fla., on Monday.

JET

Continued from Page One
some in the administration are uneasy about the signal it would send to Tehran.

At the same time, scuttling the Boeing deal could have far-reaching consequences, both for the nuclear accord and the jet makers. Boeing and Airbus SE, the European airplane company that is reliant on U.S. licensing for its own deal with Iran because of the large U.S. content on its aircraft, stand to lose an estimated \$40 billion in contracts if the licenses are rejected.

Supporters of the nuclear accord, including those inside the Trump administration, have worried it could fall apart if Iran doesn't see benefits from a relaxation of sanctions, including the Boeing aircraft deal.

Iran's need for new aircraft and parts has fueled safety concerns, rekindled by Sunday's crash of a turboprop plane in a mountainous region of the country that killed all 66 people aboard. The operator, Aseman Airlines, which isn't under sanctions, last year signed a purchase agreement for up to 60 Boeing 737 planes.

Outside critics of the Boeing licenses have argued that a Boeing-Iran Air deal could indirectly benefit Mahan Air. As Iran Air updates its fleet with the new Boeing aircraft, those critics argue, some of the old planes and parts would go to Mahan Air.

While sanctions against Iran Air have been eased, Mahan has remained on U.S. sanction lists for a decade because of its alleged collabora-

tion with Iran's Islamic Revolutionary Guard Corps and for allegedly ferrying fighters, weapons and cash throughout the region. The U.S. calls the IRGC, Tehran's elite military group, a terror organization central to Iran's Middle East involvements.

Mahan is sorely in need of new engines and parts for its aging fleet, analysts say. The airline repeatedly has sought to buy jet engines and parts made for Boeing airplanes, but doing so would violate export controls and sanction laws, U.S. officials say.

So Mahan has used Turkish front companies to purchase its parts from September 2016 to December 2017, according to the filing earlier this month by the Department of Commerce's Bureau of Industry and Security, or BIS, the small agency tasked with controlling exports of high-technology and other goods important to national security.

The U.S. says in the filing that a Turkish woman, Gulnihal Yegane, has been prominent in that effort, setting up a series of Turkish shell companies to buy needed equipment for Mahan from U.S. suppliers. The filing also orders a ban on U.S. exports to Ms. Yegane and entities affiliated with her.

In a cat-and-mouse game between the BIS and Mahan's Turkish front companies, Ms. Yegane and her corporate cohorts sometimes were successful, while other times, the BIS caught the transactions before the parts made it into Iran, the filing said.

Mahan Air didn't respond to a request for comment. Boeing and Airbus have said

they would comply with U.S. laws and regulations. Boeing declined to comment for this article. Iran Air didn't respond to requests for comment.

An official at the Iranian mission at the U.N. declined to immediately comment.

Trigon Lojistik Kargo and RA Havacilik are two of the Turkish companies the BIS said Ms. Yegane owned or ran. In December, for example, Havacilik bought and shipped gaskets and other parts for Mahan's Boeing aircraft to Iran, U.S. officials said. Ms. Yegane, through other businesses, also managed to buy and ship to Iran two kinds of jet engines used on Boeing planes, the agency said.

An official reached at Trigon directed questions to Ms. Yegane in Turkey, who told The Wall Street Journal she had "a general understanding of the matter" but was unaware of the export ban.

She said she would review

the export ban with a company lawyer but didn't respond to additional requests for comment.

A U.S. Treasury spokesman declined to comment about the BIS filing in particular and about the department's review of the Boeing licenses.

The spokesman said, "We

take into account a variety of factors when evaluating requests and we make determinations consistent with our national security and foreign policy goals."

He added: "Should the U.S. determine that any licensed aircraft, goods, or services have been used for purposes

other than exclusively commercial passenger aviation end-use, or have transferred to sanctioned persons, we reserved the right under the [nuclear deal] to cease issuing—or to revoke—aircraft licenses."

Matthew Levitt, a former senior official in the Treasury's terrorism and financial intelligence office, said the BIS filing could lend weight to those opposing the Boeing sale.

"There's no question people will be able to point to this as evidence that illicit actors in Iran are seeking Boeing components," said Mr. Levitt, now at the Washington Institute for Near East Policy, a think tank that is a critic of Iran. "Therefore, one could make the case that it would be difficult to know where everything was going in a Boeing deal."

—Erdem Aydin contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Militant group Jamaat-ud-Dawa's main Islamabad mosque and office are in the city's I-8 sector. A World News article Saturday about Pakistan's efforts to combat terrorism incorrectly said they were in the city's I-9 sector.

Two signers of an open letter condemning an op-ed co-written by University of Pennsylvania Law School Prof. Amy Wax later wrote substantive responses to her arguments for the website Heterodox

Academy. Saturday's Review essay "The Closing of the Academic Mind," by Ms. Wax, failed to note those responses.

In the fourth quarter, Facebook Inc. had nearly \$6 more revenue per user in the U.S. and Canada compared with the third quarter. A Page One article on Feb. 1 about Facebook's earnings omitted the regions and didn't make clear which time period the fourth-quarter figures were being compared with.

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

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An Airbus A310 plane owned by Iran's Mahan Air, which is accused of circumventing U.S. sanctions through Turkish front companies.

MOHAMED AL-SAYAGHI/REUTERS

U.S. NEWS

Inside a Predawn Immigration Roundup

Teams fan out across L.A., tracking illegal immigrants targeted for deportation

BY ALICIA A. CALDWELL

LOS ANGELES—Gathered in an underground parking garage before dawn on a chilly February morning, a group of eight armed immigration officers listened closely to the details of seven people wanted for immigration violations.

There was the Guatemalan man convicted of battery; a possible gang member with multiple felony convictions; several sex offenders, and a man who spent time in jail as a juvenile.

Soon, they would drive into densely packed neighborhoods across the city to find and arrest the men at their homes. Just before 6 a.m., officers maneuvered unmarked sport-utility vehicles in front of a three-story apartment building just west of downtown Los Angeles. They were here for the Guatemalan.

Across the country, groups like this one—called fugitive operations teams—are tracking and arresting illegal immigrants living in the U.S. The operations are a crucial piece of President Donald Trump's promise to crack down on illegal immigration and have intensified under his administration.

In the fiscal year that ended Sept. 30, more than 143,000 immigrants in the U.S. were arrested, up from 110,000 the previous fiscal year, according to Immigration and Customs Enforcement figures.

Still, deportations have declined slightly as arrests of immigrants crossing the border illegally have declined.

From February 2017 through September 2017, the first eight full months of Mr. Trump's administration, ICE deported about 138,000 people.

During the same period of the Obama administration's last year in office, the agency deported 160,698 people. The

Obama administration deported nearly 3 million people, including more than 409,000 in 2012.

There are around 11 million undocumented immigrants in the U.S.—about 2.3 million of whom live in California, according to the Pew Research Center.

Critics of the increased effort have said the agency is casting too wide a net and arresting immigrants whose only offense is being in the country illegally. Such operations, they say, cause fear in immigrant communities and make immigrants less likely to cooperate with local law enforcement and report crimes.

During the Obama administration, ICE was told to arrest only the most serious criminal offenders. According to ICE statistics, officers and agents arrested 37,734 immigrants with no criminal record in 2017. In 2016, there were 15,353 such arrests during the Obama administration.

David Marin, ICE's top deportation official in its Los Angeles office, said his officers focus on those who have committed serious crimes, but can't ignore other illegal immigrants they encounter.

Enforcement officers around the country used to spend time interviewing and arresting immigrants already being held in local jails. But legal changes in California and other states placed limits on local cooperation with ICE.

Mr. Trump's administration has responded to such moves by "sanctuary jurisdictions" by threatening to withhold some federal grant money and stepping up arrests of immigrants released from local jails.

Where ICE officers can't rely on local cooperation, they turn to methodical searches through neighborhoods. The work can be slow, resource-intensive, frustrating or fruitless. Officers may have to confront a gang member. Or take away a parent from young, upset children.

"One of the things we try to do is not handcuff them in front of their children," Mr. Marin said.

During one week in Southern



Immigration and Customs Enforcement officers went to a home in Los Angeles to arrest a registered sex offender on probation.

California, hundreds of officers in small teams of about eight fanned out over a roughly 36,000-square-mile area with nearly 19 million residents, on the hunt for about 400 immigrants. By week's end, they arrested 212 people. The agency said 91% of those arrested were convicted criminals, had previously been ordered out of the country or been previously deported.

When officers reached their first apartment just after 6 a.m. on a recent Sunday, the front gate was open and the building's front door was missing a lock, giving them an entry into the building.

"Good morning, police. Open the door," an officer said, knocking on the door.

Two children, a boy and a

girl, eventually opened the door. An officer asked for an adult to come to the door.

ICE officers explained in Spanish that they were looking for Mariano Lopez, a native of Guatemala, who ICE said had served 90 days in jail for a battery charge. The officers identified Mr. Lopez inside the apartment. They carried with them a mug shot and an administrative warrant for his arrest. He was handcuffed in the hallway, out of the view of the children.

As officers escorted Mr. Lopez to a waiting SUV, the children and a woman looked on from a second-story balcony, crying. He was driven to a nearby parking lot and handed off to other officers who took him back to an ICE office to be fingerprinted and charged.

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Gymnasts Fault Olympic Committee

BY REBECCA DAVIS O'BRIEN

Former Olympic gymnasts, including Aly Raisman and McKayla Maroney, won't participate in the U.S. Olympic Committee's investigation into the sexual-abuse scandal surrounding former national team doctor Larry Nassar, saying they don't trust the body to conduct a thorough and independent inquiry.

In a letter Friday to the USOC general counsel's office, a copy of which was reviewed by The Wall Street Journal, a lawyer representing the gymnasts called the investigation belated and faulted the USOC for not taking action against Dr. Nassar when top officials learned of the allegations in 2015.

The gymnasts are among more than 150 women who alleged Dr. Nassar sexually abused them. The USOC said last month it had opened an independent investigation, led by law firm **Ropes & Gray LLP**, into the sexual abuse of national gymnastics team members by Dr. Nassar, who has been convicted of state sexual-abuse and federal child-pornography charges.

The letter from the gymnasts' lawyer was a response, in part, to calls that USOC



Former Olympic gymnast Aly Raisman spoke at a sentencing hearing for Larry Nassar, left, former doctor for the U.S. team.

Chief Executive Scott Blackmun made late last week to several former national-team and Olympic gymnasts, days after the gymnasts' lawyer told Ropes & Gray his clients didn't want to take part in the investigation.

Mr. Blackmun called Ms. Raisman late last week on her cellphone, leaving a message, according to her lawyer, John Manly.

Mr. Blackmun also called former national-team members Maggie Nichols and Mattie Larson, Mr. Manly said. Ms. Maroney didn't get a call, he added. She sued the USOC and others in December, alleging

that the organization failed to protect athletes and had lied about when it learned about the Dr. Nassar allegations.

"The athletes don't want to participate," Mr. Manly said Sunday. "They don't trust the USOC, and they don't trust (Blackmun)."

One problem the USOC faces in gaining the gymnasts' cooperation is that it didn't reach out to any national-team members who have alleged abuse by Dr. Nassar until the past two weeks, Mr. Manly said.

"For 31 months, I heard nothing," Ms. Raisman said in

a statement to the Journal. "I find it hard to believe after all this time that the USOC is genuinely concerned about anything other than the scrutiny it's now facing."

A USOC spokesman, Mark Jones, said it is committed to a process that is "transparent, sensitive and accessible to those who wish to provide input to the independent investigator." The USOC hopes "all affected athletes will feel free and encouraged to speak out to the investigator."

Mr. Blackmun didn't respond to requests for comment. He has been under fire in recent weeks, following a report by the Journal that USA Gymnastics then-president, Steve Penny, called him in July 2015 to tell him that gymnasts had described possible sexual abuse by a member of the national-team medical staff.

It is the gymnasts' hope, Mr. Manly said, that criminal and congressional investigations will yield more fulsome answers than the Ropes & Gray probe, which he said was "limited in scope" and led "by a board that engaged in misconduct."

— Rachel Bachman in Pyeongchang, South Korea contributed to this article.

*Subtlety is
not our strength—
Indulgence is*

Trump International Hotel & Tower Panama
Condé Nast Reader's Choice
"Top Hotels in the Caribbean and Central America" 2017

By RICHARD RUBIN

WASHINGTON—A turf battle is breaking out in the Republican Party over which agencies should have a say in writing new regulations stemming from last year's landmark tax legislation.

Some Republican senators are pressuring the Office of Management and Budget to get involved in reviewing tax regulations, breaking a 35-year-old practice where tax regulatory work is handled by the U.S. Treasury Department and the Internal Revenue Service and doesn't get a full OMB review.

Most other cabinet departments submit rules to OMB so their economic effects can be

analyzed and coordinated with other agencies.

Many areas of the new tax law require regulations, which would define key terms for international businesses and pass-through firms such as partnerships and S corporations. Businesses are eagerly awaiting the rules so they can make decisions and investments.

Sen. Ron Johnson (R., Wis.) and Sen. James Lankford (R., Okla.) sent letters to the administration this month asking for a renewed look at whether OMB should be involved in tax rule-writing.

When asked for comment, Treasury and OMB officials issued identical statements saying only that they were re-

viewing the "scope and implementation" of the existing process. It isn't clear yet when or how they might reach a decision.

"We at least need to start the process of IRS taking cost-benefit analysis seriously," said James Valvo, counsel and senior policy adviser at the Cause of Action Institute, a right-leaning government oversight group pressing for a change.

The practice of exempting tax regulations from OMB scrutiny dates back to the 1980s, when OMB and Treasury officials in then-President Ronald Reagan's administration reached an agreement to let most Treasury rules escape the process. That deal was re-

affirmed in 1993.

In 2016, the Government Accountability Office said Treasury and OMB should re-evaluate the longstanding pact. OMB involvement "discourages agencies to do that analysis before they actually issue the rule," said Susan Dudley, who led OMB's Office of Information and Regulatory Affairs under former President George W. Bush and now directs the George Washington University Regulatory Studies Center.

Treasury's argument has long been that tax regulation is merely interpretive, and that most substantial economic effects come from the law itself, not Treasury's implementation.

Tax Regulations at Center of GOP Dispute

By RICHARD RUBIN

WASHINGTON—A turf battle is breaking out in the Republican Party over which agencies should have a say in writing new regulations stemming from last year's landmark tax legislation.

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U.S. NEWS

Russia's Goal: Continue Democracy's Decline

**CAPITAL JOURNAL**

By Gerald F. Seib

President Donald Trump's angry Twitter reaction to the indictment of Russians for interfering in the 2016 American election misses the broader and more frightening point: Democracy as we know it is in peril, and potentially in decline.

In a weekend tweetstorm, Mr. Trump focused on the fact that the indictment didn't show the Russians colluded directly with his campaign. And he asserted the FBI is spending too much time on its investigation of Russian meddling.

The first assertion is certainly true, but the second one is hard to justify given the gravity of the findings in the indictment. It lays out a sophisticated and sustained Russian effort to use technol-

ogy, social-media manipulation and traditional covert measures to disrupt America's political system—an effort that appears to be continuing.

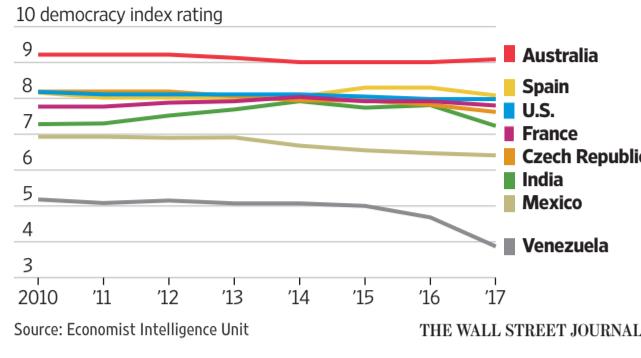
Frightening as that is, it also isn't the only sign that the democratic model—long seen as the most promising force for world peace and prosperity—is in danger. By two other new measures, democracy is slipping as a global force. And by any measure, the performance of America's own democracy is undermining its power as a model for others.

The Freedom House, an independent organization that has monitored freedom globally for 77 years, last month released its annual democracy index, a measure of the health of democracy around the world. In doing so, it declared: "Democracy faced its most serious crisis in decades in 2017 as its basic tenets—including guarantees of free and fair elections, the rights of minorities, freedom of the press, and the rule of law—came under attack around the world."

Freedom House found that 71 countries suffered "net declines" in political rights and civil liberties, while only 35 registered gains. "A quarter-

Democracy in Distress

The Economist Intelligence Unit's democracy index shows an overall decline in democratic health. Some selected nations:



Source: Economist Intelligence Unit

century ago, at the end of the Cold War, it appeared that totalitarianism had at last been vanquished and liberal democracy had won the great ideological battle of the 20th century," the report says. "Today, it is democracy that finds itself battered and weakened."

Meanwhile, the annual democracy index produced by Economist magazine's Intelligence Unit found that 89 of 167 countries received lower scores in 2017 than they had the year before. The index looks at 60 indicators spanning the electoral process, government functions, political participation and civil liberties.

It now rates the U.S. as a

"flawed democracy" because of a polarized political system and a decline in trust in its institutions. Spain's score fell because it tried to stop an independence referendum in Catalonia by force. France's score fell because its legislature passed a law expanding the government's emergency powers.

The Freedom House report notes that both Russia and China are trying to step into the vacuum created by a decline in the power of the democratic model. "A confident Chinese president Xi Jinping recently proclaimed that China is 'blazing a new trail' for developing countries to follow," the report notes. "It

is a path that includes politicized courts, intolerance for dissent, and predetermined elections."

Perhaps most distressing, the reports together suggest that a decline in confidence in American democracy, as well as the Trump administration's failure to promote democracy abroad, are contributing to the trend.

Certainly the performance of America's current, sclerotic version of democracy isn't especially inspiring. The power of the American system is supposed to be its ability to bring people of differing views to compromises that allow action.

Yet the two most significant legislative acts of the last decade—a new health-care plan under former President Barack Obama and a big tax cut under President Trump—were passed and signed into law almost entirely on party-line votes. There was no compromising.

At the moment, there are two burning issues on which public polling shows Americans have clear preferences: They want stronger background checks for gun purchasers (something the White House said Monday it also supports), and favor a path to legal status for the so-called

"Dreamers," immigrants brought here as children. Yet Congress has consistently failed in efforts to enact stronger background checks and is currently failing to devise a formula to deal with Dreamers.

The reason? Lawmakers listen more closely to the louder and more politically potent activist bases of the left and right than to voters in the middle. This frustrates many of those in the electorate's broad center, but they may have only themselves to blame. For them, the answer isn't to check out of democracy, as many have done, but rather to get more involved.

At the annual Camden Conference, a weekend gathering in Maine to discuss foreign-policy issues, a distinguished retired American diplomat, Chas W. Freeman Jr., declared: "Everybody who votes for someone who says, 'I will never compromise' is contributing to gridlock." He also warned that an erosion in America's democratic institutions leads in turn to a diminished ability to lead the world in the direction America wants.

And that is precisely the trend Russia wants.

UPROAR

Continued from Page One
late its platform for years, the indictment says.

Comments by Facebook's head of advertising, Rob Goldman, after the indictment was handed up Friday fueled further criticism. Mr. Goldman, writing on Twitter, said there are "easy ways to fight" the Russian campaign, starting with having a "well educated citizenry." He also tweeted that the Russians' main goal wasn't to sway the 2016 election, but more broadly to sow division in the U.S.

Mr. Goldman's series of eight tweets provoked more than 9,000 responses on Twitter, many of them angry.

"You really are not in a position to preach and your astonishing tweets have created confusion and anger," Mainardo de Nardis, a senior executive at advertising giant Omnicom Group Inc., said in a tweet Sunday. "Enough damage done over the past 2+ years. In the absence of real actions silence would be appreciated." Mr. de Nardis didn't respond to requests for comment.

A Facebook spokesman said Mr. Goldman, who didn't respond to a request for comment, had sent his tweets in a personal capacity. The company pointed to a statement from Joel Kaplan, Facebook's



Social-media posts displayed at a House Intelligence Committee hearing in Washington in November.

least as recently as last August.

The Twitter comments of Mr. Goldman, Facebook's head of advertising, also fueled disagreement about the intent of the Russian efforts. One of Mr. Goldman's tweets said "swaying the election was *NOT* the main goal" of the Russian ads, and that "the majority of the Russian ad spend happened AFTER the election."

On Saturday, President Donald Trump cited Mr. Goldman's comment in support of the idea that Russia's actions didn't affect the election.

Following criticism that he was obscuring the intent of the Russians, Mr. Goldman later tweeted that "the Russian campaign was certainly in favor of Mr. Trump." He also dialed back some of his claims. "I am only speaking here about the Russian behavior on Facebook. That is the only aspect that I observed directly," he tweeted.

Clint Watts, a fellow with the Foreign Policy Research Institute who studied the Russian influence campaign, said the ads bought on Facebook were only "a much smaller part of a very large effort."

"Mr. Goldman should have stayed silent," Mr. Watts said, adding that playing down the effect of the influence campaign risked further angering Americans. "The public is upset that they got duped on Facebook's platform. Facebook got duped," he said. "It makes it seem like they don't get it."

While Facebook's role in the Russian campaign is in the spotlight, some researchers who have studied the efforts note that it was far from the only institution to fall short.

"Let's not mince words. The Obama administration did not react quickly enough to this problem. The intelligence community did not react quickly enough to this problem," said Thomas Rid, professor of strategic studies at Johns Hopkins University.

Facebook has said it is taking a number of steps to prevent efforts like the Russian campaign from happening again, including hiring 10,000 employees tasked with policing hate speech, as well as coming up with ways to uproot fake accounts. Facebook officials also have emphasized that the company provided information to Mr. Mueller.

Mr. Goldman, too, said Facebook is taking "aggressive steps to prevent this sort of meddling in the future," including verification for all political advertisers. Still, his comments struck some observers as tone deaf.

"It was an almost perfect example of Silicon Valley overconfidence and lack of sophistication when it comes to politics," said Josh Hender, former director of technology for the Democratic National Committee.

—Deepa Seetharaman contributed to this article.

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U.S. NEWS

Students to Ratchet Up Anti-Gun Protests

By CAMERON MCWHIRTER

High-school students are planning marches and school walkouts across the country in the coming weeks and months as the number of protesters on social media grows, galvanized by last week's school shooting in Florida that left 17 dead.

Students at Marjory Stoneman Douglas High School in Parkland, Fla.—using various social-media platforms and hashtags such as #NeverAgain and #Enough—have encouraged students and antigun activists to organize. A nationwide walkout by teachers and students is planned for March 14, marches for March 24, and a day of protests on April 20, the anniversary of the deadly 1999 Columbine High School shootings in Colorado.

Smaller events are popping up as well. Students at Douglas High School plan to visit politicians in Tallahassee, Florida's capital, on Tuesday and Wednesday to urge them to tighten gun laws. On Tuesday, Florida officials will hold workshops in Tallahassee focused on safety and security measures at schools, on mental health and child-welfare services, and how police can keep guns from those with mental-health problems, Republican Gov. Rick Scott said.

On Monday, 17 high-school students staged a protest in front of the White House, lying on the wet ground to symbolize those killed in Parkland. The demonstration was the brainchild of Eleanor Nuechterlein and Whitney Bowen, juniors at a suburban Washington, D.C., high school. The prone students held their position for three minutes, a period they said was



Demonstrators in Washington staged a 'lie-in,' urging gun-control reform after the deadly shooting last week at a Florida high school.

symbolic of how quickly someone can buy a gun in the U.S. Then other young demonstrators joined them on the ground.

"Politicians should have done something long ago," Ms. Nuechterlein said. Her newly formed group, Teens for Gun Reform hasn't set a full list of policy demands, but she said that a bare minimum would be universal background checks for gun buyers.

In Florida on Monday, Nikolas Cruz, the 19-year-old charged with the Parkland killings, made a brief appearance

in state court for a procedural matter. Mr. Cruz kept his head down and didn't speak.

On Monday, a spokeswoman for President Donald Trump said he supported efforts to improve the federal background-check system for firearms, adding that the GOP president planned to discuss school safety with high-school students and teachers in meetings this week. Officials didn't say where the meetings would be held or whether they would include Parkland students.

Zach Hibshman, a 16-year-

Douglas High School junior, said he hid in a closet as gunshots rang out in his school. Afterward he and his friends were sad and upset, but later they were overcome with "a need to take action," he said.

"We can't have anyone experience that ever again," he said in an interview Monday.

Tracy Hibshman, 44, Zach's mother, said politicians had better take heed. "I want those people to be shaking in their boots because our kids are coming after them for change," she said.

Organizers of the Women's

March have called for a nationwide walkout by teachers and students on March 14.

At Decatur High School in Decatur, Ga., 17 year-old junior Andi Kezh said she is helping to organize a walkout at her school for March 14. She isn't a member of any organization, but decided to get involved, she said. "We might get in trouble, but I think it's worth it to stand up for something that needs to be said," Ms. Kezh said.

—Michael M. Phillips
and Jim Oberman
contributed to this article.

Gun Rights Expand Amid Shootings

By NICOLE HONG

The Florida school shooting that killed 17 people has prompted national leaders to again call for stricter gun laws, but such measures face a tough road as a wave of states have moved to expand gun owners' rights.

In the past six years, after three of the deadliest shootings in modern history—at a Las Vegas concert, an Orlando nightclub and a Connecticut elementary school—efforts in Congress to tighten gun regulations have all failed. Legislation in states, meanwhile, has led largely to wins for supporters of broader gun rights.

In a recent push, 12 states—including West Virginia, Kansas and Missouri—now have laws allowing residents to carry concealed handguns without getting a permit. Permitless-carry laws are pending in at least 19 states, according to the Giffords Law Center to Prevent Gun Violence, a gun-control group.

North Dakota, Georgia and a growing number of other states recently have passed

State laws largely have favored those seeking to broaden the rights of gun owners.

laws giving gun owners the right to carry firearms to places such as public parks, concerts, bars and churches.

At least 22 states have pending bills to allow guns in schools and colleges. Oklahoma passed a law in 2015 allowing certain teachers and staff at K-12 schools to carry handguns in school if they undergo a training program. A new law in Iowa lets children under 14 possess firearms with adult supervision and reduces restrictions on carrying guns into courthouses and city halls.

David Kopel, a University of Denver law professor and gun-rights advocate, said he expects the Florida shooting to give a boost to pending state bills that seek to bring more guns onto school grounds.

"You don't necessarily want everyone bringing a gun to the PTA meeting," he said, but arming teachers who have extra training and special permission from the administration is something "more and more people are supporting."

Gun-control advocates say allowing guns in more public spaces endangers public safety by heightening the risk of gun violence from unintentional shootings and from conflict escalation. They say armed civilians often don't shoot accurately in a crisis situation.

The failure to pass or introduce sweeping gun-control measures in most state legislatures is largely due to the mobilization of pro-gun voters and the influence of the National Rifle Association, according to legal experts. They say there are more voters who go to the polls solely to express their support for gun rights than there are for gun control.

"There are a lot of single-issue, pro-gun voters, and elected officials are scared of them," said Adam Winkler, a professor at UCLA Law School.

The NRA has been a force in funding state legislature battles, helping to drive expansions in gun rights. An NRA spokeswoman declined to comment.

To be sure, since the 2012 shooting at Sandy Hook Elementary School in Newtown, Conn., a growing grass-roots gun-control movement has slowed the expansion of gun rights in some areas, including the enactment of stronger background checks in certain states.

Twenty-five states have in recent years passed laws restricting gun ownership for domestic abusers, an initiative that has gained bipartisan support.

TRUMP

Continued from Page One
have tended to fade as lawmakers, under pressure from influential gun groups, deadlock over how to proceed.

After the 2012 massacre at Sandy Hook Elementary School in Newtown, Conn., the Senate blocked measures to ban assault weapons and to strengthen background checks. A 2016 mass shooting at an Orlando nightclub similarly prompted calls for new laws that didn't materialize. Following last year's mass shooting at a Las Vegas music festival, Congress hesitated over restricting bump stocks, which enable semiautomatic firearms to mimic fully automatic weapons.

But some congressional Republicans have begun to embrace some gun-safety measures, a shift that has coincided with pressure from students who survived the shooting last week that claimed 17 lives at Marjory Stoneman Douglas High

School in Parkland, Fla. Among the most notable supporters is Rep. Trey Gowdy (R, S.C.), who told CBS's "Face the Nation" on Sunday that he was "fine with doing away with" bump stocks.

After the Las Vegas shooting, Mr. Gowdy had expressed some skepticism about the need for stronger gun laws. "Before you ask for new tools, convince me that the ones you have now are being fully used and are inadequate," he told Fox News in October.

Support for incremental gun legislation could allow Mr. Trump to walk a fine line between responding to increased public calls for action and absorbing equally intense pressure from gun interests, whom Mr. Trump courted on the 2016 campaign trail.

Mr. Trump wasn't the first choice of some National Rifle Association members because he had once endorsed an assault-weapons ban and a longer waiting period for gun purchases. The White House moved to suggest that Mr. Trump's support for new gun-

safety measures would extend only so far.

A White House official said on Monday that Mr. Trump doesn't back a measure at this point that would ban whole classes of firearms, including assault-style weapons.

A 19-year-old former student of the Florida school, Nikolas Cruz, admitted on Thursday to being the gunman

Calls for action follow mass shootings, but lawmakers deadlock on the path forward.

who entered the campus armed with an AR-15-style semiautomatic rifle, according to a complaint affidavit. Democrats, led by Sen. Dianne Feinstein (D, Calif.), have backed a measure to ban the manufacture or import of such assault-style weapons.

The White House also said Mr. Trump this week will dis-

cuss school safety with high-school students and teachers, and state and local officials.

Mr. Cornyn and Mr. Murphy introduced their bill after revelations that the man who shot to death 26 people at a Texas church in November had a history of domestic violence, and that the Air Force failed to submit the record of the gunman's court-martial conviction to the Federal Bureau of Investigation.

A spokesman for Mr. Cornyn confirmed the senator and the president spoke Friday about the legislation. The spokesman declined to elaborate and said the bill was in the Senate Judiciary Committee.

On Twitter, Mr. Murphy said Mr. Trump's backing of efforts on background checks was "another sign the politics of gun violence are shifting rapidly." He added that "no one should pretend this bill alone is an adequate response to this epidemic."

The measure also would seek to hold federal agencies accountable by making public which of them have failed to

provide records, and prohibit political appointees at those agencies from receiving bonuses if they don't upload records into the national system.

In addition, the bill would give federal grant preferences and incentives to states that send the required records to the national system.

But changes to any aspect of gun laws have been a difficult sell in Congress. Gun-rights groups have tended to view even modest measures as worrisome precedents that could lead to increased scrutiny and new restrictions for gun owners.

Jennifer Baker, an NRA spokeswoman, said Monday the group has "always supported" having accurate records in the system that is used to make background checks. She noted the Cornyn-Murphy bill doesn't expand the categories of people prohibited from buying a gun. The NRA strongly objects to such gun owners.

Janet Hook, David Harrison and Peter Nicholas contributed to this article.

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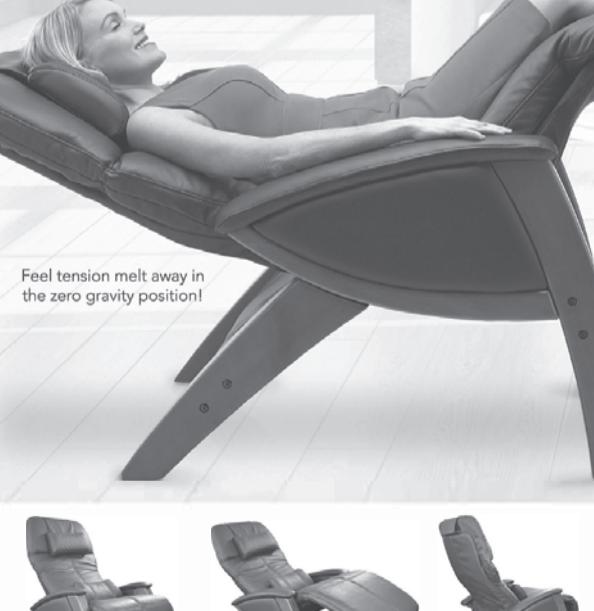
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WORLD NEWS

U.S. Wary of Ukraine Security Plan

Officials say allowing a peacekeeping force could boost Moscow's control in the country

By JULIAN E. BARNES

MUNICH—U.S.-Russian talks over creation of a peacekeeping force for eastern Ukraine are emerging as a test for Washington on the wisdom of trying to negotiate with Moscow.

The question for many Western diplomats is whether they can come to a reasonable agreement with Russian President Vladimir Putin, or if an accord with Moscow is akin to a deal with the devil.

Over the weekend, U.S. and NATO officials discussed the peacekeeping proposal with diplomats, including Ukrainian and Russian representatives, at the Munich Security Conference. Some U.S. officials privately voiced concern that Washington might be walking into a trap set by Mr. Putin.

Current and former U.S. officials say Russia has no interest in calming Ukraine. A peacekeeping force, they said, could inadvertently cement Russian control over eastern Ukraine rather than resolve the conflict.

In 2014, Russia annexed Ukraine's Crimea peninsula and sent forces into the country's east to foment a separatist rebellion. More than 10,000 people have died in the war, according to the United Nations. A 2015 peace agreement imposed a cease-fire but the conflict between Russian-armed rebels and the Ukrainian military continues to claim lives.

Russian officials in meetings with Western diplomats expressed willingness to negotiate with the U.S. over a proposal to phase in peacekeepers for eastern Ukraine. Russia in September proposed a force to protect an international mission monitoring cease-fire violations near the line inside Ukraine between Kiev's military and Moscow's



A Ukrainian serviceman fires a grenade launcher in clashes with pro-Russia separatists in Ukraine's eastern Donetsk region.

proxy forces. Western leaders rejected the proposal as ceding permanent control of parts of the east to rebels.

A U.S. counterproposal, first reported by The Wall Street Journal, called for a peacekeeping force of about 20,000 troops that would take control of a much broader area, to include the border between Russia and Ukraine as well as the rest of eastern Ukraine. The U.S. and Russia have been discussing if it would be a formal U.N. mission or one supervised by a coalition of countries.

Russian officials have spoken positively about the possibility an agreement could be reached over a phased approach. American and Western officials, both those who support a proposal and skeptics, say the U.S. should proceed carefully.

Former officials said Russia could attempt to halt or interrupt deployment of peacekeepers, preventing the force from taking control of the Ukraine border. U.S. diplomats said risks could be mitigated if the proposal precludes a Russian halt

to deployments or sanctions relieve until peace is restored.

At the Munich conference, former U.S. diplomats from Democratic and past Republican administrations questioned the current talks in a panel including Kurt Volker, the chief U.S. negotiator.

Mike McFaul, a U.S. ambassador to Russia in the Obama administration, cited the example of Cyprus, where peacekeepers were deployed in 1964. Those forces remain and a peace deal to reunite the Turkish-occupied north with the rest of the country remains elusive.

"Tell us why the factors are different in this particular case that would lead to a different scenario than a permanent division that we have in Cyprus," Mr. McFaul challenged Mr. Volker.

Mr. Volker said the peacekeeping plan would only work if both the Ukrainians and Russians want peace. But the proposal remains the best chance to implement the stalled 2015 peace agreement, he said.

"The best thing we could do

Border Security

U.S. and Russian officials are negotiating a peacekeeping force for Ukraine's east.



Source: Ministry of Defense of Ukraine

in coming weeks after the Russian presidential election in March and before the end of the World Cup, hosted by Russia, in mid-July.

—Laurence Norman contributed to this article.

NATO Pushes EU On Defense After Brexit

By LAURENCE NORMAN AND JULIAN E. BARNES

MUNICH—NATO is pushing the European Union to work closely with non-EU allies to bolster its defenses after Brexit.

The effort came to a head at the Munich Security Conference over the weekend, where Jens Stoltenberg, secretary-general of the North Atlantic Treaty Organization, warned that after Britain's exit, the EU alone wouldn't be able to ensure European security.

On Saturday, Prime Minister Theresa May said Britain was committed to contributing to European defense and security but urged the EU to ensure its interests were protected.

Since Britain's June 2016 vote to exit from the bloc, the EU has pushed ahead on long-stalled common defense plans. Pressure to do so has increased since the Trump administration took office and stepped up demands for increased European military spending.

In addition to expanding national military budgets, the bloc has lined up a fund which it says should provide €5.5 billion (\$6.86 billion) a year in financing after 2020. It has also launched a long-frozen common defense mechanism aimed at identifying and developing critical defense assets.

In Munich on Friday, Mr. Stoltenberg said while NATO remains positive about Europe's defense plans, it was important to avoid duplication of the organization's plans. He noted that with 80% of NATO spending coming from outside the EU once Britain leaves in March 2019, the bloc needed to work closely with non-NATO allies, like Norway, Turkey and Britain.



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WORLD NEWS

Syria Says It Will Aid Kurds

Move to seek military help against Turkey is seen hurting hopes for autonomous region

BY SUNE ENGEL RASMUSSEN

BEIRUT—The Syrian regime said it has agreed to lend military support to embattled Kurds under heavy assault from Turkey, a move that would likely be a major blow to Kurdish aspirations for an autonomous region.

Damascus on Monday said it would send allied militias into the contested canton of Afrin, part of a deal that will help defend the Kurdish enclave. But the move could ease immediate tensions if it prompts Turkey to retreat from Afrin and moderate its threats against the nearby city of Manbij, where Syrian Kurds are backed by U.S. forces.

The Kurds' decision to seek support from the regime of Syrian President Bashar al-Assad reflects doubts that the group will receive enough support from Washington to realize its aspirations of a self-ruled state.

While the U.S. has been closely allied with the YPG—the main Syrian Kurdish militia—in northeastern Syria in the fight against Islamic State, the Kurds in Afrin, who weren't involved in battling the militant group, haven't received direct U.S. support.

In the past month, Turkey has carried out extensive airstrikes and a ground offensive on Afrin to block Kurdish expansion on its borders. Turkey views the YPG as an extension of the Kurdish insurgency it has battled at home for decades.

Syria's pro-regime forces, backed by Russia and Iran, continue to play a larger role in the war, as the regime extends its territorial control. With Turkey's attack on Afrin, the regime has seized an opportunity to reclaim ground long held by the Kurds.

As allies of the U.S. in the fight against Islamic State, the



Turkish-backed Free Syrian Army fighters patrolled north of Afrin, Syria, on Saturday.

Syrian Kurds have carved out a large swath of territory in northern Syria called Rojava. But their ambitions ran afoul of Ankara, triggering the Turkish offensive in January to create a buffer zone between the border and the Kurdish areas.

The deal between Damascus and the Syrian Kurds reportedly permits pro-regime forces to establish checkpoints in Afrin in return for defending the city. Yet there was disagreement about the details, including whether it had been finalized.

"Syrian popular forces will arrive in Afrin in the next few hours to support the steadfastness of our people against the Turkish aggression," the official Syrian news agency SANA said early Monday, referring to semiofficial militias.

The Syrian Kurds, however, said the deal was still being hashed out.

"If we reach a deal, we will publish all the details on our platforms. Until then, it's all rumors," said a spokesman for the Kurdish-dominated Syrian Democratic Forces.

Previous Requests Had Adverse Effects

After suffering significant losses in the absence of international help in defending Afrin, the Kurds have previously asked for the Syrian regime to intervene.

Last year, Iraqi Kurds also overshot their target, calling for an independence referendum that forced Masoud Barzani to resign as president of

their semiautonomous region and prompted the Iraqi government to retake a swath of disputed territory the Kurds had effectively annexed.

Negotiations between the Syrian regime and the Syrian Kurds are unfolding as Ankara is trying for a diplomatic solution to its differences with Washington over U.S. support for the Kurds, a situation that Secretary of State Rex Tillerson has called a crisis point.

—Sune Engel Rasmussen

"There is an agreement in place between the regime and the People's Protection Unit [YPG] but it is not complete," said Abu Omar al-Idlibi, a Syrian pro-Kurdish commander in the north. "It is a military agreement, not a political one."

Losing control of Afrin makes the Kurdish aim of linking its cantons in the north, which are separated by a wedge of land captured by Turkish-backed forces, nearly

impossible to attain.

"This is a huge blow to the YPG, however they want to spin it. They are ceding some of their supposed autonomy in one of the most Kurdish towns in Syria," said Hassan Hassan, senior fellow at the Tahrir Institute for Middle East Policy.

While Turkey is a sworn enemy of Syrian President Bashar al-Assad, it considers the presence of the Syrian Kurds on its borders an existential threat.

Israel Gas Fields To Supply Egypt

Investors in Israel's natural-gas fields agreed to supply an Egyptian company with gas valued at \$15 billion, a deal that will build on growing ties between once-hostile neighbors that now share a common enemy in the restive Sinai Peninsula.

By **Rory Jones**
in Tel Aviv and
Jared Malsin in Cairo

Houston's **Noble Energy** Inc. and Israel-based **Delek Drilling** LP will supply 83.2 billion cubic yards of natural gas over 10 years from the Tamar and Leviathan fields to Egypt's **Dolphinus Holdings** Ltd, Delek said.

Monday's long-awaited gas deal represents a political boon for Israeli Prime Minister Benjamin Netanyahu, who has promoted exports to build diplomatic ties in the Middle East and beyond. Israeli officials hailed the deal as a step toward peace and regional cooperation.

"This is a joyous day," Mr. Netanyahu said.

The deal could raise some tough questions for Egyptian President Abdel Fattah Al Sisi. He had promised to use gas from Egypt's offshore fields to make the Arab world's most populous nation energy self-sufficient again. Now, ahead of presidential elections in March, his government faces deepening suspicions about its relations with Israel.

Egypt and Israel have significantly increased security cooperation to deal with growing militancy in the Sinai Peninsula in recent years.

Gas deals with Israel have been politically explosive in Egypt in the past. Former President Hosni Mubarak came under attack for selling gas to Israel in the years before he was ousted in a popular uprising in 2011.

Analysts said the conclusion of the gas deal weeks be-

fore the March vote was remarkable given the political sensitivity of the matter and reflects Mr. Sisi's confidence with dealing with domestic protests.

"At the end of the day, any dissent is completely dealt with," said Karim Ezzat, a Cairo-based oil and gas analyst with Pharos Holding.

Mr. Sisi, who came to power following a military coup in 2013, is running in an election in which his only credible challengers have been jailed or otherwise sidelined.

Representatives for Mr. Sisi and Egypt's petroleum and foreign-affairs ministries didn't immediately respond to calls seeking comment. Dolphalus also didn't respond to multiple calls.

The deal follows months in which the Egyptian government hailed the new exploita-

The deal raises questions for Egypt's President Sisi ahead of a March election.

tion of the Mediterranean's largest offshore gas field as a transformative step for the country's economy. Egypt until 2014 was a net exporter of gas, but soaring local energy consumption outpaced supply, forcing Egypt to turn importer. Production began at Egypt's Zohr field in December and was expected to help meet domestic demand. The Israeli gas deal complicates that picture.

"It goes to show, being a net importer or exporter is too two-dimensional," Mr. Ezzat said. "Probably what's going to happen is, there are periods of the year where you're going to be a net exporter, and there are going to be periods of the year where you're going to be an importer."

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INDONESIA'S 'VISION 2045' OF ECONOMIC EQUALITY



In 2045, Indonesia will mark its 100th year of independence, by which time it expects to have moved from an emerging economy to developed economy status.

Indonesia has much to be optimistic about. In the past two decades since the 1998 financial and political crisis, the country has emerged as a stable democracy. Its economy is showing signs of sustained growth and it has elevated more than 100 million of its citizens out of poverty.

The World Bank's Global Economic Prospect (GEP) report released in January this year shares the country's optimism. It puts Indonesia's economic growth at 5.3 percent year-on-year between 2018 and 2020. The same growth track is also expected by the International Monetary Fund in its latest Indonesia report.

Indonesia on fast track for ease of doing business

Indonesia's government is making significant steps to increase the country's competitiveness. According to the World Bank Group's 'Doing Business 2018: Reforming to Create Jobs' report, Indonesia is amongst the world's top 10 reformers. This year, the nation ranked 72nd in the global ease of doing business index, jumping 19 positions from last year's ranking.

The report commended the government's continued determination to improve the business environment in the country. This is reflected in the first three quarters of 2017 investment realization data, which shows that Direct Investment grew 13.2 percent year on year over the same period.

Speaking at the side lines of the Indonesia Economic Forum in November 2017, Tom Lembong, Chairman of BKPM, said: "Indonesia has accelerated the pace of reforms over the past three years and our efforts are now seeing results."

Since 2015, BKPM has implemented three key reforms to assist investors. The One-Stop Service-Center (Pelayanan Terpadu Satu Pintu or PTSP) provides a three-hour investment licensing service, online application and digital signature that allow faster, simpler and more transparent services. It has begun an end-to-end service for investors, starting from early until commercial stage, including facilitation during the process of investment realization. It has also established a direct construction facility.

Growth should not come at "any cost"

Lembong has ambitious growth plans for Indonesia, but also emphasizes that growth should not come at any cost.

"We do not want good health, good education, and good infrastructure to be something only available for the rich," he said.

An essential element of the 2045 vision, he believes, is that Indonesians will have equal access to opportunity in 2045.

"We have a young, dynamic and productive population and a fast-growing consumer class, vast natural resources and a number of world-class companies," said Lembong. "We also have a vibrant entrepreneurial class. Technology and development can create wealth and grow the economy, but it will take conscious effort to ensure that technology and development benefits the whole of society, not just the top 30 percent."

Regulations and policies which empower everyone

Lembong believes to achieve a fair and just society, Indonesia needs to instigate sensible, modern policies and actions over the next three decades. He wants everyone to have the same opportunity.

"Regulation is necessary, like traffic lights. We need to set some basic rules of engagement – but we do not seek to kill innovation."

"I believe Indonesian people are truly entrepreneurial and naturally enterprising. We just need to support them. Our job is to create infrastructure and take care of the basics like utilities, water, electricity, transport, public health and education. And then, in many ways, our job is to get out of the way. Let people do what they want to do, which is to make a better life for themselves."

Lembong cites that today's fast-paced technological change means that Indonesia cannot afford to fall behind other nations. Such rapid change can also mean great upheaval in society and the only way to prevent this is by ensuring that all Indonesians have access to quality education; to capital; to information and to quality health care.

Staying true to national character

Lembong believes that key to Indonesia's economic success will be retaining its natural culture and heritage.

"The natural warmth of our people is a great benefit and attraction. We need to maintain our roots and our soul of tolerance and sincerity," he said.

These are exciting times for Indonesia. Organizations like BKPM have a unique opportunity to shape the future; a future with livable cities; greater mobility; a healthy and informed population and, most importantly, an equitable society.



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For more information on BKPM and investing in Indonesia, please visit our websites:
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www.investindonesia.go.id

WORLD NEWS

Europe Presses Bid to Save Nuclear Deal

By LAURENCE NORMAN

MUNICH—European officials are intensifying their efforts to save the Iranian nuclear deal, opening a new channel to press Tehran to curtail its military involvement in neighboring conflicts just as tensions spiral throughout the Middle East.

European diplomats sat down with a senior Iranian official over the weekend on the sidelines of a major security conference in Munich. They hope to check Iranian activity in Yemen, Syria and other parts of the Middle East as a way to show U.S. President Donald Trump that Iranian expansion can be reversed while sticking with the nuclear agreement.

Mr. Trump has threatened to kill the Iranian nuclear deal in May, when he must decide whether to keep in place sanctions waivers required under the 2015 agreement. The nuclear deal lifted most interna-



Iran's Foreign Minister Javad Zarif at the Munich security talks

tional sanctions on Iran in exchange for Tehran tightly restricting its nuclear program.

Administration officials have complained the 2015 agreement does nothing to check Iran's regional actions. Saudi Foreign Minister Adel al-Jubeir said on Sunday Tehran had "doubled down" on its regional

meddling after concluding the deal.

U.S. national security adviser Gen. H.R. McMaster on Saturday accused Iran of building a network of proxy forces, like Hezbollah, and arming them with increasingly sophisticated weaponry.

"So the time is now...to act

against Iran," Gen. McMaster said in Munich.

Chaired by the European Union, the meeting on Saturday morning was attended by senior officials from Italy, Germany, Britain and France, and Iran's powerful Deputy Foreign Minister Abbas Araghchi, also a key player in negotiating the nuclear deal. The focus of discussions was the conflict in Yemen, according to Western and Iranian officials.

Those officials said talks will likely turn to Syria, the scene of escalating tensions, in particular between Iran and Israel.

Earlier this month, Israel launched attacks on Syrian air defenses and Iranian fighters in Syria after Israel intercepted an Iranian drone launched from Syria. An Israeli jet was shot down during the attacks.

Israeli Prime Minister Benjamin Netanyahu warned in Munich on Sunday that Israel won't accept an Iranian presence close to its border in

southern Syria and could strike Iran directly if Tehran doesn't back away.

"We will act without hesitation to defend ourselves," he said. "And we will act if necessary not just against Iran's proxies but against Iran itself."

European governments, which have strongly supported the Iranian nuclear agreement, have pledged to work with Washington to address nonnuclear concerns, such as Iran's missile program and its regional activities. However they say this should happen separate from discussion on the nuclear deal and that they won't renegotiate the 2015 deal.

European and U.S. officials set up working groups last month to discuss these issues. Around the same time, the Europeans agreed with Iranian Foreign Minister Javad Zarif to start discussing regional issues in the new format.

Over the weekend, German Foreign Minister Sigmar Gab-

briel warned that while the EU would maintain its support for the Iranian nuclear deal, Europe was ready to work with the U.S. against "the destabilizing influence of Iranian policies in the region and to push them back."

France has said Iranian firms or people could be targeted with new sanctions over its missile program.

Iran has refused to enter discussions on ballistic missiles, with Supreme Leader Ayatollah Ali Khamenei, who controls security policy, saying on Sunday that Western countries want to keep Iran weak so they can "bully them." Iranian officials note Western countries are making large arms sales to their regional foes, like Israel and Saudi Arabia.

Iranian officials have called on Europe to stick by the nuclear deal. Mr. Zarif warned on Sunday that if the nuclear deal is undermined, "Iran will respond, will respond seriously."

Iranian Passenger Plane Crashes With 66 Aboard

An Iranian passenger plane carrying 66 people crashed in a remote mountainous area in Iran, apparently killing all

By Aresu Egbali
in Tehran and
Asa Fitch in Dubai

those aboard.

The Aseman Airlines flight was en route from Tehran to Yasuj, a small city in southern Iran, when it disappeared from the radar at around 8:50 a.m. local time on Sunday, a spokesman for the carrier told state television, adding that all on board were presumed dead. It was carrying 60 passengers and six crew, he said.

Iranian carriers at times have struggled with poor safety records, hobbled by a

lack of access to spare parts and new planes for aging fleets because of yearslong Western sanctions.

The crash also marked a setback for aviation security globally. The incident marks the second major fatal accident this month after the global airline industry avoided fatalities in commercial jetliner operations during all of 2017. A Russian plane crashed on Feb. 11, killing all 71 people aboard.

The plane was manufactured by ATR, which makes aircraft for regional flights, Reza Jafarzadeh, the spokesman for Iran's Civil Aviation Organization, told state TV. He denied that the craft's age played a role, and said the authorities wouldn't be able to determine what caused the crash until they retrieved its black box.

Domestically, the crash may be a setback for hard-line critics of President Hassan Rouhani, some of whom have argued that Iran doesn't need new aircraft, which they say is the only significant result from the 2015 nuclear deal Mr. Rouhani's administration negotiated with six world powers.



Rescue teams battled bad weather on Monday to search for the wreckage of the Aseman Airlines plane.

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WORLD NEWS

Macron's Law Jolts French Labor Market

By WILLIAM HOROBIN
AND NICK KOSTOV

PARIS—Some of France's largest employers are seizing on President Emmanuel Macron's labor-system overhaul to undertake mass layoffs, heralding a huge change for a country that has long coddled its workforce.

Peugeot SA, the country's biggest car maker, plans to cut 1,300 jobs under new rules for voluntary layoffs that came into force at the start of the year. **Société Générale** SA, France's third-largest listed bank by assets, and **IBM** Corp. are also preparing to take advantage of the measures.

The uptake is an early test of whether Mr. Macron's changes will pave the way for a modernization of France's workforce, or simply open the gates to widespread job cuts.

Mr. Macron is seeking a new era of labor cooperation with the goal of ending decades of wrangling between business owners and strike-prone labor unions.

His government believes it can encourage job creation by peeling away layers of job protections and red tape that saddle companies with unwanted staff and impede worker mobility.

Risky Business

Emmanuel Macron's new labor laws to make voluntary layoffs simpler are coming into effect just as France's high unemployment rate hits its lowest point since 2009.

Unemployment rate, quarterly average



A considerable number of French employees say they are ready to leave their jobs for a severance package under the new laws.

If your company set up a mass voluntary layoff plan....

You would refuse a buyout — You would be willing to take a buyout — Did not answer

72% 6% 22%

Sources: Insee (unemployment); BVA Institute internet poll for Club MediaRH of 565 employees in the public and private sectors conducted Jan. 23-24; margin of error: +/-3.4 percentage points (poll)

THE WALL STREET JOURNAL.

Peugeot is applying the new rules to ease workers out of jobs affected by automation or that are cheaper to outsource. One employee planning to depart—a 47-year-old who has been with the car maker for a decade—said Peugeot is offer-

ing him €10,500 (\$12,950) to retrain. He wants to become a teacher.

"We've gotten to a point where the company is no longer right for me, and I'm no longer right for the company," he said. "Better a good divorce

than a bad marriage."

Mr. Macron's approach could backfire, however, if companies use the new measures to cut staff without hiring new ones. France's economy is finally in recovery, with latest figures showing unemployment at the end of 2017 at 8.9%, its lowest level since early 2009. But Mr. Macron remains under pressure to bring that rate down further, and the country's powerful unions have their guard up against any evidence that the rules could cost jobs rather than create them.

Foreign businesses that have typically viewed France as a sinkhole for investment are also watching closely. Labor lawyers in Paris are already fielding calls from firms in the U.S. and elsewhere that "are interested in the possibility of moving fast in a consensual framework that isn't traumatic for their teams," said Claire Toumieux, a partner at law firm Allen & Overy.

IBM, based in Armonk, N.Y., plans to "hire aggressively in key skills areas" in France in parallel to conducting layoffs using the new rules, a company spokeswoman said.

In September, Mr. Macron decreed myriad changes, including capping court-ordered

fines for dismissals and giving companies greater powers to negotiate working conditions with employees. One part of the broad package is a measure that absolves companies from using lengthy, complex procedures for voluntary layoffs.

Previously a firm had to prove it was in financial difficulty before embarking on layoffs, even on a voluntary basis. Publicly traded firms were loath to declare they were struggling. Penalties for missteps in the procedure were high, and a company could ultimately be forced to hire back staff who left.

The new rules allow employers to instead negotiate a voluntary severance agreement for large numbers of employees—regardless of the company's health.

"It's a complete change in philosophy," said David Jonin, a partner specializing in employment law at Gide Loyrette Nouel.

Société Générale plans to use the measure to restructure its retail operations. As customers shift to online services, the bank is scrambling to close 300 of its 2,000 retail branches in France and automate 80% of the processes that connect front and back

offices. In November, the bank said it aimed to cut 3,450 jobs from its French retail network through 2020, compared with 2016.

Many of those cuts were expected to take place through attrition or the redeployment of personnel to other operations of the bank, but last month the bank disclosed it would also make use of the new rules.

Société Générale has scheduled talks with unions for later this month. Under the Macron law, any firm that wants to adopt the new scheme needs to win over a majority of its union representatives. In some cases that has emerged as a significant obstacle.

"Management is going too fast. When you want to get rid of so many jobs, you've got to explain why," said Monique Motsch, a representative of the moderate CFDT union at Société Générale.

Yet Peugeot secured the support of its unions in a matter of days. The car maker threaded the needle by sweetening the layoff offers and combining them with 900 early-retirement offers and a plan to recruit and train higher-skilled employees. That includes 1,300 new positions and 2,000 apprentices.

Germany, Awash in Money, Shies Away From a Tax Cut

By TOM FAIRLESS

The German government never had so much money or so many ideas about how to spend it. The one thing that isn't being discussed is giving it back to taxpayers.

Tax cuts—a fixture of the political debate in the U.S., where the government hasn't balanced its books in decades—are barely on the agenda here, even though Germany's next government is expected to post a consolidated budget surplus of roughly €50 billion (\$62 billion) between now and 2021, according to Finance Ministry calculations.

"It is sort of a through-the-looking-glass world," said John Kornblum, a former U.S. ambassador to Germany, of the two countries' differing attitudes. "Traditionally Germans have been in favor of hoarding resources rather than lowering government expenditures."

Chancellor Angela Merkel's new government, set to come into office next month if her coalition partner approves the alliance, will be no exception.

Its 177-page policy platform includes only one small tax cut valued at €10 billion over four years and limited to low earners, next to nearly €50 billion of spending on child care, education, infrastructure and welfare benefits. Despite the state's overflowing coffers, Ms. Merkel's conservatives had to dissuade their left-leaning partners from raising taxes during the negotiations over the coalition agreement.

The aversion to discussing tax cuts on business profits and personal income is surprising, many economists argue, because Germany—despite its cultivated self-image as a stronghold of fiscal rectitude—has among the highest taxes in the world and a habit of heavy state spending.

The tax wedge—the share of wages that workers and businesses pay in tax and other mandatory levies—is 49.4%, second only to Belgium among the 35 members of the Organization for Economic Cooperation and Development. Total government spending, meanwhile, has risen around 10% since 2014. At 45% of gross domestic product, it is 9 percentage points higher than in the U.S.

Lower corporate and income taxes could lead to higher spending and investment, boost imports and lower the nation's giant trade surplus, economists say. That would please trading partners such as the U.S. which have chafed at Germany's record run of current-account surpluses.

"It would be better for [Germany's] long-term growth prospects if the tax system were less heavy on labor," said Andrés Fuentes, an economist with the OECD in Paris.

Yet the perception of tax cuts in the country's political mainstream ranges from slightly shameful to outright evil. All parties, with the exception of the pro-business Free Democrats, favor a high degree of redistribution.

"You need high taxes in order to be civilized," said Sven

Group of 7 major economies, potentially putting German companies at a disadvantage in international markets.

The growth rate of Germany's capital stock is falling behind that of the U.S. and France, and even lagging behind Italy's by some measures, says Guntram Wolff, director of the Bruegel think tank in Brussels. Incentivizing corporate investment should be a priority for the next government, he said.

Corporate-tax cuts are deeply unpopular, however. "The social discourse is, if you cut corporate-tax rates further, it's basically a race to the bottom," Mr. Wolff said.

EBM Papst, a manufacturer of electric motors in the southern German region of Baden-Württemberg, plans to take advantage of lower U.S. taxes to expand its North American footprint. But because of taxes at home, its chief executive, Stefan Brandl, worries about being at a disadvantage to his American competitors.

"A new German government should see it as important to support firms and not burden them with bureaucracy that weakens the competitive situation," Mr. Brandl said.

All parties, except for the Free Democrats, favor a high degree of redistribution.

Giegold, who represents Germany's Green Party in the European Parliament. "We are very far away from the government having too much money." The federal audit office meanwhile has expressed concerns about the fiscal challenges of providing for an aging population and infrastructure investment.

Germany's corporate tax rate has fallen to around 30% from more than 55% in the late 1990s. But that level will soon be the highest among the

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A worker at an EBM Papst plant testing a ventilator in Hollenbach, Germany, last June.

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AGENCY

Morale Problem

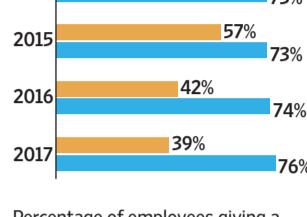
Continued from Page One
Morale at the Office of Financial Research has suffered, falling below other parts of the government.

Office of Financial Research

Governmentwide

Percentage of employees giving a positive response to the statement:

'My agency is successful at accomplishing its mission.'



Percentage of employees giving a positive response to the statement:

'In my organization, senior leaders generate high levels of motivation and commitment in the workforce.'

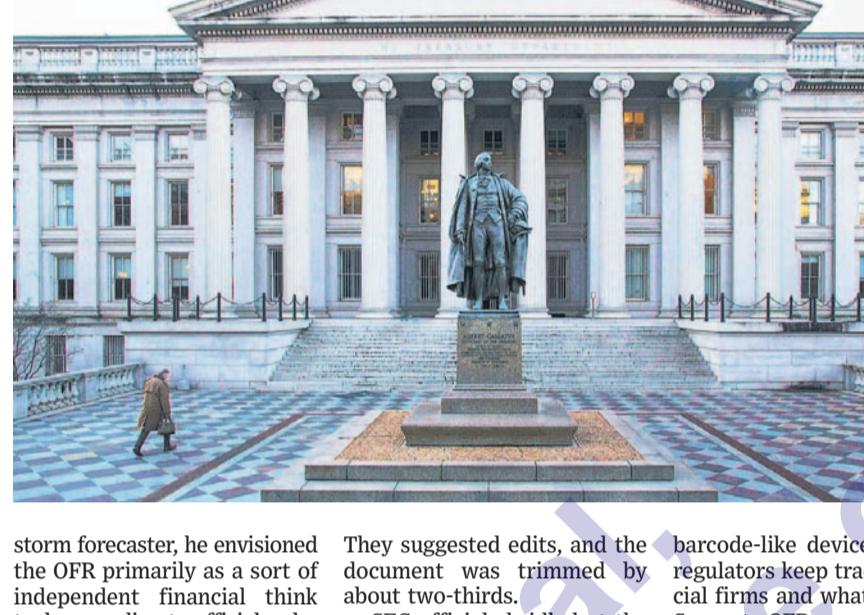


Source: Office of Personnel Management
THE WALL STREET JOURNAL.

IN DEPTH



JONATHAN ERNST/REUTERS (TOP); ALEXEY ANDRIKOV/SPUTNIK/ASSOCIATED PRESS



JONATHAN ERNST/REUTERS

Richard Berner, center, shown with former Federal Reserve Chairwoman Janet Yellen, led the Office of Financial Research from its early days until the end of last year. The agency is an arm of the Treasury Department, right, and depends on it for budgeting.

Treasury, where he was a counselor helping to launch the agency.

Mr. Berner, then co-head of global economics at Morgan Stanley, was selected by President Barack Obama and approved by the Senate for a six-year term. He had wide discretion to determine OFR's agenda.

He started in April 2011 with a skeleton staff crammed into the second floor of an ancillary Treasury office building. Although OFR was established as a quasi-independent agency, funded by fees from big finance firms, it also is an arm of the Treasury and must consult with the Treasury on budgeting.

Treasury officials, including Deputy Secretary Neal Wolin, were skeptical that creating a financial early-warning system was possible. Mr. Wolin counseled Mr. Berner against setting unrealistic goals, according to people familiar with their discussion. Be practical, he told the new director.

Almost immediately, the agency came under attack from Republicans such as House Financial Services Committee Chairman Jeb Hensarling (R., Texas), who labeled it "big data for Big Brother." In 2012, the committee released a video titled "The Office of Financial Research Is Watching You." It suggested OFR would have unfettered access to Americans' personal financial information.

The committee voted to abolish the agency. That measure died. A similar proposal was contained in a bill passed by House Republicans last year, although it stalled in the Senate.

Mr. Berner set a goal of about 300 employees. Rather than a data hub and financial

storm forecaster, he envisioned the OFR primarily as a sort of independent financial think tank, according to officials who worked with him in the agency's early months. He recruited researchers and gave them significant leeway.

Its first big assignment came in the spring of 2012, when senior regulators asked for an analysis of risks posed by the asset-management industry. OFR began developing a report, with no clear deadline. In the summer of 2013, Mary Miller, the Treasury Department's undersecretary for domestic finance, called Mr. Berner to her office for a status update, and grew incredulous

that the project didn't sound close to completion, according to a person familiar with the meeting.

Landing the plane

"Dick," she asked, "how are we going to land this plane?"

The OFR team shared drafts of the report with Ms. Miller and her Treasury colleagues and with officials from the Securities and Exchange Commission, which regulates asset managers. Officials at both agencies were alarmed to see lengthy descriptions of potential risks without empirical analysis, according to former officials at those agencies.

They suggested edits, and the document was trimmed by about two-thirds.

SEC officials bridled at the OFR's failure to formally solicit public feedback. The SEC opened a forum on its own website. Treasury and OFR officials were furious, believing the SEC was providing a platform for criticism of an agency whose work had encroached on its turf, the former officials say.

The SEC didn't back down.

The Sept. 30, 2013, report concluded that asset managers could threaten financial stability. Industry lobbyists blitzed Capitol Hill and blasted OFR in letters posted on the SEC website. They saw the report as a precursor to stricter federal regulation.

Fidelity's lobbyists complained the agency hadn't checked basic facts. A lobbyist for Fidelity Investments told congressional staffers that the report misstated the firm's assets under management by \$200 billion, pointing the staffers to a public financial disclosure that backed up their claim, according to people familiar with the matter.

Mr. Berner said at a later Senate hearing that the agency had engaged in "a vigorous give and take" with the industry and others about the report. He was personally involved in drafting it and was surprised by the strength of the backlash, people familiar with the matter say. These people say the experience reinforced for him the need for the agency to tread softly to survive.

OFR developed a series of tools for monitoring financial risks, including a tracker of the multitrillion dollar money-market-fund industry and a new

barcode-like device the helps regulators keep track of financial firms and what they own.

Separate OFR research papers have drawn attention to holes or unintended consequences in banking regulations.

The agency built a system to store and analyze huge amounts of financial data. The problem has been getting the actual numbers. Other agencies were slow in fulfilling data requests, according to OFR and Treasury officials.

The data OFR has purchased, or collected on a voluntary basis, is incomplete and misses trillions of dollars in financial transactions, employees say. The agency hasn't ever used its

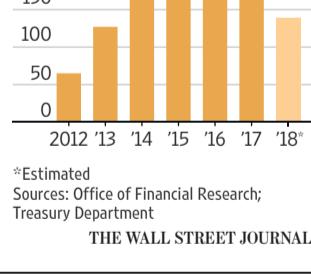
Pulling Back

The Office of Financial Research is facing significant cuts.

Spending



Full-time employees



*Estimated

Sources: Office of Financial Research; Treasury Department

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data-collection subpoena authority.

The possibility of using that subpoena power came up after Oct. 15, 2014, when Treasury bond prices suddenly surged and then crashed for no apparent reason.

Anxious analysts in the Treasury Department dialed up traders, asking what happened. They couldn't fact-check what they heard because the government lacked data on Treasurys trading.

To some, the lack of data looked like a problem tailor-made for the OFR to solve. Mr. Berner was invited to a meeting at the Treasury Department with representatives of the major financial regulators, including the Commodity Futures Trading Commission, the SEC and the Fed.

No subpoenas

When discussion turned to obstacles to gathering trading data on Treasury bills, Mr. Berner was asked about the OFR using its subpoena authority to gather the information, according to attendees.

He replied he wasn't sure the agency had that authority, and even if it did, it wouldn't use it in this case, recall two attendees.

Mr. Berner worried that forcing the handover of information could make enemies of other agencies it needed for other projects, according to people who worked with him. OFR's lawyers also believed the subpoena authority would hold up only in limited circumstances.

Mr. Berner faced "very difficult politics around data collection and analysis," says Amias Gerety, a former senior Treasury official who worked with him. "Dick definitely believed you could catch more flies with honey than with vinegar."

Nevertheless, Mr. Berner's statement stunned some who heard it. Not only had he questioned his own authority to use subpoenas, he had removed the threat of using it.

When Treasury and other agencies published a report on the volatile Oct. 15 trading, the OFR wasn't part of it.

That and other incidents fueled employee criticism that Mr. Berner was reluctant to embrace his powers, preferring to avoid controversy, according to current and former employees. Surveys of employees suggest that morale inside the agency has flagged.

Last March, the OFR published its 16-page paper on the development of the database for recording financial contracts, following years of false starts and infighting, according to employees. Mr. Berner weighed in on final drafts.

"We should be prepared that people will be underwhelmed," another OFR official predicted, according to one employee's notes about the project, known officially as the financial instrument reference database.

The prediction was accurate. Mr. Berner canceled an April public discussion about the initiative with OFR's advisory panel, then placed the project on hold, pending review by the Trump administration.

He announced his resignation in November, more than a year before his term expired, saying he wanted to spend more time with his family. He is now an adjunct professor and executive in residence at New York University's business school.

A spokesman for NBC declined to comment.

Mr. Gukild, of "Emil i OL," concedes Mr. Ramm originated the concept. The two are friends, both say, though Mr. Gukild adds they are now competitors as well. A popular clip from his show features a prank in which members of the Norwegian cross-country ski team are brought to what they think are interviews with Korean media in a hotel suite; instead they are each asked to perform stunts, including standing atop a chair to sing the Norwegian anthem while wearing a kimono.

Mr. Jansrud, who at 32 is a veteran on the Alpine scene, said he feels free to participate in sketches because his reputation as a skier is established. "I can afford to be a little funny," he said.

Mr. Ramm said Mr. Jansrud makes comedy look easy, but the skier disagrees. "I've met some Norwegians who are not funny, so I don't think it's something you're born with," he said. "But I hope we are an easygoing people."

Norway's Marit Bjørgen at the 2018 Winter Olympic Games and in a 'Gangnam Style' parody video.



GETTY IMAGES: NILS FRERIK ROSEN/NRK SPORT

get paid like this, do whatever you like."

He devised a hit-making strategy: make Norway's star Winter Olympians dance and crack jokes in sketches designed to be shared online.

"I see my own people my own age they don't watch normal regular TV anymore," he said. "The goal is to make content I'd watch myself."

"Helt Ramm"—a play on his name and a phrase that means "Totally Awesome" in Norwe-

gian slang—has generated dozens of videos, which have accumulated more than 25 million views across television and social media over the past few years, said NRK spokeswoman Janne Fredriksen.

Gold medalist in the men's 20-kilometer individual biathlon, Johannes Thingnes Bø, was the subject of a short mockumentary by Mr. Ramm, a send-up of the tear-jerker pre-Olympics promotions which show athletes overcoming ob-

stacles to achieve their dreams. The segment, scored with typical minor-key piano music, shows Mr. Bø, 24, struggling with an urge to take his clothes off in public, such that he uses electrical tape to keep them on.

"Is it correct to say you struggle with public nudity?" asks Mr. Ramm, in the role of sensitive-but-firm documentary host. Mr. Bø hangs his head and confesses: "Yes."

Asked why he participates in sketches that often poke fun at him, Mr. Bø said, "I think it's important to be funny."

The clips became so popular that a rival broadcaster, Discovery Networks' TVNorge, developed "Emil i OL," or "Emil at the Olympics," which made its debut in December. Discovery holds a crucial advantage: the rights to carry the Olympic Games in Norway.

"It's not your average sports content," says Discovery spokeswoman Hanne McBride. "Pranks, stunts and general silliness are the main ingredients."

Cumulative views for "Emil i OL" clips—not counting

shares on social media—have eclipsed 4.5 million, she said.

In one, the host, Emil Gukild and retired Norwegian skiing legend Kjetil Andre Aamodt sneak onto the downhill race course and the eight-time Olympic medalist skis down carrying Mr. Gukild piggyback.

Other athletes who have participated in sketches from the networks include men's downhill gold and silver medalists Aksel Lund Svindal and Kjetil Jansrud.

The athletes are at home with Norway's homegrown comedians. Last summer, Mr. Jansrud and his ski team agreed to wear Viking gear in a promo for U.S. Olympic broadcaster NBC, a bit he found "a little cheesy."

But when he was approached by Mr. Ramm to film a Viking-themed sketch, Mr. Jansrud happily sat in a row boat in an Oslo fjord for a shoot that lasted about seven hours, enduring sunburn and dehydration. "It's cool to be acting with him," Mr. Jansrud said of Mr. Ramm, "because I know it's going to be funny."

Mr. Ramm said Mr. Jansrud makes comedy look easy, but the skier disagrees. "I've met some Norwegians who are not funny, so I don't think it's something you're born with," he said. "But I hope we are an easygoing people."

GAMES

Continued from Page One
one day at the Winter Games.

But in recent years, sports stars like Ms. Bjørgen, 37 years old, have become actors in a different competition—between two Norwegian television networks that use the country's Olympic heroes in comedy sketches and parody music videos.

"I think it's fun for other people to see another side of us," said Ms. Bjørgen, who, when not dancing to mock-K-pop, spends her time winning Olympic medals in cross-country skiing, including a gold, silver and bronze so far in Pyeongchang.

The dueling Olympic-star programs are NRK's "Helt Ramm" and "Emil i OL" on Discovery Networks' TVNorge.

Nicolay Ramm, 29, creator and star of "Helt Ramm," said he was given free rein four years ago to develop programming to attract millennials. "They said, 'Here's a job, you

LIFE & ARTS



Dian Baker, above left, and Barbara Quinn believe nursing care can help contain hospital-acquired pneumonia.

nurse-researcher and professor at the School of Nursing at Sacramento State University, and Ms. Quinn, a clinical nurse specialist at Sutter Health, a 24-hospital system based in Sacramento, Calif. The authors focused on common pneumonia infections, not ones from ventilators. Hospital patients in their 40s and 50s are vulnerable, not simply the elderly, the authors said.

At Sutter Medical Center, Sacramento, Ms. Quinn initiated a program—Involving 50,000 toothbrushes—where every patient in the hospital was told to brush several times a day. Using 2010–2011 as a baseline, researchers found that from May 2012 through December, 2014, hospital-acquired pneumonia cases were down by 70%, she said. Sutter Health hopes to order 200,000 toothbrushes and roll out the program in its Northern California hospitals.

Even brushing's boosters acknowledge that more studies and clinical trials are needed to prove that oral care prevents pneumonia. Researchers who question whether more brushing means less pneumonia point out that the malady is difficult to diagnose and treat, let alone prevent. Dr. Baker agrees that more research is needed, but the worst case is "allowing patients to die without trying."

Shannon Munro, a nurse researcher at the Department of Veterans Affairs Medical Center in Salem, Va., launched a campaign in which nurses in two units with a total of 50 beds had patients brush their teeth twice a day. According to Dr. Munro, between October 2016 and December 2017, the number of non-ventilator, hospital-acquired pneumonia cases fell 92%—a decline she attributes to oral care.

She expanded the program in her facility and to other VA hospitals, including in Houston, North Carolina and Virginia, and hopes to have it in every VA hospital.

Brian Koll, an infectious-disease specialist, says oral-care initiatives make perfect sense, just like efforts to get patients to wash their hands. "You want to reduce the amount of bacteria in your mouth," said Dr. Koll, a professor of medicine and infectious diseases at the Icahn School of Medicine at Mount Sinai. Still, he believes more data are needed to come up with "evidence-based guidelines."

NYU Langone's Chief Hospital Epidemiologist Michael Phillips says, "I am all about evidence-based intervention, but this idea of brushing your teeth with a plain old brush fits with what we do."

HEALTH & WELLNESS

In Hospitals, Pneumonia Is a Lethal Enemy

Basic nursing care could curb the top hospital-acquired infection in America, a new study says

BY LUCETTE LAGNADO

AT A TIME WHEN the public is concerned with drug-resistant superbugs, researchers have identified another danger of going to the hospital: contracting pneumonia.

Hospital-acquired pneumonia is more pervasive and urgent than most people realize, a new study warns, and hospitals in America aren't adequately addressing prevention. "Given the mortality, hospitals should be doing a lot more," says Dian Baker, lead author of the study, which was published in January in the American Journal of Infection Control.

Pneumonia, which typically comes from germs that enter the body through the mouth, is the No. 1 hospital-acquired infection in America, according to the Centers for Disease Control and Prevention. That includes both pneumonia infections that some patients on ventilators catch from bacteria in their breathing tubes as well as the more common non-ventilator variety, the CDC says.

To battle germs and superbugs, hospitals are cleaning rooms and

equipment thoroughly, controlling the use of antibiotics and dispensing hand sanitizer to patients, visitors and staff. But Dr. Baker and her co-author Barbara Quinn contend that hospitals could prevent many pneumonia cases if they stepped up basic, hands-on nursing care.

Experts recommend a combination of techniques, such as making sure patients are elevated in their beds and getting them to move and walk about, so air moves through their lungs and germs don't settle in. Deep breathing exercises can help keep respiratory tracts clear. Toothbrushing also is seen as a strong defense against pneumonia.

At NYU Langone Health in New York City, patients—whether having complex surgery or an outpatient procedure—brush their teeth and gargle before going under anesthesia and throughout their hospital stay.

Before Emanuel J. Braxton had vascular surgery there this month, he was given a toothbrush kit and told to brush. Mr. Braxton, a 76-year-old retired postal worker from



NYU Langone Health patients Patricia Rosati, top, and Emanuel J. Braxton, above, cleaned their teeth with a hospital-supplied kit, left, before undergoing surgery.



Staten Island, N.Y., was surprised but agreed. "I thought, what the hell, I will do it," he says.

NYU Langone's pre-surgery tooth-brushing program has been in place for two years. "They go to the operating room within 20 minutes of getting it done," says Dora Castillo, the nurse administrator who launched the effort.

About 15% to 20% of patients with hospital-acquired pneumonia die, researchers have found. "Unfortunately too often when someone goes into the hospital the accepted pathway is let them lie in bed—and that is the problem," says Marin Kollef, Director of Respiratory Care Services at Barnes-Jewish Hospital in St. Louis, Mo.

Patients with hospital-acquired pneumonia had "8.4 times greater odds of death" than equally sick patients, according to a Barnes-Jewish study Dr. Kollef co-authored. Such pneumonia cases, the authors wrote, were "associated with significant increases in mortality." But experts noted that the cause of death for pneumonia patients wasn't necessarily pneumonia.

In a separate study, investigators from the CDC and the Pennsylvania Department of Health found that about 31% of adult patients with hospital-acquired pneumonia died. The CDC said the cause of the deaths wasn't known.

The recent study in the American Journal of Infection Control was conducted by Dr. Baker, a

BURNING QUESTION | By Heidi Mitchell

WITH THE FLU, WHAT'S THE BEST WAY TO GET SLEEP?

BEING SICK with the flu, or even just a cold, impairs one of the body's most reliable aids in recovery: sleep. Finding the right position and tools for comfort can seem impossible when battling a pounding head, stuffy nose and body aches. One expert, Aric Prather, a psychoneuroimmunologist and assistant professor of psychiatry at the University of California, San Francisco, explains why the flu makes us lethargic and how to get a restorative night's sleep while fighting off seasonal illness.

Acting Sick

When a person gets sick with a flu or cold, the body's acute immune response includes an increased activation of inflammatory processes, particularly in the nasal passage. The result: lots of mucus that can cause intense pressure in the head and face.

Dr. Prather, who studies how psychological and behavioral factors impact the brain and immune system, says scientists believe those same inflammatory processes affect a person's behavior, too.

"If you inject mice with a toxin

that increases inflammation, these animals take on sickness behaviors: They are lethargic, they are disinterested in sugarwater or sex, they often develop a fever, and they don't spend time around other animals," says Dr. Prather, who also treats patients with insomnia in a clinical setting. "This mimics what happens to humans."

Many immunologists surmise that a sick body needs to conserve energy to provide time for the immune system to fight off a virus, Dr. Prather says. Studies have shown that infected animals not only sleep more, but have an increase in slow-wave sleep, which is believed to be restorative.

Quality Over Quantity

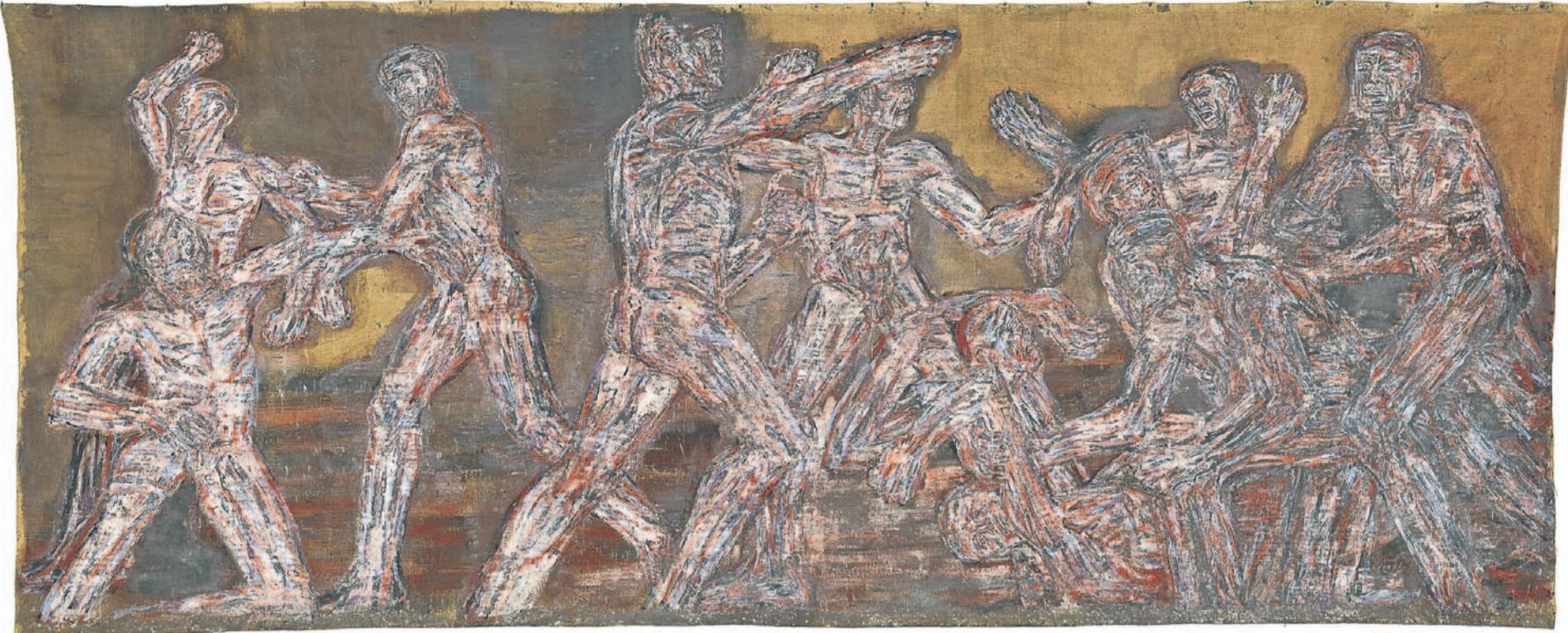
When a person is suffering from a pounding head and a running nose, the continuity of sleep is disrupted. This may mean that to get the required 7 hours of sleep a night, a sick person may need to be in bed for 10 hours. Perhaps just as important as getting the recommended amount of sleep is

Please see SLEEP page A14



ZOHAR LAZAR

LIFE & ARTS



© THE NANCY SPERO AND LEON GOLUB FOUNDATION FOR THE ARTS/VAGA, NY (3)

ART REVIEW

Raging at Injustice With a Brush

BY KAREN WILKIN

New York

LEON GOLUB (1922-2004) made some of the most potent political art of the past 25 years. His best known, chilling, larger-than-life images, painted on vast unstretched canvases hung on hooks threaded through grommets, force us to consider mercenaries and their victims, conjured up with ravaged, scraped expanses of pigment. Golub's sinister dramas remind us of Renaissance frescoes and vernacular sideshow banners, of the stop-time geometry of Piero della Francesca and the all-stops-out flourishes of Hellenistic battle scenes and Baroque martyrdoms. Factor in Golub's commitment to socially conscious figuration in an era dominated by abstrac-

tion and we have an artist both unforgettable and difficult to come to terms with.

"Unforgettable and difficult to come to terms with" also describes "Leon Golub: Raw Nerve," the economical, revealing survey now at the Met Breuer. Organized by Kelly Baum, curator of contemporary art in the Met's Department of Modern and Contemporary Art, the exhibition is a judiciously selected overview of Golub's paintings, drawings and prints from 1947-48, when he was a painting student at the School of the Art Institute of Chicago, to the year of his death. Golub's signature works bear witness to his rage at injustice, war and political violence, his horror of power and its abuse. The inclusion of early works and less known, but wholly characteristic, mature series results in a nuanced, comprehensive view of Golub's achievement.

The exhibition begins *fortissimo*, with "Gigantomachy II" (1966), a behemoth nearly 10 by 25 feet, recently given to the Met by the Nancy Spero and Leon Golub Foundation for the Arts and the couple's three sons. Confronted by the immense canvas, we think of Renaissance battles of naked men that celebrate the artist's mastery of anatomy, but soon shift to the struggle between the Olympian gods and the giants carved in brutal detail on the enormous Pergamon Altar in the second century B.C. The combination of conflict and classicism animating "Gigantomachy II," along with the suggestion of flayed flesh created by the scraped surface, are, in a sense, keys to Golub's approach. His work is profoundly informed by his knowledge of past art, from antiquity to modernism, filtered through contemporary news photographs and, occasionally, images of rough sports. In "Gigantomachy II," Golub, who first studied art

history and lived for years in Italy and France, seems to pay simultaneous homage to Pollaiuolo, Hellenistic sculpture, and rugby scrums, while rejoicing in the expressive physicality of paint.

The earliest exhibited works, from the late 1940s and early 1950s, are mostly expressionist heads and a couple of large, frontal figures, like stacked blocks of cyclopean walls brought to life; they are confrontational and fierce but not politically charged. The mood intensifies with the ferocious "Colossal Torso III" (1960) and "Tête de Cheval II" (1963), whose tight cropping and corroded surfaces turn be-

the news-photo basis of the images is all too apparent and the faux naïf style unconvincing. By contrast, "Vietnamese Head" (1970), a grisly image of an impaled severed head, another recent gift to the Met, compels and horrifies us with its directness and immediacy.

The large, unstretched canvases and works in other media that follow, made in the 1980s and 1990s, are as angry as any of Golub's well-known goon-squad images, but far less familiar. They range from a swirling evocation of a riot, to a glimpse of mercenaries at play, to deceptively calm scenes of black men and women, apparently not taking part in the racial conflicts of the period but perhaps witnesses to something we cannot see. The last mentioned paintings are among the exhibition's most mysterious, with their elusive subjects and eloquent silhouettes. They project an inexplicable sense of menace, despite their radiant, fresco-like colors.

"Raw Nerve" ends, disturbingly, with two large late paintings, made in 1995 and 2001, that evoke expansive dystopian wastelands punctuated by creepy symbols, reminders of mortality, placards with slogans, and roving dogs. Explicit narrative has yielded to discomfiting ambiguity. Virtuoso swipes of thin paint have replaced layering and scraping. Golub's anger remains, but his assured paint-handling almost overwhelms his bleak vision. An oversized, inverted skull is clearly a memento mori, yet it's impossible not to be delighted by its overlapping, transparent planes. And that dog, emblematic of both fidelity and apocalyptic destruction, is just plain terrific.

Leon Golub's 'Vietnamese Head' (1970)

nign subject matter into furious indictments of something unidentifiable. The hint of European Surrealist nightmare imagery in these paintings, very different from the slapdash energy of American art of the 1960s, is not surprising, since they were made during Golub's extended residence in Europe.

Golub's embrace of overt political content corresponded to his return to the U.S. in 1964. A series of portraits of powerful men, many of them corrupt bad guys, made in the early 1970s, is represented by four heads of an equivocal Brazilian general, shown at different times in his career. Unfortunately,

Leon Golub: Raw Nerve
The Met Breuer, through May 27

Ms. Wilkin is an independent curator and critic.



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SLEEP

Continued from page A13
sleeping continuously, Dr. Prather says.

To ensure getting adequate sleep while sick, it's important to "optimize your environment," says the professor. "That means insuring you position pillows so that you don't cough through the night, which will fragment and interrupt the slow-wave sleep."

He tells patients to follow general good sleep hygiene, keeping the room dark, quiet and cool. People with fevers will have a hard time regulating temperature, so dressing in layers is best.

Dr. Prather says cold medicines with some sleep aid can help the night go by uninterrupted, as the chemicals should decrease pressure and symptoms, helping increase comfort. But he doesn't endorse them, he adds, "unless you're having a terrible night, since there

are risks involved, especially among people who are vulnerable to falls." A humidifier is also useful, as it can help soothe dry sinuses and allow for easier breathing.

Before going to bed, Dr. Prather advises having an hourlong wind-down routine where you unplug from electronics and do something relaxing to set the stage for a good night's sleep. "That is the case when you're healthy, and when you're not feeling well," he says. "You need to have some 'me time.'"

On the Mend

Dr. Prather's work has focused on how insufficient sleep puts people at risk for actually getting sick. In one study, those who habitually got 6 hours or less of sleep and were experimentally exposed to live rhinovirus were more than four times as likely to develop a clinical cold than those who slept 7 hours or more per night.

"If people are deprived of sleep, they tend to mount

fewer antibodies to a vaccine as well," he says.

Humans tend to recover from a seasonal illness within 10 days, Dr. Prather says. With the benefits of good sleep, a sick person could be well in less than a week.

Once a person is healthy, maintaining that state can re-

Insufficient sleep puts people at higher risk of getting sick, one study showed.

quire focus. "If you haven't gotten the flu vaccine, get it even if you already recovered from the flu," he says, as the annual vaccine doesn't cover all strains of the flu virus.

Wash your hands often, and be sure to get at least 7 hours of sleep each night. "We know that sleep has an intimate relationship with the immune system," Dr. Prather says.

LIFE & ARTS

WHAT'S YOUR WORKOUT | By Jen Murphy

An Amputee Excels On the Slopes



WHEN PAM EBERLY'S teenage children started snowboarding in 1992, she wasn't willing to sit in the ski lodge and let them have all the fun.

That was despite the fact that she is a transtibial amputee. Ms. Eberly lost her right leg below the knee at age 18, because of a car accident that left half her body from the waist down with third-degree burns.

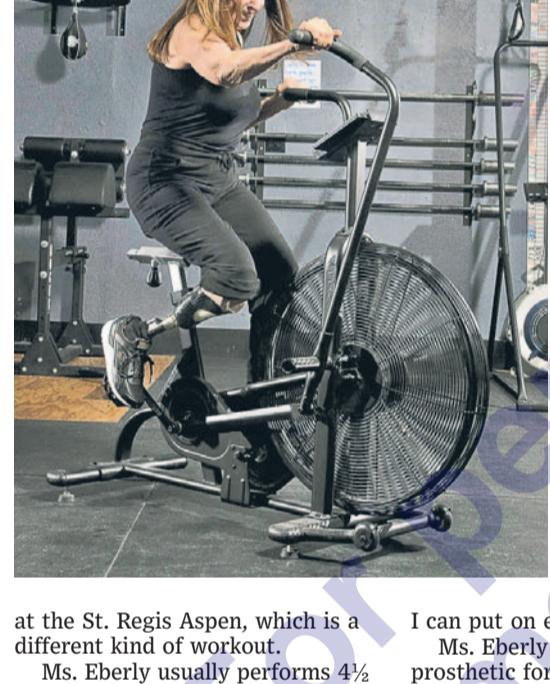
Twenty-five years later and with a prosthetic leg, she strapped herself onto a snowboard. Her daughter dropped her off at the bunny hill.

"It was pretty brutal," Ms. Eberly recalls, "but also exhilarating to be able to go so fast, something I can't do normally do. It was really freeing. You would never know I was disabled unless you rolled up my pant leg."

The Basalt, Colo., resident found that learning to ride with teenagers forced her to be fearless, she says. "I went where they went, into the halfpipe, over rails."

Ms. Eberly eventually became so skilled that she competed for five years, racing slalom, giant slalom, boardercross and halfpipe. In 2006, she medaled in an all-ages adaptive competition at the USA Snowboard and Freeski Association National Championships.

Now 67, she no longer competes, but she still snowboards once or twice a week at Aspen Mountain. She works as a massage therapist



at the St. Regis Aspen, which is a different kind of workout.

Ms. Eberly usually performs 4½ hours of massage during a six-hour shift, and she works double shifts three days a week. "When it's busy, it's not uncommon to do nine hours of massage work in a day," she says. "Luckily, I've always found that massage energizes me rather than wears me down."

Being a massage therapist requires strong hands and a strong core. "I use my whole body to get

into the muscles," she adds. "If I stood still for an hour, my leg would kill me, so I'm always moving around the table."

Staying fit is crucial for her job—according to the American Massage Therapy Association, injuries prompt about 2% of massage therapists to leave the profession each year. Ms. Eberly also keeps up with exercise to ensure that her prosthetic leg fits correctly.

"If you gain weight, you need to get a new leg made," she says.

"If I get too skinny

I can put on extra socks."

Ms. Eberly uses a dedicated prosthetic for snowboarding. "They beefed it up for strength, and it has a soft ankle that gives me a little movement," she says. "By the end of a season, I usually need to get a new leg or at least have to get mine doctored up, because I play so hard."

The Workout

Ms. Eberly works out four days a week at High Country CrossFit in

Basalt, Colo. Her instructor has modified exercises for her, typically incorporating kettlebells with squats, bent-over rows and "supermans," in which you lie on your stomach with arms and legs outstretched and raised.

"My squats have improved so much," Ms. Eberly says. "When I started, I had to squat back onto a box for support."

She then might do step-ups onto a box while holding a barbell, bent-over rows with a barbell and 20 minutes of intervals on the rowing machine.

Ms. Eberly has had 10 surgeries on her left shoulder, a result of snowboarding injuries, so she keeps the weight light when doing any exercise involving it. She uses a foam roller to keep her muscles loose.

In the summer, she hikes and goes mountain biking, but in winter, she uses her days off to go snowboarding. "I'm very picky about conditions," she says. "A powder day brings me pure joy."

The Diet

Ms. Eberly eats eggs for breakfast every morning, occasionally adding organic chicken sausage and hash browns. "If I don't have protein I get shaky later in the day, especially while working," she says. She has green tea when she gets to work.

For lunch, she orders chicken or fish and a salad from the employee dining room. She avoids gluten.

How Sports Benefit The Disabled

Sports can provide a great confidence boost for people with a disability, says Kirk Bauer, executive director of Disabled Sports USA, an advocacy group based in Rockville, Md.

"When a person is faced with the challenge of a disability, be it from war, cancer, an accident or a neuromuscular condition, that person's entire self image gets blown apart," says Mr. Bauer, a veteran who lost a leg in Vietnam. "They need a positive experience that enables them to realize there is life after becoming disabled, and sports, in my opinion, is one of the most effective ways to reintroduce that sense of self and give the person control of their body."

Disabled Sports USA works with athletes in more than 30 sports, from martial arts and kayaking to basketball and swimming, but Mr. Kirk says snow sports are the most popular.

"Once you get to the top of the mountain with the aid of a chairlift, gravity then helps eliminate the effects of a disability, aiding you down the mountain," he says. "There has also been tremendous advancement in adaptive equipment design, using lightweight, space-age materials, so almost anyone, even quadruple amputees, can do snow sports."

Pam Eberly, who uses a prosthetic leg, snowboards once or twice a week near her Colorado home. She supplements it with indoor workouts, hiking and mountain biking.

Homemade soup is Ms. Eberly's go-to winter dinner, sometimes with a salad topped with protein. When she goes snowboarding, she carries rice crackers, a Trader Joe's Pound Plus chocolate bar with almonds, and roll-ups of organic Black Forest ham, cream cheese and vegetables.

"It costs way too much to eat at the restaurants on the mountain," she says.

The Gear & Cost

Ms. Eberly has three snowboards, but the Burton Feelgood she's used for years is her favorite. "It's so forgiving," she says.

She received an old Burton Supermodel snowboard as a gift, which she uses on "powder days" after heavy snowfall, and she recently bought a Burton Flying V for \$350.

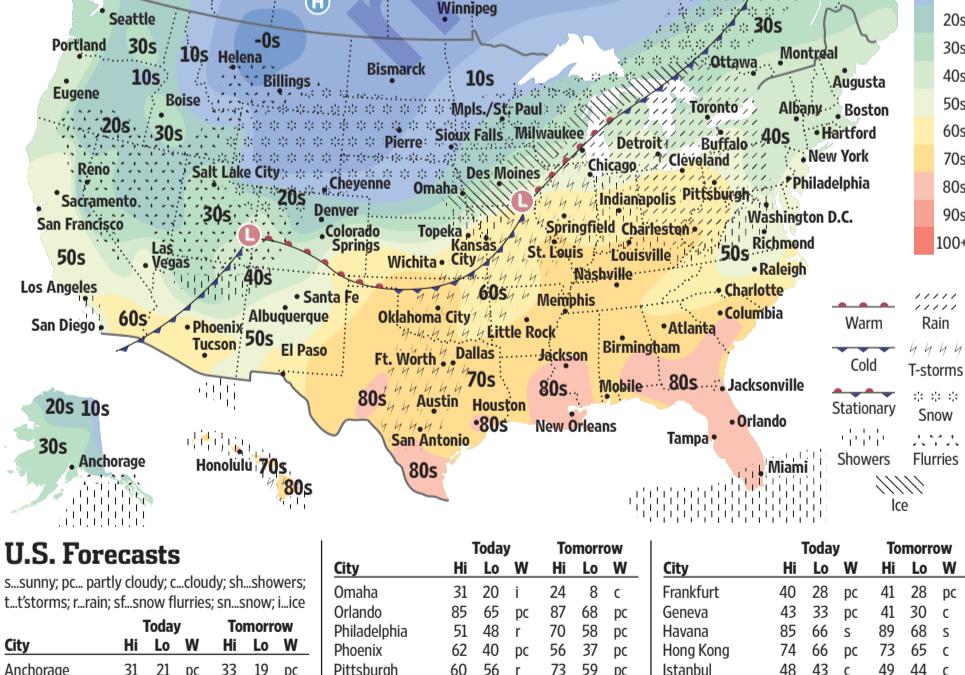
Ms. Eberly rides with mismatched snowboard boots—on purpose. "Today's boots are much stiffer, but for my prosthetic, I need to wear a softer, old boot so I can get on to my toe edge," she says.

When the snow melts, she rides a specialized FSR XC Pro mountain bike, which she paid \$1,110 for, and a Cannondale Adventure hybrid bike, which cost around \$750.

Ms. Eberly's Skechers Gorun sneakers cost around \$100. "I'm on my feet for hours, so I need a shoe with good support," she says.

She pays \$135 a month for her CrossFit gym.

Weather



U.S. Forecasts

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

Today Hi Lo W **Tomorrow** Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	31	21	pc	33	19	pc
Atlanta	73	59	pc	77	65	pc
Austin	77	63	c	74	60	t
Baltimore	48	47	r	71	58	pc
Boise	32	14	c	70	20	pc
Boston	47	44	pc	61	52	pc
Burlington	45	41	sh	54	52	r
Charlotte	64	54	pc	78	64	r
Chicago	54	54	r	62	28	r
Cleveland	60	57	r	69	60	sh
Dallas	75	67	c	70	42	t
Denver	29	3	sn	18	4	c
Detroit	54	53	r	64	49	r
Honolulu	81	65	c	81	68	pc
Houston	80	68	c	76	67	t
Indianapolis	65	62	sh	70	45	t
Kansas City	63	40	t	41	15	r
Las Vegas	51	33	pc	50	31	s
Little Rock	75	63	c	75	51	t
Los Angeles	58	40	pc	58	42	s
Miami	83	73	pc	85	73	s
Milwaukee	45	39	r	51	25	r
Nashville	23	16	s	23	5	s
New Orleans	82	69	pc	82	70	pc
New York City	50	48	r	69	58	pc
Oklahoma City	73	58	t	66	20	r

International

Today Hi Lo W **Tomorrow** Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	43	35	c	42	30	r
Athens	58	48	r	56	48	t
Baghdad	62	45	p	66	49	pc
Bangkok	92	79	t	92	79	t
Beijing	49	30	pc	46	23	w
Berlin	40	29	c	38	26	pc
Brussels	44	33	r	42	29	r
Buenos Aires	86	66	c	85	58	r
Dubai	83	67	pc	78	63	s
Dublin	53	36	c	48	32	pc
Edinburgh	52	38	c	49	33	s

The WSJ Daily Crossword | Edited by Mike Shenk



GOING AROUND IN CIRCLES | By Agnes Davidson & Zhouqin Burnikel

Across	Down
1 Seasonal song	29 Gizmos
6 Energetically excited	57 Big name in skin care
11 Not working	59 Zilch
14 Without help	60 In the past
15 Coastal storm	61 Crime bosses, or what the first words of the starred answers can be
20 Civil wrong	64 1040EZ org.
21 Whittier work	65 Biggest pieces
22 Porterhouse kin	66 Ledger entry
24 "You're on!"	67 Course peg
26 River of	68 Emulate Nathan Chen
28 One might be noble	69 Smelter waste
	70 Prickly plants
	72 Mete out
	73 Jungle noises
	74 In front of the audience

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

- 5 Guitarist Paul
- 6 Farmed British racecourse
- 7 Silence
- 8 Pale yellow blooms
- 9 Analysis topic
- 10 Bound for the body shop
- 11 *Saint Basil's Cathedral feature
- 12 Swede's neighbor
- 13 Rolex bought on the street, probably
- 18 Primatology study
- 23 Journalist's no-no
- 25 Pitcher's no-no
- 27 Lusty desire, slantly
- 29 Search for water
- 30 Prepare for a match
- 31 Broker's advice
- 32 Geometric calculation
- 33 *Teddy Roosevelt's party

Previous Puzzle's Solution

ABASE	FILM	CROP
NEPAL	ACAI	MENU
TREVI	LIP	PREADER
INDIANA	FEEN	CHIP
JPEG	REAL	MERLE
ONSA	RUDIE	SELL
EON	LIST	BIER
DICTATE	PRELIMIS	ERUPT
OOONA	THIS	NEO
ERUPT	REED	EGGS
MAIN	ASEA	GIFT
PST	NAP	PEDALED
ICEMAGAINS	ILLUVU	RAIRE
RAIRE	ARIES	NINES
ELSE	STAT	GIANT

The contest answer is Steven SPIELBERG. Nine words from film titles from one director appear throughout the grid: SWINGIN', PURPLE, INDIANA, ENCOUNTERS, LIST, BRIDGE, EMPIRE, REPORT and GIANT (from "The BFG," which stands for "The Big Friendly Giant"). The first letters of these words, in grid order from top to bottom, spell the last name of the director, the contest answer.

PYEONGCHANG 2018



Mikaela Shiffrin came up short in the slalom, finishing fourth.

SEAN M. HAFFEY/GETTY IMAGES

RACE FOR GOLD

U.S. Is Falling Flat in Medals Race

BY RACHEL BACHMAN

PYEONGCHANG, South Korea—Ten days into the Winter Olympics, the U.S. was being clobbered by a country with fewer people than Wisconsin.

Norway, population 5.2 million, was cross-country-ski-sprinting away with these Games. It had 28 medals through Monday, with six days to go.

That's already surpassed Norway's best all-time total of 26 in the modern Winter Olympics, set in 1994 and 2014. A resurgent Germany was in second place with 20, Canada third with 17 and the Netherlands fourth with 13, while Olympic Athletes from Russia have 11. Team USA has 10 medals, tied for sixth place with Austria, Japan and France. The U.S. trails the Olympic Athletes from Russia, a squad stripped of its flag and devoid of many of its stars due to doping sanctions. (OAR's bronze medal in mixed doubles curling is threatened, however, by a doping allegation.)

"I am, of course, sad to see the U.S. lagging behind the other powerhouse countries in the medal count," said American David Wise, the defending gold medalist in ski

halfpipe, which happens Thursday. "We seem to be the 4th- and 5th-place champions this year."

Snowboard halfpipe favorites Chloe Kim and Shaun White came through for the U.S. with spectacular gold-medal-winning performances. Alpine skier Mikaela Shiffrin won gold in the giant slalom,

Team USA now has as many Alpine skiing medals (one) as Liechtenstein.

a strong U.S. figure-skating squad won bronze in the team event and John-Henry Krueger, ranked 10th in the world in 1,000-meter short-track speedskating, won silver in the event Saturday.

But other athletes have fallen flat. The U.S. long-track speedskating team so far has reprised its zero-medals performance in Sochi. Heather Bergsma, the world record holder in the 1,500 meters, finished eighth in the race here and failed to medal in the 1,000.

Figure skater Nathan Chen, whose quad jumps made him a fa-

vorite for at least a bronze, crashed in his short program and needed a heroic comeback to finish fifth. Gold-medal favorite aerials skier Ashley Caldwell didn't make the final. Shiffrin, the most dominant slalom skier in the world, vomited before that race and finished fourth.

Team USA now has as many Alpine skiing medals (one) as Liechtenstein, after Tina Weirather's bronze Saturday in the Super G. American Lindsey Vonn, who's won more World Cup races than any other woman in history, tied for sixth.

"It's like David against Goliath, because we have 37,000 people in our country and you have 200 million," Weirather said, undercounting the U.S. population by roughly 123 million. "So I'm for sure the underdog. I don't have the pressure that the big nations have."

Through 10 days of the 2014 Sochi Games, the U.S. was tied with host nation Russia for the lead at 18 medals. Russia was later implicated in a state-sponsored doping program at those Games.

"We're proud of Team USA's accomplishments thus far and excited to see what happens in the second week as we continue to give athletes everything they need

to be successful," U.S. Olympic Committee spokesman Mark Jones said.

Norway was 13 medals ahead of its 10-day total in Sochi of 15 medals. It had more medals in Nordic skiing alone (11) than the U.S. had overall. But the Norwegians aren't only dominating cross-country skiing events. They've also scooped up five medals in Alpine skiing, tying their high in that sport from 1994, and five in ski jumping through Monday.

"It seems like there is blowing an Olympic wind of happiness and gratitude over Norway," said Halvor Lea, spokesman for Olympiatoppen, a sub-organization of the Norwegian Olympic and Paralympic Committee and Confederation of Sports.

Norway's goal entering the Games was 30 medals but, Lea cautioned, "we never evaluate or conclude until the fat lady starts to sing."

Germany was one behind Norway for the lead in the gold-medal count with 10, already surpassing its final total of eight in Sochi. The early results seemed to validate Germany's two-year review of its Olympic operations after a disappointing 19-medal total in 2014.

"I hoped for one gold medal,

and now I have three [medals]," German biathlete Laura Dahlmeier said of her two golds and a bronze. "It is always good to be better than expected."

Four of Team USA's five gold medals, plus a bronze have come from snowboarders, including Jamie Anderson's and Red Gerard's in women's and men's slopestyle. Freeskier Nick Goepper added a silver in ski slopestyle Sunday, and the U.S. has strong contenders in Tuesday's women's ski halfpipe and Thursday's men's ski halfpipe.

Fred Traube, a music promoter in Watertown, Conn., best known for helping make the song "Who Let the Dogs Out" a staple at U.S. ballparks, watched the women's Super G on Saturday. Traube said the medal count matters because "It's important to show United States exceptionalism."

He acknowledged Norway's winter-sports supremacy, but said it would get its comeuppance at the Summer Games.

"Who do they have to match up against Michael Phelps and Carmelo Anthony?"

—Brian Costa, Sara Germano, Louise Radnofsky, Ben Cohen, Joshua Robinson and David Gauthier-Villars contributed to this article.

AT THE GAMES | By Jason Gay

MY RIDE IN NBC'S OLYMPIC SPIN ZONE

Pyeongchang, South Korea

There I was, at the 2018 Olympic Games in Pyeongchang, reasonably certain I was about to vomit on live television.

But let me start at the beginning.

You probably know that the National Broadcasting Company, a.k.a. NBC, deploys a small army to cover the Olympics—there are 2,000 or so people working for the media giant here—and with a mega-event on the other side of the world, it helps to have familiar comforts. In Sochi, NBC famously tucked an employees-only Starbucks into its broadcast bat cave. In South Korea, there's a Nespresso. And a Jamba Juice.

And a Peloton. And a Peloton instructor.

Wait, what?

Yes: In a move that will warm the sculpted quads of stationary bike cultists everywhere, NBC decided to host an Olympic outpost of the glam subscription fitness company, which is known for its sleek \$2,000 bikes and starry instructors. It's not just for NBC staff—during the Games, Peloton streamed live classes featuring NBC Winter Olympics personalities to its subscribers at home.

Naturally, there's synergy at work. NBC and Peloton are partners—Comcast NBC Universal is an investor in the company. I could hit you here with some corporate yadda yadda about media platforms, but that was not important to me. What was important was that NBC had a live Peloton class in Pyeongchang until Monday night—and I needed to weasel my way into it.

It wouldn't be easy. In Sochi, the Journal sports team went to great

investigative lengths to confirm the NBC Starbucks. How would I possibly wiggle into the NBC Peloton? I would have to stowaway in a cup of Nespresso. I would have to comb my hair handsomely and try to pass myself off as Willie Geist.

Or I could just ask.

A few hours later, there I was, standing in a glamorously-lit studio—REDACTED pounds of flabby, Olympic media dining-carved Dad-bod.

There were 10 bikes in the room, plus one at the center for our hyper-fit instructor, Robin Arzon. Arzon left a legal career for the fitness universe, wrote a best-seller called "Shut Up and Run" and knocks out 100-mile ultramarathons. I, on the other hand, had done 13 sit-ups on the floor of my media village room four days ago.

There was also this: I'd gone out the prior night for chicken and beer with some weasels from the New York Times (look, if North and South Korea can come together for an Olympic team, I can eat wings with some Times weasels.) Hours later, I was still feeling chicken and beer after-effects.

Was I ready for 45 minutes of spinning? No. Was I foolish enough to think I could fake it? Of course. Especially when I saw the TV cameras and NBC personalities like Natalie Morales in the class.

I was pumped. Just as Chloe Kim had soared to a gold medal in the half pipe, I was going to dig deep, and put all these fancy NBC people into the pain cave. Back in America, spinning obsessives like Natalie Morales in the class.

We went on the air at 8 p.m. Pyeongchang time, 6 a.m. ET. I knew not to go out too hard early.

I grinned like a lunatic, hoping they wouldn't detect my distress.



Jason Gay, far right, takes a class at the Pyeongchang Games with Peloton instructor Robin Arzon.

Then Robin started to crank "Gimme Shelter," and my ego took over. The screen showed how I was performing relative to the rest of the class, and I was near the top—ahead of Natalie Morales. As Robin shouted encouragement, I cranked the torque, hopped out of the saddle, and pedaled harder.

This was about the time I was reintroduced to the chicken and beer. It started as a feeling—a slight crumble in the stomach, followed by an anxious clench in the back of my throat. Oh please please no. Please do not let me throw up. The NBC people are never going to stop laughing.

I grinned like a lunatic, hoping they wouldn't detect my distress.

There was more than a half hour left.

I was trapped. Do I quit and hop off the bike? The Journal would fire me for disgracing the com-

pany. I mean, more than I usually disgrace the company.

Robin, meanwhile, looked like she wanted to ride every stage of the Tour de France. Natalie Morales was crushing it. So was NBC sports host Paul Burmeister—the former Iowa quarterback was lapping the field like it was "Breaking Away."

Facing disaster, I opted to do what wise bike pros do when they get into trouble: I limited my losses. I took the torque way down and pedaled gently. I smiled more. I drank water. I sank in the standings. But I survived.

And there is a business angle here, about what NBC's attempting to do with Peloton, or on a platform like Snapchat, which is to go to viewers where they increasingly are. We all know that TV is a volatile business—the way TV is marketed and consumed is far different today than it even was in Sochi.

Peloton wasn't showing the women's downhill, but NBC hoped that maybe watching a class live from Pyeongchang got you thinking and talking about the Olympics.

"It's been wildly well-received by our community," said Peloton's co-founder and CEO John Foley.

"This is a fairly unique demographic," said NBC Olympic president Gary Zenkel. "It's not massive. It's growing. But these are people that hopefully talk to each other. They get up at 6 a.m.—those who ride live—have the Olympics to wake up to, and hopefully it becomes part of their day."

To be honest, I was just glad I hadn't left anything on NBC's studio floors. I was glad I was walking out of there on my own two feet. It was time for a shower, and I'd burned more than 500 calories, folks. I actually went for more chicken and beer, because it's delicious.

PYEONGCHANG 2018

CURLING

Russian Curler Fails Drug Test

Aleksandr Krushelnitckii tested positive for a high dose of meldonium

BY DAVID GAUTHIER-VILLARS AND BRIAN COSTA

PYEONGCHANG, South Korea—A Russian curler and medalist at the Winter Games has failed a preliminary doping test, a person familiar with the matter said Monday, a potential setback for Russia's efforts to bounce back from a huge doping scandal.

Aleksandr Krushelnitckii, who won a bronze medal in mixed doubles with his wife last week, has tested positive for a high dose of meldonium, a heart-disease medication, the person said.

Because the dose of meldonium detected in Krushelnitckii's urine sample was significantly higher than what would normally be read for a person treated with the drug, authorities are exploring the possibility that he was the victim of sabotage, the person said.

The positive test is preliminary because antidoping authorities have yet to analyze the athlete's control sample, which will possibly take place on Monday.

A doping case involving a Russian athlete would be a blow to Russia, which is waiting for an IOC decision this week on whether it can be allowed to march with its tricolor flag at Sunday's Closing Ceremony, and be reinstated as a full-fledged member of the international sports community.

In December, the IOC banned Russia from participating in the Pyeongchang Games over a doping scandal, but later invited 169 athletes from the country and said it was confident they were clean. The athletes compete under the Olympic flag and the delegation is officially



AARON FAVILA/ASSOCIATED PRESS

Aleksandr Krushelnitckii and his wife Anastasia Bryzgalova won a bronze medal in mixed curling.

called Olympic Athletes from Russia.

An official representing suspended Russia confirmed that a Russian athlete was being investigated for possible breach of doping rules but declined to confirm his or her identity.

"We're not naming the athlete or the discipline until results of the B-sample are known, which

normally will happen within the next 24 hours," Konstantin Vybornov, the delegation's spokesman, said late Sunday. Krushelnitckii couldn't be reached for comment. In a short statement to Russian newswire RIA, he said, "I know nothing about all this."

Magnus Nedregotten, part of the Norwegian mixed-doubles

team that lost to the Russians in the bronze medal match, said he believes Krushelnitckii is innocent until proven guilty. But he said news of the initial result has been deeply upsetting. "It feels horrible," he said Monday, a day after he returned home from the Olympics. "It makes me kind of angry."

Even if the medal is one day re-

allocated to Norway—the appeals process could take years—Nedregotten isn't sure how much comfort that would bring. "I suspect it would be weird," he said.

Marketed by a Latvian pharmaceutical company, meldonium was widely used by Eastern European and Russian athletes until it was banned by the World Anti-Doping Agency two years ago.

Russian tennis star Maria Sharapova failed a drug test at the 2016 Australian Open for meldonium, a medication she had been taking for 10 years.

"I would have thought that after Sharapova, all Russian athletes would have realized that meldonium can be detected, and know that it's a prohibited substance," Richard Pound, a lawyer who ran WADA from its creation in 1999 to 2007. Regarding the possibility of sabotage, he said the burden would be on the Russian team to bring specific indications of tampering beyond mere suspicions.

A doping case involving a Russian athlete would be a blow to Russia, which is waiting for an IOC decision this week on whether it can be allowed to march with its tricolor flag at Sunday's Closing Ceremony, and be reinstated as a full-fledged member of the international sports community.

There is little known history of doping in curling, and news of the positive test was met with widespread snickering on social media.

But people in the sport say the notion that a banned substance would be of little use to a curler is a misconception.

Dean Gemmell, a curler who has competed in the U.S. national championship and co-authored the book "Fit to Curl," said curlers have become dramatically more physically fit than they used to be.

"People don't realize when they watch it—they see the Olympics and it looks pretty easy—but it's pretty taxing," Gemmell said.

ALPINE SKIING

VONN'S BAD KNEE MIGHT BE GOOD THING

BY RACHEL BACHMAN

The commercial shows Lindsey Vonn careening into a fence, being wheeled into surgery, then sweating her way through rehab and back into racing form. The American Alpine skier's recovery from injuries, including a serious one to her right knee, has shaped her image as a survivor of long odds.

But the evidence suggests the odds might not be so long after all.

Certainly, any high-level athlete who's suffered a serious injury knows there are no guarantees of a return to form. Some are never the same again.

Yet research and results at the Olympics show that skiers tolerate knee injuries remarkably well. One large study even shows that elite skiers who have torn a knee ligament come out faster and race longer than those who haven't.

"I've been calling that the ski-

racing paradox: The rate of injury is high but the rate of return is very high as well," says Dr. Nathan Endres, an orthopedic surgeon at the University of Vermont Medical Center and a member of the U.S. Ski and Snowboard physician pool.

Aksel Lund Svindal, a 35-year-old ski racer from Norway, had two shortened seasons recently due to knee injuries, but rebounded to win his country's first gold in the downhill on Thursday.

Of the top four finishers in the women's Super G, three had come back from serious knee injuries. Vonn finished tied for sixth, .38 out of the lead, and has posted some of the fastest training times in the downhill event, which takes place Wednesday.

A 2015 study published in The American Journal of Sports Medicine analyzed 477 members of the French Alpine ski team from 1980 to 2013. Skiers who sustained a ruptured anterior cruciate ligament, a common knee injury, had



JAVIER SORIANO/GETTY IMAGE

Lindsey Vonn in action during a training session for the women's downhill.

longer and more successful careers than skiers who didn't. Even more remarkable, 100% of skiers who'd suffered the injury came back to race again.

The study's authors theorized that the active recovery period after ACL reconstruction "may improve the physical and physiologic parameters of the athletes, opti-

mizing their return to performance levels while providing rest from intense training."

In other words, like tennis star Roger Federer and Patriots quarterback Tom Brady, skiers might actually benefit from forced time off, becoming more focused and physically fit for their return.

The 33-year-old Vonn estimates

she has taken three years off to recover and rehab from injuries, including the 2014 Olympics. Despite that time away, she has racked up 81 wins on the World Cup circuit. "In 2010 I was a much healthier athlete, but in 2018, I'm a much stronger athlete, not just physically but mostly mentally," Vonn said.

ACL tears generally happen in skiing only when something goes wrong, Dr. Endres said, "whereas you can tear your ACL playing soccer or basketball doing a move that you've done 1,000 times before...So it makes sense that you can put a new ACL in a skier and they can go back and ski. Because as long as they ski the way they should, the ACL isn't seeing a lot of force."

Of course no athlete wants to be injured. Crashes are painful and disruptive, and skiers who suffer knee injuries are at a higher risk for arthritis later in life.

Yet Olympic podiums often hold up skiers who have survived and thrived despite injuries.

"I don't think it's a good idea to go tear your ACL," Dr. Endres said, but time off and a specific goal actually can help. "It's something about overcoming a challenge: If you have an injury, you've got this hurdle in front of you that you're trying to overcome."

FIGURE SKATING

VIRTUE AND MOIR'S GOLDEN DANCE

BY LOUISE RADNOFSKY

GANGNEUNG, South Korea—Ice dancers Tessa Virtue and Scott Moir of Canada became the most decorated Olympic figure skaters of all time by taking gold here, their second Olympic title and fifth medal.

A vibrant free dance skated to the soundtrack of "Moulin Rouge!" with crowd-thrilling lifts allowed Virtue and Moir to maintain their lead over French rivals and training mates Gabriella Papadakis and Guillaume Cizeron.

American siblings Maia and Alex Shibutani, skating a reworked program to Coldplay's "Paradise," pushed ahead of compatriots Madison Hubbell and Zachary Donohue, in the contest for bronze.

Hubbell and Donohue's sultry free dance to "Caught Out in the Rain" had a handful of errors and ended poorly with a late fumble by Donohue, in a disappointing Olympics in which they had also been left out of the line-up for the team



rocketing from virtual unknowns to world champions in a single year under their Montreal coaches, and traded back and forth with Virtue and Moir for world dominance after the Canadians came out of retirement to try for their third Olympics.

The Montreal coaches, Marie-France Dubreuil, Patrice Lauzon and Romain Haguenauer, have built a global ice dancing hub in coaching the French, Canadians, and Hubbell and Donohue simultaneously. They are in rivalry with a trio of coaches in Detroit, where couples like the Shibutanis and Chock and Bates continue to train.

Virtue and Moir, who won their first gold medal in 2010 at Vancouver, took silver in 2014 behind Americans Meryl Davis and Charlie White, as well as a silver in the inaugural team competition there. Moir said the addition of the team event—which also earned Virtue and Moir a gold medal here—had made their achievements incomparable to past Olympians who only competed in individual events.



Norway's Havard Lorentzen won gold in the men's 500m speedskating.

Medal Count

COUNTRY	G	S	B	TOTAL
Norway	11	9	8	28
Germany	10	6	4	20
Canada	8	5	6	19
Neth.	6	5	2	13
U.S.	5	3	4	12
France	4	4	4	12
O.A.R.*	0	3	8	11
Austria	4	2	4	10
Japan	2	5	3	10

*Olympic Athletes from Russia

Updated: 11:49 p.m. ET

FOR THE LATEST COUNT GO TO WSJ.com/Olympics

PYEONGCHANG 2018

CURLING

THROWING ROCKS AT THE GIANTS

BY JONATHAN CHENG AND ANDREW JEONG

GANGNEUNG, South Korea—Last year, South Korea's curling federation was embroiled in turmoil, lacking a leader, public support and even proper access to practice facilities.

Today? The South Korean women's curling team has emerged as the breakout star of the Pyeongchang Olympics, an overachieving underdog that has burst into medal contention in a sport that South Korea had virtually no presence in just a few years ago.

South Korea's women's curling team is on an exquisitely-timed hot streak. The Olympic hosts have racked up a near-perfect run of victories over Canada, Switzerland and Great Britain—three of the curling world's four great powers. On Monday, South Korea edged out Sweden, which had been undefeated, to pull ahead into first.

How did South Korea build a giant-killing women's curling team in a country with zero tradition of it? Partly through the persistence of four small-town women who took up the sport a few years ago.

Their success remains something of an outlier for a country whose world ranking was too low to have qualified for the Olympics in 2011, when the Winter Games were awarded to Pyeongchang.

The sudden success of the team here is attracting new curling aficionados drawn by the sport's hypnotic appeal.

Lee Yu-ra took a four-hour bus ride from the southern city of Daegu to catch Saturday's victory over Great Britain. Lee, 29 years old, said she is still trying to grasp the rules of the sport, but wanted to witness the South Korean team's action up close—even if it means coming on her own, and in defiance of her parents' wishes.

"It's so amazing to be here after watching the games on TV," Lee said. "My parents are watching the same game from the living room."

She added: "I hope I'm not asking for too much, but a silver medal sounds good."

South Korea's women's team is made up of five women, all sur-named Kim, though only two are

related. The team's skip, 27-year-old Kim Eun-jung, and three of the other Kims—two of them are sisters—attended the same high school in a rural county called Uiseong that is known for its garlic. The local press has dubbed them the "Garlic Girls."

They have their own names for one another. During a tournament in Canada a few years ago, Team Korea's five curlers adopted English nicknames over breakfast: Pancake, Sunny (for Sunny Side Up), Steak, Yogurt and Chocho.

For years, they toiled in obscurity back home. They struggled with access to practice facilities, and the team and its supporters had to pay out of their own pocket.

'It's a story about a few people trying really hard to lift Korean curling to new levels.'

sets for new equipment, facilities and programs, said Kim Min-jung, the Korean team's coach, who isn't related to the other five Kims.

South Korea's curling federation, meantime, was consumed with a series of distractions, including sexual harassment, a voting scandal and alleged misuse of federation funds, which led last year to a government audit.

"It's not like Korean curling as a whole is on the rise," said the coach, Kim Min-jung. "Rather, it's a story about a few people trying really hard to lift Korean curling to new levels."

South Korea brought on a Canadian coach, Peter Gallant, to raise its game. He says that while the South Korean curlers were always technically skilled, the biggest improvement has been in their strategic prowess.

Despite their run of success, skipper Kim Eun-jung is keeping her expectations in check.

"There are more games that we have to play," she said on Saturday. "Just as you have to wait until the last shot to see what happens at the end of a curling game, we have to wait until our last game to see what happens."



Kim Eun-jung, center, leads South Korea's curling team at the Olympics.

The tower at the Alpensia Ski Jumping Center is lit up at night during the Pyeongchang Games.



STEVE RUSSELL/GETTY IMAGES

THE OLYMPIC SCENE

Late Night at the Games

Fans drift in search of an Olympic party; Russians hold the dance-floor

BY DAVID GAUTHIER-VILLARS AND TIMOTHY W. MARTIN

GANGNEUNG, South Korea—Pavel Sechin comes from Russia's Siberian region of Yakutia, known for its giant idle diamond mine and extreme isolation.

"It isn't easy to move around, transport is difficult," said Karin Edgren, enjoying a break from her job at Sweden's hospitality house.

Venues, athletes and spectators are spread in mountainous terrain over a 30-mile circle.

Gangneung, the main cluster for ice sports, has over 200,000 inhabitants and several lively districts. But they are miles apart, and orientation can be challenging for non-Korean speakers.

One central partying spot at these Olympics could have been the sky bar on top of the tower that serves as the top of the ski jump. The view from the large flying-saucer is spectacular, and photos pinned on a wall suggest it has hosted wild karaoke showdowns.

"The bar was never open to public or planned to be, as it's inside the athlete area and used by them and staff," a spokeswoman for the organizing committee said.

Another option could have been South Korea's famed fleet of disco buses, many of which are ferrying spectators across the Pyeongchang Games. Featuring neon lights, sound-blast systems, karaoke machines and signs that read, "Have a Good Time!," the "party buses" are typically hired by senior citizens seeking a private space to let loose.

But bus driver Lee Pyeong-hwa says nobody has asked him to turn up the volume. "It's very quiet," Lee said. "It isn't the right atmosphere for a party."

Asked for advice, Lee Hee-beom, chief executive of the Pyeongchang Games' organizing committee, recommended the Olympic Plaza—where the Opening Ceremony was held—saying it offers much entertainment.

"It's open till late," he told The Wall Street Journal. "It doesn't close until 10 p.m."

But Andrei Tkachenko, a 40-year-old metals worker from Vladivostok, knew of a place that was open really late. Partying past midnight at these Olympic Games, it turns out, takes an inside track.

Tkachenko sent the Russian fans to a place called Charisma, but strained to communicate instructions to the taxi driver. Turning on a voice-translation app, the driver asked for the destination again. Fifteen minutes later, he stopped in front of a large building: the Charisma Super Night Club.

On the first floor, the club was the size of a concert hall. Fitted with a mix of traditional Korean and industrial décor, it had a large stage, a dance floor and dining tables. A regular bottle of Smirnoff vodka cost \$130.

A waiter guided the Russian group to a table with a flashlight. They appeared to be the only foreign customers. Large screens showed video clips of lightly-dressed women. A smaller TV showed highlights from the Sochi Winter Games, which Russia hosted in 2014.

"It feels like home," said Tkachenko.

A young woman approached the table and sat next to one of the Russians. Like the taxi driver, she turned on a voice-translation app. Seconds later, the pair was off to the dancing floor.

It was 5 a.m. Most customers had been ushered out an hour earlier. The Russians had a last drink and headed to the door to the sound of "If You" by Big Bang, a Korean pop group.

How did Tkachenko know about the club? "I'm from Vladivostok, but I live in Gangneung," he said.

The Charisma manager walked the group to the staircase. "See you tomorrow," he said.

NORDIC COMBINED

THIS U.S. TEAM PRACTICES IN A GARAGE

BY BEN COHEN

PYEONGCHANG, South Korea—There is a team of Americans that exploited a very strange advantage on its way to the Olympics, and it was only there for them because the people of a small mountain town in Slovenia had a very strange problem.

They wanted a ski tunnel. They also wanted a parking garage. They didn't have room for both.

"So what they did," said Bryan Fletcher, a Nordic combined athlete for the U.S., "was build a parking garage that could be converted into a ski tunnel."

The refrigerated parking garage in Planica is an extremely odd and remarkably effective innovation that has become an important training site for the U.S. Nordic combined team at the Pyeongchang Games. This "giant, walk-in freezer," as Fletcher called it, is where the Americans came to ski on perfectly groomed snow in the middle of summer.

"It's a very smart idea," Taylor Fletcher said.

"It's a genius idea," Bryan Fletcher said.

"I have a lot of questions about it," Ben Berend said.

The question is how the Slovenians carpeted a parking garage with snow. The answer is that they recycled. "We use this snow three times," said Jelko Gros, the general manager of the €40 million complex. It goes from the ski-jumping hills one winter to the ski tunnel the following summer to the cross-country track the next winter.

The better question to anyone who happens to be unfamiliar with the global politics of Nordic combined is why a team of Americans is training underground in Slovenia. That answer is more complicated.

The 2010 Games in Vancouver, where the U.S. won four medals, were the apex of Nordic combined in a country that barely knows what Nordic combined is. (The Nordic is because of ski jumping and cross-country skiing; the combined is because they're combined.) But not long after the 2014 Games in Sochi, the U.S. Ski and Snowboard Association slashed its

funding in a budget crunch.

The people most invested in the obscure sport created USA Nordic, took offices in a Park City co-working space, attracted sponsors to fund the national teams and the developmental program.

And then they formed a strategic partnership with Slovenia.

Slovenia had everything the U.S. needed: a surplus of coaches, easy access to mountains, reasonably priced housing and the stunning complex with the refrigerated parking garage.

"It's a very underrated country," said Ben Loomis, an Olympian from Wisconsin.

The concept of a ski tunnel was foreign to the Americans before their arrangement with Slovenia. What they found there was something unlike anywhere they had ever skied. For one thing, it was indoors. For another thing, it was supposed to be a parking garage. And there were many other things.

The facility isn't particularly secret. "There are lots of people looking through the windows at you," Berend said. The exercise isn't exactly stimulating. "They ski



The refrigerated parking garage in Planica, Slovenia, is open to the public.

up and down ramps," Demong said. The air quality isn't entirely pristine. "It's like you've been huffing fumes," Berend said.

They get bored so easily they have to find ways to entertain themselves. They can only tolerate skiing in circles once a week.

"Anything more than that," Berend

said, "and you'd just go crazy."

But whenever he finds himself admiring a local parking structure, which isn't never, Berend can't help but see the lack of creativity in American infrastructure.

"This could have snow in it," he thinks. "This could be a cross-country ski loop."

PLANICA NORDIC CENTRE

OPINION

Impeachment or Bust

MAIN STREET
By William McGurn

Democrats have a single goal when it comes to Donald Trump: impeachment. Their strategy is likewise clear: Resist! What no one seems to ask is whether resistance is really the best path to the House majority Democrats would need to pass articles of impeachment.

Democrats do have a few things going for them this year. On average, the party that holds the White House loses 30 seats or so in midterm elections—and the GOP has only a 24-seat majority. Moreover, 35 House Republicans are leaving their seats, more than twice the number of Democrats who are.

That's not all. The intense dislike for Mr. Trump energizes the Democratic base the way Barack Obama energized the Republican one. Many swing districts will be in suburban areas where the vote margin may be decided by college-educated women, one of Mr. Trump's weakest demographics.

But the idea that Mr. Trump's unpopularity makes a blue wave inevitable overlooks some Republican advantages. Mr. Trump's popularity is beginning to move upward with the growing economy, which points to a key weakness in the Resist! strategy:

Because the tax reform

passed without a single Democratic vote, good news about the economy is bad news for Democratic candidates. It further means the Democratic message is rooted in enabling Washington dysfunction, because they cannot run as people willing to reach across the aisle to get things done.

It's too early to know how last week's failure to pass an immigration bill will play out politically. But if Mr. Trump goes around the country saying he offered to compromise but Democrats refused because they'd rather have a political issue, that could hurt them too. Especially because he will remind voters this is the same party willing to shut down the government for people here illegally.

There's also the problem of candidates. Among this year's crop of Democratic hopefuls are some military veterans. But it's not a uniform message. A progressive Democrat backed by New York Sen. Kirsten Gillibrand is targeting seven-term Rep. Dan Lipinski in Chicago, a pro-life Democrat who voted against ObamaCare. If the goal is a Democratic majority, purity campaigns are a distraction. When Rahm Emanuel was engineering the party's retaking of the House in 2006, his strategy was to settle on a candidate who would be competitive in the district (even if not as liberal as the party would like) and then reduce the primary bloodshed.

It's not clear Democrats

are following that path today. In the California district where Republican Darrell Issa is retiring, for example, five Democrats are vying to replace him. Does anyone believe that in this competition a centrist Democrat will rise to the top?

In California, there's an added problem: Under the state's jungle-primary law, the

What if 'Resist!' makes it harder for Democrats to take back the House?

two largest vote getters run in the general even if they are from the same party. So California Democrats are worried that their five candidates may split the vote and send two Republicans into November contention.

Finally there's Mr. Trump. Even with his recent bump in the polls, he remains divisive. But he's not the only divisive politician who will figure in this election. The most recent Politico/Morning Consult poll suggests that Nancy Pelosi has pulled off a largely unheralded achievement: In the Age of Trump, she is arguably the most unpopular politician in America.

What does that mean for impeachment? Well, in 69 House districts surveyed by the Congressional Leadership Fund (a super PAC devoted to

maintaining the GOP majority), Mrs. Pelosi is underwater in every one. She is also toxic among independents.

Take California's 10th District, held by Republican Jeff Denham. Hillary Clinton carried this district in 2016, and Mr. Trump's approval rating is at minus four. But again, Democrats are split among eight primary contenders. And the CLF survey showed that voters in Mr. Denham's district prefer Paul Ryan as speaker to Mrs. Pelosi by 13 points. Come this fall, expect many GOP ads featuring Mrs. Pelosi calling tax cuts for workers "crumbs" and reminding voters that even if they find their Democratic candidate for the House reasonable, a vote for him will be a vote for Speaker Pelosi.

Of course it's still early, and the polls remain volatile. The received orthodoxy may well turn out to be true, and the blue tsunami will wash over Congress in November, which will be followed by President Trump's impeachment the following year.

Even so, the Resist! card remains a huge gamble. If Democrats cannot take back the House or Senate in an election year when they enjoy many advantages, they will wake up Nov. 7 in worse shape than when Mr. Trump beat Mrs. Clinton. And they will then enter the 2020 race without the White House, without either chamber of Congress and without a message.

Write to mcgurn@wsj.com.

BOOKSHELF | By William Anthony Hay

The Spirit Of Progress

Victorious Century

By David Cannadine
(Viking, 602 pages, \$40)

Macaulay famously saw England's history as a story of progress, but more recent accounts frame it as a cycle of rise and fall. Britain rose to global power over a long 18th century that began in 1688 with the Glorious Revolution and closed at Waterloo in 1815. Decline marked the 20th century, especially with the loss of both empire and commercial dynamism under the strain of two world wars. David Cannadine's "Victorious Century" charts the period between—one in which Britain could be seen as "the most innovative, advanced, sophisticated and prosperous economy on the planet."

Most notably, Britain escaped the political turmoil that convulsed the Continent in this period. It also enjoyed the advantages of its pioneering industrialization—factory production, steam power, the first railroads. It could congratulate itself as well on accomplishing reforms—enlarging the franchise, improving living conditions—without undergoing revolution. Britain's triumph—what made it "victorious" during the long reign of Victoria—derived in part from its balance of change and continuity.

Yet Mr. Cannadine's epigraphs include the opening words from Dickens's "A Tale of Two Cities" ("It was the best of times, it was the worst of times"), suggesting that the story is more complicated than triumphalism. Religion, with the morality it upheld, may have been emblematic of the era's higher "tone," but regular churchgoing was

uncommon among the working classes, Mr. Cannadine notes. And for all of the wealth that the Industrial Revolution created, more people worked in agriculture than in industry at midcentury. The conditions of the urban workforce, in any case, were often squalid—a theme of the other author quoted by Mr. Cannadine in an epigraph: Karl Marx.

Britain may have enjoyed security for most of the century after Waterloo, but part of the reason, Mr. Cannadine observes, was the imperial quiescence of many of its potential rivals, consumed by social unrest or weakened by failed institutions at home. But even a secure global empire has to manage tensions along its wide perimeter: What Mr. Cannadine calls the Great Rebellion in India—the Indian Mutiny of 1857—showed what mismanagement could bring: a siege and a massacre. He labels it the century's greatest imperial crisis. It implied an imperial fragility that would make itself all too apparent by the 1890s. The most remarkable aspect of British power, according to Mr. Cannadine, is that it lasted so long.

Historical epochs rarely fit dates precisely. Mr. Cannadine, a professor at Princeton and the president of the British Academy, opens with an evocative account of the ways in which Victorian Britain lingered into his 1950s childhood in Birmingham: terraced houses and suburban villas, along with the heavy furniture and leather-bound books they contained. Indeed, the 19th century was a golden age of civic pride in provincial cities like Birmingham, Manchester and Leeds, where magnificent libraries and town halls still stand as monuments to Victorian solidity.

Britain managed to balance change and continuity as turmoil and revolution overtook the Continent. Still, the change proved decisive.

Instead of the long 19th century that many historians survey—from Waterloo to the outbreak of World War I—Mr. Cannadine starts with the 1800 Act of Union, which joined the parliaments of Britain and Ireland and gave Britain "its final and fullest form." He ends with the 1906 general election, when a Liberal government took power on a platform that anticipated the welfare state. Those starting and ending points, Mr. Cannadine says, are meant to emphasize Parliament's "extraordinary dominance and unique continuity." He shows how administrative and political talent honed by the long years of war against Napoleon carried Britain through the tense years that followed victory, when sharp economic downturns and violent protests threatened the status quo. Lord Liverpool's Tory premiership, from 1812 to 1827, set a path for Victorian laissez-faire, but reforms of Parliament and the electoral system came from a Whig government that gained power in 1830.

For all the piety we associate with Victorian morals, it was in this period, Mr. Cannadine argues, that secularism began to take hold. Matthew Arnold's poetry, representatively, explored the "corrosion of faith by doubt" among the educated, and his essays and lectures put forward an idea of culture focused on excellence, one that would serve, as Mr. Cannadine puts it, as "the only possible antidote to the anarchy that seemed increasingly to threaten society."

Culture itself underwent a transformation in this period. High-minded writers addressing the educated middle classes—in journals like the Cornhill Magazine and the Fortnightly Review—wielded immense authority. Over time, though, especially toward the end of the century, mass-circulation newspapers came to the fore, even as, Mr. Cannadine notes, "serious writers like [H.G.] Wells, Arnold Bennett and John Galsworthy all sold well."

In the 1880s, a proposal for Irish home rule split the Liberal Party, ending the political ascendancy it had enjoyed since 1830. Over the century's last decade, conservatives led by Lord Salisbury deflected or delayed many problems—renewed labor militancy, agricultural depression, colonial wars—only to run short of solutions after 1900. Rudyard Kipling struck a resonant note in the 1897 poem "Recessional," evoking the transience of imperial glory. It proved to be a prophetic poem.

Mr. Cannadine presents the liberal spirit of progress as the hero of his tale. It guided Britain through conflicts, social disparities and political transitions while pointing toward a better society. Other chroniclers might have taken more notice of the fact that such progress had significant trade-offs, but he tells his own story persuasively and exceedingly well.

Mr. Hay is the author of "Lord Liverpool: A Political Life," scheduled to appear in April.

GLOBAL VIEW
By Walter Russell Mead

The Trump administration is turning out to be a blessing in disguise for the European Union. While many of the president's rhetorical statements offend European sensibilities, and while dramatic acts like the withdrawal from the Paris climate accord prompt talk of a "crisis" in trans-Atlantic relations, the actual consequences of the administration's policies are shoring up Europe's foundations in surprising ways.

A year ago, fears that an allegedly pro-Russia Trump administration would ditch the North Atlantic Treaty Organization and throw Europe to the wolves had delicate Europeans trembling. These days those fears seem quaint. But few in Europe have yet grasped how anti-Russian and pro-European the Trump foreign policy is at its core.

This is partly because European reflexes, especially German ones, are so often nonstrategic. Fine words and noble resolutions are mistaken for hard facts, and the wrapping paper matters more than the gift.

When many Europeans—and more than a few Americans—hear the word "fracking," for example, they don't think of the spear tip of an American energy offensive that limits Russia's geopolitical ambitions while creating

surprising ways.

Energy is the place to begin. The vast American oil and gas resources being unlocked by unconventional (and rapidly improving) techniques like fracking are more than a domestic economic bonanza. They are key instruments of American foreign policy. These resources will not only deprive Middle Eastern countries of the financial capacity too many have used to underwrite radicalism and terrorism; they force Russia, whose economy is greatly dependent on oil exports, to count the cost of every bullet fired in Ukraine and every mercenary deployed to Syria.

Fracking frustrates Vladimir Putin more than sanctions, and much more than harsh rhetoric at the United Nations. When the price of oil is \$150 a barrel and every country in Europe is desperate for energy, Russia casts a long shadow over the EU.

When oil is at \$60 a barrel and supplies are plentiful, Russian leverage is dramatically diminished.

But there is another way in which fracking helps the EU. The EU is a net importer and consumer of energy; high oil and gas prices dampen

European growth. The high monopoly prices that characterized the age of the Organization of the Petroleum Exporting Countries acted as a deadening tax on European economic activity. The lower prices delivered in part by fracking amount to a giant tax cut for the European economy, one that is especially welcome in southern European countries like Greece and Italy that are still struggling with the aftermath of the euro crisis.

His policies promote energy independence and balance between France and Germany.

Environmentalists wince, but Mr. Trump's pedal-to-the-metal approach to energy production is better calculated to promote growth and cohesion in the eurozone than anything else the U.S. could do, because faster economic growth will reduce the political strains that corrode the legitimacy of EU institutions. If next month's Italian election results in a pro-Europe government, Brussels should send champagne to the White House.

There's more. Over time, the Trump administration's proposed military buildup and nuclear modernization will deter Russian aggression and reduce Moscow's ability to intimidate its neighbors. A stronger America means a

stronger NATO and a more stable eastern Europe. If the U.S. were, as some wish, to reduce military spending while focusing more on Asia, European security would suffer regardless of the number of supportive speeches delivered by American diplomats.

Not everyone in Europe hates the administration. Paris, which traditionally has a less sentimental view of geopolitics than Berlin, sees a historic opportunity. Key Trump policies like promoting European self-reliance in defense, a tougher anti-Iran approach to the Middle East, and an emphasis on military power and security mesh better with French priorities than with German ones. While Berlin wrings its hands over the administration's evident skepticism about Germany's values agenda, President Emmanuel Macron hopes to replace a weakened Chancellor Angela Merkel as America's key European partner.

For the French, even Mr. Trump's vices have their uses; his unpopularity in Europe and apparent retreat from world leadership create vacuums France can help fill. Here again, the Trump administration may be solving an important European problem. Germany's growing power and France's weakness threatened the Franco-German balance to which the EU owes much of its strength.

Mr. Trump is not about to become a European hero, but he offers Europe a historic opportunity.

By R. Richard Geddes

President Trump's infrastructure plan proposes to improve the humble highway rest stop. I do mean humble—if not desolate, and at night even menacing.

Since 1960, federal law has limited commercial activity on most of America's roughly 1,200 rest stops to vending machines, maps and brochures. With almost no income, operating and maintaining these areas has been a drain on state budgets. Some officials are threatening to shutter them.

The restrictions were meant to protect local businesses along interstate highways from competition. But many local restaurants have long since been replaced by fast-food chains. Why should drivers have to waste time and fuel leaving the interstate to get a burger and fries?

Mr. Trump's plan would allow rest areas to be converted into valuable revenue-producing assets. Many are strategically located with easy on- and offramps, side-walks, streetlights and restrooms already installed. Adding restaurants and shops

would be inexpensive and profitable. The renovated stops could also offer amenities such as electric-vehicle charging stations.

Rest stops that aren't subject to federal restrictions illustrate the possibilities. The privately owned Iowa 80 Truckstop, for one, is located near the interstate, just off an exit ramp. It hosts almost 5,000 visitors each day and

features 900 parking spaces, a movie theater, dentist, barber, library, showers and a dog wash. They could generate considerable revenue with more effective management, including leasing, concessions, commercialization and in some cases sales. Wise federal policy can encourage that transition, ensuring that drivers can rest better.

Mr. Geddes is a visiting scholar at the American Enterprise Institute and director of the Cornell Program in Infrastructure Policy.

Why Some Stops Are a Cut Above the Rest

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OPINION

REVIEW & OUTLOOK

How to Punish American Workers

The economy is picking up steam, but President Trump could reduce the benefits of his tax cuts and regulatory rollback with protectionism. This risk became more serious after the Commerce Department on Friday recommended broad restrictions on aluminum and steel imports that would punish American businesses and consumers.

Last year the President directed Commerce Secretary Wilbur Ross to investigate whether steel and aluminum imports threaten national security under Section 232 of the Trade Expansion Act of 1962. Commerce concluded that they do and has proposed quota and tariff options to mitigate the putative harm. But the evidence in Commerce's reports belies this conclusion. And the wide-ranging economic damage from restricting imports would overwhelm the narrow benefits to U.S. steel and aluminum makers.

* * *

Start with national security, which Commerce construes broadly to include "economic welfare." There's little risk that the U.S. couldn't procure sufficient steel and aluminum for defense even during a war. Defense consumes 3% of U.S.-made steel and about one-fifth of high-purity aluminum. U.S. steel mills last year operated at 72% of capacity while aluminum smelters ran at 39%. Both have ample slack to raise production for defense and commercial demands.

Commerce says only one of five aluminum smelters in the U.S. produces the high-purity metal required in defense applications. "Should this one U.S. smelter close, the U.S. would be left without an adequate domestic supplier for key national security needs," the report says. But Commerce also notes that "Canada, which is highly integrated with the U.S. defense industrial base and considered a reliable supplier, is the leading source of imports."

Canada accounts for 43% of aluminum imports—more than twice as much as China and Russia combined. Steel imports are also diversified with Canada (17%), South Korea (12%) and Mexico (9%) accounting for three of the top four foreign sources. China accounts for about 2% of steel and 10% of aluminum imports.

Commerce nonetheless complains that China has driven down steel and aluminum prices by flooding the global market. Yet Commerce has already imposed 164 anti-dumping and countervailing duties on steel imports including more than two dozen on China. The department has also slapped tariffs on Chinese aluminum. Despite these tariffs, Commerce says rising imports "continue to weaken the U.S. steel industry's financial health."

Perhaps Mr. Ross missed the domestic manufacturers' rosy earnings reports last month. Nucor's earnings soared by two-thirds in 2017 to \$1.3 billion amid a 35% spike in the price of scrap metal. Steel Dynamics reported record sales, in-

come and shipments last year. Even U.S. Steel posted a \$387 million profit after a \$440 million loss in 2016. Tariffs have padded profits amid growing U.S. demand.

As for aluminum, 18 smelters have shut down over the last decade amid rising electricity and declining aluminum prices. But production of secondary aluminum from scrap metal has been increasing, resulting in a 3% increase in employment across the industry between 2013 and 2016.

As a remedy for this non-problem, Commerce is proposing a global tariff of 24% on all steel imports; a 53% tariff on a dozen countries including China, Turkey and South Korea; or a global quota equaling 63% of existing imports. For aluminum, Commerce wants a global tariff of 7.7%; a 23.6% tariff on imports from China, Hong Kong, Russia, Venezuela, and Vietnam; or a global quota equal to 86.7% of imports.

Each option would raise prices for U.S. industries such as construction, transportation and mining. About 16 times more workers are employed today in U.S. steel-consuming industries than the 140,000 American steelworkers. Economists Joseph Francois and Laura Baughman found that more U.S. workers lost jobs (200,000) due to George W. Bush's 2002 steel tariffs than were employed by the entire steel industry (187,500) at the time. Job losses hit Ohio (10,553 jobs lost), Michigan (9,829) and Pennsylvania (8,400).

About a quarter of a car's cost is tied to steel, which is also a key component of domestically-produced wood chipper knives used in lumber, sawmills and landscaping. The oil-and-gas industry uses steel in drilling equipment, pipelines, production facilities, terminals and refineries. Aluminum inputs make up nearly half of the cost of a beer can.

Raising the cost of steel and aluminum inputs would impel many manufacturers to move production abroad to stay competitive globally. Does Mr. Trump want more cars made in Mexico? Mr. Ross has suggested letting businesses petition the government to exclude certain steel and aluminum products from the quotas or tariffs. But this review would be politicized and cause production delays.

Oh, and don't forget that other countries could retaliate with trade barriers that hurt American exporters.

Commerce's recommendations aren't needed since the steel and aluminum industries are benefiting tremendously from Mr. Trump's economic agenda. Tax reform is making it less expensive to retool mills, increased defense spending will also lift demand, and the Environmental Protection Agency's withdrawal of the Obama Clean Power Plan contains electric prices. Why would Mr. Trump undercut his achievements with trade barriers that harm American workers and consumers?

Elon Musk Impresses China

We missed commenting on the success of Elon Musk's Falcon Heavy rocket launch this month amid the press of other news, but not for lack of admiration. The launch is another validation of Mr. Musk's belief in private space travel, and it even captured considerable interest and some envy from the Chinese.

Launched by Mr. Musk's SpaceX company, the Falcon Heavy is among the world's most powerful rockets. It is also partially reusable, and two of the Falcon Heavy's three boosters landed safely on twin pads at the Cape Canaveral Air Force Station near the Florida launch site. The central core booster crashed when two of its three engines failed to fire on a final landing

burn, which Mr. Musk has since blamed on not enough ignition fluid.

None of this gainsays the SpaceX achievement, and anyone who doubts it should read the Chinese discussion over the launch. An article in the state-run Global Times, which typically takes a nationalist line, complimented SpaceX's technology and regretted that "we are almost 10 years behind; more importantly, what our country has to desperately catch up with is actually a private U.S. enterprise."

The article was also a call to catch up, but it's good to know that American ingenuity continues to lead the world—and can keep doing so if we keep welcoming the world's best and brightest.

Romney's Russia Vindication

Mitt Romney announced Friday that he's running for the U.S. Senate from Utah, and the timing on the same day as the Justice Department indictments of Russians for meddling in the U.S. presidential election was apt. Mr. Romney was right about the Russian threat in 2012, and Democrats who are now echoing him when it serves their political purposes against Donald Trump owe the former GOP presidential nominee an apology.

Start with Barack Obama, who derided Mr. Romney's claim that Russia was a major U.S. geopolitical foe in the third presidential debate in 2012. "The 1980s are now calling to ask for their foreign policy back because the Cold War's been over for 20 years," Mr. Obama said, to applause from the Democratic media establishment. In its endorsement of Mr. Obama, the Washington Post criticized Mr. Romney for "calling Russia America's greatest foe" as an example of his lack of judgment.

Readers may recall that Mr. Romney made his comments about Russia after Mr. Obama was caught unaware talking on an open microphone with then Russian President Dmitry Medvedev in March 2012.

"On all these issues, but particularly missile defense, this, this can be solved, but it's important to give me space," Mr. Obama told Mr. Medvedev, the Vladimir Putin stand-in.

"Yeah, I understand," Mr. Medvedev said.

Mr. Obama then said, "This is my last elec-

tion. After my election, I have more flexibility."

Mr. Medvedev: "I understand. I will transmit this information to Vladimir."

The "flexibility" after Mr. Obama's election turned out to be Mr. Putin's as he invaded and annexed Crimea, started a war to occupy the Donbas region in Ukraine, intervened to prop up Bashar Assad in Syria, and helped North Korea evade United Nations sanctions.

Thanks to last week's indictments, we also know that Mr. Putin's attempt to meddle in U.S. elections began in 2014, long before Mr. Trump chose to run for President. That interference went unopposed, and as far as we can tell, unanticipated by Mr. Obama, his CIA Director John Brennan and his Director of National Intelligence James Clapper until nearly the end of Mr. Obama's second term. They did nothing about it until after Hillary Clinton lost.

Now, suddenly, amid the Mueller probe of the 2016 presidential campaign, Democrats have become Russia hawks. Some of the more intemperate, like Rep. Jerry Nadler, are calling the Russia indictments the "equivalent" of Japan's attack on Pearl Harbor. Mr. Nadler is poised to lead the impeachment of Mr. Trump as Chairman of the Judiciary Committee if Democrats take the House in November.

Mr. Romney is expected to win the Utah seat with ease, which should make him available to instruct Democrats on foreign affairs.

He was right about the Kremlin in 2012, not that Democrats admit it.

covered for Assad's use of chemical weapons, and helped North Korea evade United Nations sanctions.

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OPINION

Battlefield Medicine At Parkland

By Marc Siegel

As we mourn the 17 people murdered in last week's Parkland, Fla., massacre, let's take time to celebrate the heroic—and successful—effort to save the 16 wounded survivors. The emergency medical response to catastrophic shootings is very different than when I worked in an emergency room a quarter-century ago. Lessons learned on the battlefields of Afghanistan and Iraq are now saving civilian lives back home.

Broward Health North doctors stood on military surgical giants' shoulders.

The key is "a coordinated timely response," explains Dr. Evan Boyar, medical director of emergency services at Broward Health North in Deerfield Beach, where eight of the injured were treated. "Survival rates are highest for those patients treated within the first hour after injury, commonly referred to as the 'golden hour,'" Dr. Boyar tells me by email. "This requires multiple moving parts that work in synergy."

Paramedics and emergency medical technicians are a trauma surgeon's eyes and ears on the scene. They reach the patients first, perform triage and put in airways and intravenous lines. They stabilize the patients and get them quickly to the hospital.

Dr. Boyar emphasized the importance of rehearsals, similar to those the military conducts: "Recently, we had an active shooter drill at Broward Health North, which included pre-hospital and hospital personnel to prepare for such incidents. This, in conjunction with the rapid response and skilled intervention by emergency responders and trauma teams, contributed greatly to the lives saved during this mass casualty."

On Thursday, the morning after the shooting, five patients at Broward Health North were still in critical condition, which means that their vital signs were unstable. By Saturday night, the last patient's condition had been upgraded to fair, meaning the patient is awake, vital signs are stable, and the prognosis is good. "To have positive news to share tonight helps ease the pain we and our community have experienced," said Dr. Igor Nichiporenko, the hospital's medical director of trauma service.

The response at Broward Health North included techniques developed on the battlefield. At the beginning of Operation Enduring Freedom in 2001, the death rate from combat injury was 18%. A decade later, it was down to 5%, even though injuries were often more severe. Innovations include rapid application of tourniquets, highly effective topical hemostatic agents to stop bleeding, and blood transfusions before the sources of bleeding are identified. Doctors in the operating room prioritize surgical control of bleeding, repair of bowel injuries, and early removal of damaged tissue to prevent infection.

Military surgeons taught the rest of us to think in terms of multiple surgeries beginning with "damage control"—leaving the wound open initially and deferring more complex surgery for later on. The Pentagon's Joint Trauma System continues its extensive research on management of bleeding and wounds, along with biomarkers to tell when a patient is in shock and needs rapid intervention.

While public debate rages over how to best prevent awful tragedies such as the one in Parkland, everyone can praise the lifesaving response of the medical professionals at Broward Health North. They stand on the shoulders of military surgical giants.

Dr. Siegel is a clinical professor of medicine and medical director of Doctor Radio at NYU Langone Health and a medical correspondent for Fox News.

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The CFPB Could Be a Force for Good

By Todd Zywicki

During Richard Cordray's tenure as director of the Consumer Financial Protection Bureau, the CFPB pummeled American consumers and the economy while doing little to promote financial stability. The pain was especially acute for low- and middle-income consumers who lost access to credit cards, faced higher bank fees and reduced access to free checking, and found it harder and costlier to obtain mortgages, especially as first-time homebuyers. In response, consumers turned to payday loans and alternative products as financial life rafts—only to have Mr. Cordray poke holes in them by imposing regulations that would effectively outlaw payday lending.

Yet despite its rocky start, the original promise of the CFPB is sound: to protect and empower consumers, promote fair and competitive markets, and stabilize the financial system. Well-designed consumer-credit regulation and vigorous enforcement of consumer-protection laws make markets more transparent and give consumers confidence to borrow and save. But poorly designed regulations choke off access to credit, drive up interest rates and eliminate choices, forcing consumers to turn to less desirable financial options—even loan sharks.

A signature achievement of President Trump's first year was regulatory reform aimed at restoring the rule of law and promoting economic prosperity. Mick Mulvaney, the CFPB's acting director, announced in a staff memorandum last month that the bureau will go in a different direction under his leadership, and he has already started rolling back some of the its most harmful regulations. As Mr. Mulvaney, or his permanent successor, considers how to reorient the agency further in the interest of protecting consumers, he should consider five guiding principles: inclusion, innovation, choice, competition and respect.

The news reminded me of another Iran-born Canadian resident unlawfully detained in the same prison: Saeed Malekpour. He has been in a dungeonlike cell for nine long years. On Tuesday his sister Maryam and I will raise his plight before diplomats attending the 10th Geneva Summit for Human Rights and Democracy, an international gathering of dissidents and former political prisoners.

Across the street a week later, foreign ministers will open the annual session of the United Nations Human Rights Council. On behalf of a Western coalition, Sweden confirmed last week that Iranian human-rights abuses will be on the table at the council's session. Will the council, and especially its Western members, do what's necessary to help Saeed and Iran's other political prisoners?

Saeed lived in Victoria, British Columbia, where he worked as a freelance web programmer. His nightmare began Oct. 4, 2008, on a visit to his dying father in Iran. Plainclothes officers of the Islamic Revolutionary Guard Corps abducted him in daylight. He was beaten, blindfolded and taken to Evin, where he was subjected to more than a year in solitary confinement. The charge was "spreading corruption on earth"—specifically, masterminding a network of pornographic websites.

Saeed's arrest was part of a crackdown on internet activities deemed "immoral" and "un-Islamic."



GETTY IMAGES/ISTOCKPHOTO

- **Inclusion.** The unintended consequences of Obama-era regulations fell hardest on lower-income families. Regulations that eliminate credit options for those who already have few of them will not make their lives better. Working with the private sector and Congress to reverse this growing exclusion of Americans from the financial sector is a moral imperative.

Its goals are worthy: consumer protection, fair markets and a stable financial system.

- **Innovation.** New financial technologies have the potential to disrupt consumer banking in ways that would benefit consumers. Yet the CFPB has stifled innovation at every turn. Nontraditional credit scoring and underwriting models rooted in Big Data offer hope for those who don't have access to mainstream banking. Mr. Mulvaney should abandon the agency's "regulation by enforcement" approach, which discourages experimentation by heightening the risk of retroactive liability. The

bureau can help unleash the power of FinTech by invigorating dormant tools like the no-action letter program and Project Catalyst, a CFPB initiative designed to facilitate "consumer-friendly innovation in markets."

- **Choice.** American families know better than bureaucrats what financial products best meet their needs. One justification for the CFPB's broad scope of authority was to enable it to oversee the entire consumer-credit ecosystem and break down the traditional regulatory silos that focus on who issues financial products instead of how consumers use them. The CFPB should concentrate its efforts on empowering families instead of banning products or using trendy behavioral-economics theories to "nudge" consumers toward decisions central planners favor.

- **Competition.** Excessive regulation disproportionately drives up costs for small banks and credit unions, forcing them to close, merge or restrict offerings. A 2014 Mercatus Center survey found many small banks were discontinuing mortgage lending because of Dodd-Frank and almost 3 out of 4 said the CFPB was affecting their business. Moreover, because small banks provide the bulk

of the nation's small-business and agricultural loans, their struggles contributed to the meager job creation and weak economic recovery during the Obama years.

• **Respect.** When the CFPB prototype was first proposed nine years ago, I wrote in these pages that the architects of the new agency should "treat borrowers like adults." Instead, Mr. Cordray's CFPB viewed consumers as too dumb, irrational or vulnerable to make their own decisions about whether to enter into a contract with an arbitration clause, take out a payday loan, or bargain with a car dealer over an auto loan.

Protecting consumers from unfair and deceptive actions by financial institutions is the CFPB's core mission. But not every consumer who fails to pay his bills is a hapless victim. Smarter regulation would recognize this. During the financial crisis, for example, millions of borrowers walked away from mortgages they could afford to pay simply because they were underwater. But the CFPB's mortgage rules are designed only to ensure that borrowers have the ability to pay; they do not consider precautions such as requiring larger down payments that would address the incentive to default strategically when housing prices fall. As a result, despite imposing billions in regulatory compliance costs, there is no evidence the CFPB's rules would have materially reduced foreclosures had they been on the books during the housing crisis.

Mr. Mulvaney has taken decisive steps toward reforming the CFPB. Now comes the more crucial step—building a framework of consumer financial protection that restores the rule of law and contributes to economic prosperity.

Mr. Zywicki is a professor at George Mason University's Antonin Scalia Law School and a former director of the Federal Trade Commission's Office of Policy Planning.

Life in an Iranian Dungeon for Being a Tech Expert

By Maryam Nayeb Yazdi

Kavous Seyed Emami was an Iranian-Canadian environmentalist. Earlier this month Iranian authorities summoned his wife to Evin Prison, showed her his lifeless body hanging in a cell, and told her he had "committed suicide" two weeks after his arrest. Her requests for an independent autopsy were denied.

The news reminded me of another Iran-born Canadian resident unlawfully detained in the same prison: Saeed Malekpour. He has been in a dungeonlike cell for nine long years.

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Saeed's arrest was part of a crackdown on internet activities deemed "immoral" and "un-Islamic."

by the Revolutionary Guards. The authorities wanted to stifle Iranian youths' online expression by making an example of a tech expert. Saeed was the perfect target, since he lived in the West.

A year after his arrest, Saeed was tortured into making a false confession. It was shown on state television the night of his father's funeral, when Saeed hadn't even been told his father was dead. His mother saw the confession and suffered a heart attack. She survived and spends her days writing letters to Iranian officials pleading for her son's release.

In 2010, Saeed was sentenced to death for "insulting and desecrating Islam" and "insulting the leader," Ayatollah Ali Khamenei. After pressure from the international community, the sentence was commuted to life imprisonment. For nine years he has not seen a day outside Evin Prison.

Today I ask the international community to pressure the Iranian authorities to uphold their obligations. First, the Human Rights Council's annual resolution on Iran needs to be significantly strengthened beyond what Sweden, the lead sponsor, has described as a "short, procedural text." While the resolution importantly renews the annual mandate of a monitor on Iran, it fails to

enumerate any of the regime's abuses, as, for example, the resolution on North Korea does.

The U.N. should forthrightly condemn arbitrary detention, torture and denial of due process in Iran, and name the victims, including Saeed Emami, Mr. Malekpour and the hundreds of other prisoners of conscience.

International support can provide a huge boost to prisoners' morale, as noted by Yang Jianli, a Chinese former

To stifle online dissent, the regime made an example of Saeed Malekpour. His nightmare began in 2008.

political prisoner who will also address Tuesday's summit. After 15 months of solitary confinement, he was near collapse—"until a day when I received a bag of cards from all over the world," he said. "Ever since that moment, I stood up, even in my cell—I saw the hope."

Giving hope to Iran's political prisoners is more urgent than ever given the crackdown in December and January against street protests in every Iranian province. Thousands of protesters were arrested and at

least 20 were killed, including more alleged prison suicides.

Even as Sweden argued that the U.N. Security Council was the wrong venue to respond, the Human Rights Council in Geneva did nothing, declining to call a special session. The council's March session now offers a chance for the U.N. to send a robust message to Iran's leaders. And with the death last week of its Iran monitor, Asma Jahangir, the council should quickly appoint a replacement who will advocate the freedom of political prisoners.

Meanwhile, the European Union has sharply increased trade with Iran in the wake of the 2015 nuclear deal. Has that come at the expense of human rights? High Commissioner Federica Mogherini insists not. "We never, never, never avoid raising issues on human rights because of other reasons," she said in December.

The best way to prove that commitment would be to condition economic and political engagement with better treatment of political prisoners like Saeed Malekpour. As we mark the 70th anniversary of the Universal Declaration of Human Rights, it is time to make its writ extend even to Evin Prison.

Ms. Nayeb Yazdi is a human-rights activist and founder of the translation blog Persian2English.

Consign 'Dossier' to the Round File

By Peter Funt

Today I am releasing a dossier about a word that is driving many of us absolutely crazy. If you can't tell what the word is from the preceding sentence, you haven't been watching three or four hours of cable news each day like a normal person.

"Dossier," borrowed from the French, entered the English lexicon around 1880. Our ancestors were pretty much tired of saying it by about 1887—although it later became a staple in B movies. Then, in 2016, a real-life British ex-spy named Christopher Steele wrote a series of 17 memos about Russia and Donald Trump.

Fearing that his work would get little or no publicity if titled "The Steele Report" or "The Steele Memos" or "The Steele Papers," the marketers shrewdly called his notes a "dossier." With that, the FBI, the media and Google's search engine all went into spasmodic overdrive.

Just the other day Tucker Carlson delivered a commentary on Fox News Channel titled "Dirty Dossier." He called Steele's work "stupid" and said it "reads like a parody of a badly written spy novel." Mr. Carlson managed to say the word "dossier" 14 times in four minutes. Try doing that. "Dossier" is one of those

words that sound OK the first few times you say them, but by the 14th time your tongue hurts and your diction deteriorates.

This is a common problem Americans have with French terms. For instance, "amuse-bouche," which literally means "mouth amuser." Restaurants use the term to refer to

The Christopher Steele publicity machine has ruined what was once a perfectly good word.

a little taste of something. But imagine if Mr. Trump had a state dinner and for days after the event Gloria Borger and David Axelrod couldn't stop saying *amuse-bouche*.

For me—and now, alas, you after reading this far—"dossier" is one of those words you can't get out of your head. The Power Thesaurus website lists 180 synonyms for "dossier," including "file," "documents" and "file of documents." But don't try telling that to Wolf Blitzer or Rachel Maddow. Mr. Steele's papers are a "dossier," and that's all there is to it.

Realizing that you can find just

about anything on Amazon, I looked into buying a dossier. Turns out there is a nifty "memory hardware album" for \$14.95 called a "Magnetic Dossier." There's also a "Cigar Dossier" for \$32.95 and "The Dracula Dossier Director's Handbook" priced at \$34.95.

You can also buy a Kindle edition of the original BuzzFeed version of the Steele Dossier—all 40 pages of it—for \$1.49. A "verified purchaser" on Amazon who goes by the name "hiredkiller" gave the dossier just one star. His full review: "I chose one star because there is nothing here of any interest. Everything in this inflation has already been on the news."

Five shoppers found the review "helpful." For my part, I give Mr. Killer a rave for selecting "inflation" as a synonym in order to avoid repeating the word "dossier."

Finally, my research shows that the late 19th century was a big time for importing words from France. Seems that around the same time "dossier" entered our language, the French also gave us the word "bras-siere." I'm eager to see how many times Tucker Carlson will say it in discussing the media's heavily hyped Stormy Daniels Dossier.

Mr. Funt is a writer and host of "Candid Camera."

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GREATER NEW YORK

STEVE REMICH FOR THE WALL STREET JOURNAL
New York City Schools Chancellor Carmen Farina recently visited sixth-grade students at Middle School 88 in Brooklyn.

Schools Chief Calls It a Day

Outgoing chancellor Farina recaps advances district has made in her four years at the helm

By LESLIE BRODY

As she gets ready to retire from the nation's largest school district, New York City Chancellor Carmen Farina gives herself a B-plus for achievement and A-plus for effort.

She ticks off a list of accomplishments during her four years in the job, including a higher graduation rate, prekindergarten expansion, and helping more students take college admissions tests, free. Some even tackled the SAT inside the Rikers Island jail complex for the first time. The percentage of high-school freshman who graduated on time hit 71% for the Class of 2017.

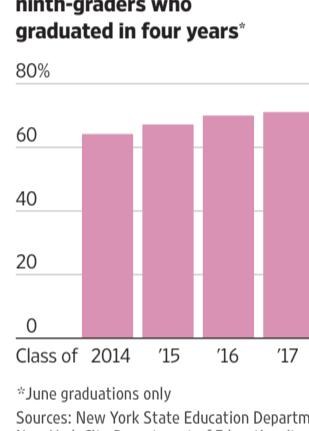
"You can always do more," said Ms. Farina, who expects to step down in the next month or so, though a successor hasn't been picked. "I think we were pretty successful."

In her four years as chancellor and nearly half-century working in the city's public schools before that, the 74-year-old grandmother earned widespread respect for her energy and knowledge of the field. As chancellor, she kept a packed schedule of school visits and held more than 100 town halls at night for parents.

Advocates for charter schools and stricter disciplinary policies for students and staff, however, said her administration was too closely tied to the city teachers union and lacked an urgent, comprehensive vision for changes. The complex

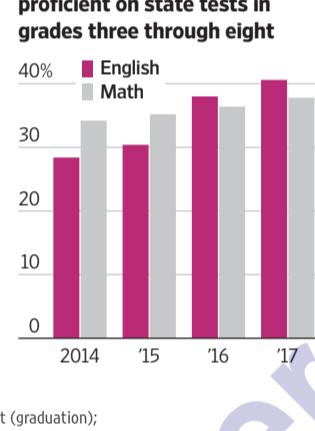
Making Progress

New York City schools have shown incremental gains in the past four years under Chancellor Carmen Farina



*June graduations only

Sources: New York State Education Department (graduation); New York City Department of Education (tests)



THE WALL STREET JOURNAL

system has 1.1 million children and a \$31 billion yearly budget. Many schools in high-poverty neighborhoods still have dismal test scores and low attendance.

"I'm happy with incremental gains as long as I also see more parent engagement, which I think we are seeing in some of our more successful schools, and better teaching," Ms. Farina said.

In choosing Middle School 88 in Park Slope, Brooklyn, for a farewell interview, the chancellor sought to highlight what she saw as a model makeover.

About 20 years ago, the school was under state review for academic troubles, she said. When she became superintendent of District 15 back then, Ms. Farina helped a new principal replace staff and restructure the school. They emphasized teamwork among teachers, professional development, interdisciplinary studies, using technol-

ogy creatively and creating a welcoming tone. The neighborhood also gentrified.

Over time, its test results rose to 42% of students passing in English and 39% in math, slightly better than the city-

I'm happy with incremental gains as long as I also see more parent engagement.'

wide rates. "It wasn't one of the more highly sought-after middle schools, and now it is," Ms. Farina said.

During her recent visit, many staff members greeted her with a hug, including one man she taught in fourth grade. She emphasized that effective instruction requires lots of

hands-on projects and student discussion. "You will not pass any classroom where there is not a whisper or something," she said. "This is not noise. This is good stuff."

"Productive struggle," added assistant principal Sara Panag.

One class had 29 students. The perfect size, Ms. Farina said, to let children have choices for friendships. Some education advocates say smaller classes would do more to help students.

At a Spanish dual-language class, sixth-graders prepared to debate whether schools should separate children by academic level. The chancellor believes in inclusive classrooms. "Do you think one test should determine the rest of your future?" she asked the class.

"No," said one boy. "What if the person's grandma died and they're unfocused...and then they get like a 40 on the test and they go to some crappy school?" he asked. "Let's not say that word," Ms. Farina told him. "We're working on making all our schools good schools, like this one."

The New York City school system remains one of the most segregated in the country. Weak teachers can stay for years. Ms. Farina predicted that negotiations over the teachers-union contract, which expires this summer, would include dealing with underperformers.

The chancellor's departure date is unclear as the mayor searches for a successor. When called out of retirement four years ago, Ms. Farina had just started reading a biography of President John Adams, and she looks forward to picking it up again. "I have to start over from scratch," she said.

Nanny Accused Of Murders Set To Stand Trial

By CORINNE RAMÉY

The New York City nanny accused of fatally stabbing her two young charges in 2012 is expected to go to trial as soon as this month, casting renewed light on an event that stunned an affluent Manhattan neighborhood and changed how some parents hire caretakers.

Yoselyn Ortega, 55 years old, is charged with two counts of first-degree murder and two counts of second-degree murder. She has pleaded not guilty and is in jail awaiting trial. Jury selection began earlier this month in Manhattan.

Authorities have alleged that on Oct. 25, 2012, Ms. Ortega, who had worked for the Krim family without incident for about two years, stabbed 6-year-old Lucia "Lulu" Krim and her brother, Leo, who was nearly 2 years old. The Kims lived in a luxury apartment building in Manhattan's Upper West Side neighborhood, near Central Park.

The mother, Marina Krim, walked into the apartment with her 3-year-old daughter and discovered her children dead in the bathtub, the authorities said. Ms. Krim told investigators she saw Ms. Ortega stabbing herself in what police called an apparent suicide attempt.

The following weeks were surreal, with police inquiries, psychiatrist appointments and a memorial service. Ms. Krim wrote last year on OptionB.org, a website about resilience connected to Facebook Inc. Chief Operating Officer Sheryl Sandberg. "All of this coupled with the overwhelming grief that always ended in the questions, How did this happen? Why did this happen?" she wrote.

During court hearings, a lawyer for Ms. Ortega argued the nanny wasn't in her right mind at the time. In 2016, the judge offered Ms. Ortega a prison sentence of from 30 years to life in exchange for a guilty plea. Ms. Ortega rejected the offer. The lawyer, Valerie Van Leer-Greenberg, didn't respond to a request for comment.

The stabbings rattled parents on Manhattan's Upper West Side, where many nannies are considered trusted family members. The average full-time nanny in the neighborhood makes about \$75,000 a year, with some salaries as high as \$200,000, plus health insurance, said Cliff Greenhouse, president of the Nanny Authority, a nanny-placement agency.

"It shook everyone to the core," said Andrea Lee, who lived in an Upper West Side

Parents Want More Background Checks

For agencies that screen and match families with nannies, the 2012 killings of Lucia "Lulu" Krim and her brother, Leo, resulted in requests for more detailed background checks and assurances of nannies' psychiatric health.

"It was the scariest moment for the nanny industry," said Ruka Curate, a former nanny, mother and founder of the New York City-based nanny agency Tiny Treasures. Parents even asked for psychiatric exams, which can run several thousand dollars, she said.

So-called nanny cams, or indoor security cameras, also have become more popular in the past five years, Ms. Curate said. The stabbings remain in the back of people's minds, she said. "You hear it with the concerns that parents have when they call."



Yoselyn Ortega

doorman building at the time. The building housed a large group of mothers, all with children under 5, who had nannies.

"Everyone felt very vulnerable and exposed," added Ms. Lee, founder of City Births, which offers classes for new parents.

In the years since, parents have moved away from hiring nannies, Ms. Lee said. In her classes, the kind of parents who once hired nannies are opting for day care, including some that have webcams so parents can tune in from work, she said. "They like the comfort of knowing that at 10 a.m. the baby is doing tummy time," she said.

As for the Kims, they have since had another child and started the Lulu & Leo Fund, a nonprofit that supports programs designed to build creativity and resilience in children.

'Hello, Dolly!' Actor Lands Dream Role and Finds His Foothold

By BARBARA CHAI

For the first five performances of "Hello, Dolly!," Victor Garber was terrified.

"I thought, 'Oh my God, I don't know if I can do this. It's been a long time,'" says the veteran, Canadian-born actor.

Mr. Garber is back on Broadway after eight years focused on television and film, and despite some initial stage fright, he couldn't be happier.

Previously the star of hit shows such as "Alias" and "The Flash," Mr. Garber spent the

past 2½ years on the CW Network's "Legends of Tomorrow" as one-half of the nuclear-powered duo Firestorm.

Newly returned to New York after working on TV in Vancouver, the 68-year-old says he got a surprise call with a dream offer: To star opposite Bernadette Peters in "Hello, Dolly!" directed by his old friend Jerry Zaks. He and Ms. Peters took over last month from the show's previous stars, Bette Midler and David Hyde Pierce.

Sitting at Joe Allen Restaurant in New York's theater dis-

trict during a break, the Tony- and Emmy Award-nominated actor recalled his early days in the industry. The late Stephen Porter, whose black-and-white photograph looked down at Mr. Garber from the opposite wall, directed him in his first Broadway play, "Tartuffe," in 1977.

Then, the actor's regular post-show drink, upstairs from Joe Allen, at the Broadway haunt Bar Centrale "was the first place I really felt like I was an actor, because actors hung out here," he says. "They still do, to some extent, but not like

they used to."

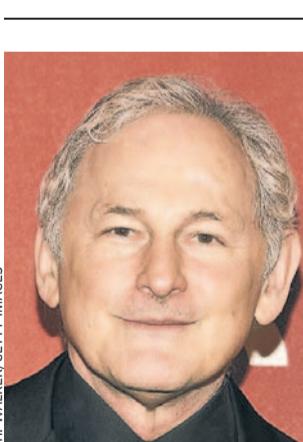
A former folk singer by trade, Mr. Garber must sing and strut and toe the line between slapstick comedy and earnest musical in his new role in "Hello, Dolly!" He plays Horace Vandergelder, the miserly widower in search of a wife, who enlists the help of matchmaker Dolly Gallagher Levi (Ms. Peters)—a widow herself who has hatched a complex marital plan of her own.

His early anxiety has faded; meditation has helped, he says, as have extensive rehearsals and

daily, meticulous notes sessions with Ms. Peters and Mr. Zaks.

"There were days when Bernadette and I would get to a place in the rehearsal where we were just flying with our scenes," he says. "I'd suddenly be standing there and she'd be singing, and every fiber of my being felt like it was exactly where I should be."

"This is the way I used to feel, that this is what I was meant to do," he says, recalling those early days in New York. "I've never felt that anywhere else, on any set."

Andrew H. Walker/Getty Images
Victor Garber is playing the part of Horace Vandergelder.

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HUDSON YARDS DEVELOPMENT

Architects Calatrava, Gehry Join Project

Architects Santiago Calatrava and Frank Gehry have been tapped to design residential towers at the massive new development rising on Manhattan's far West Side, according to a person familiar with the matter.

The two architects are among the designers selected by the joint venture of Related Cos. and Oxford Properties Group, the partnership behind the 28-acre Hudson Yards development, as the team turns its focus to the western, mostly residential portion of the project.

The venture has attracted a number of established companies from the fashion, media, technology and financial sectors to fill office buildings, which are at various stages of completion on the project's eastern half.

—Keiko Morris

BRONX

Rapist Still at Large Three Years Later

The New York Police Department is still searching for the rapist who attacked a 12-year-old girl nearly three years ago.

The girl was grabbed in the Bronx as she got off a bus after tutoring on Feb. 24, 2015. Despite DNA evidence and surveillance footage of the attack, no arrests have been made.

As the anniversary of the crime nears, the Special Victims Division detective on the case is asking anyone with information to send a tip through the CrimeStoppers website or call the hotline. Detective Diane Crowley called the crime: "The worst of the worst."

Surveillance footage shows a young man in tan cargo pants, wearing a blue jacket with a hood and a hat. There is a reward of more than \$22,000 for any tips leading to an arrest.

—Associated Press

Life-size action figures struck a pose and celebrity ducks were on display Monday at the Toy Fair in the Javits Center. The annual event is being held through Tuesday.

Toy Makers Bring the Fun, Try to Stand Out

BY CHARLES PASSY

There is probably no simpler a childhood plaything than sidewalk chalk, good for doodling away on a sunny day.

But sidewalk chalk in the shape of sushi? Or a frosted doughnut? Now you're talking a toy with a "boutique" advantage, says Margaux DelCollo, a partner with Twee, a Philadelphia-based company that specializes in manufacturing such chalk.

Ms. DelCollo's company was one of 1,047 exhibitors at the Toy Fair, which is being held through Tuesday at the Javits Center in Manhattan. Now in its 115th year, the convention, organized by the Toy Association Inc. trade group, is key to charting the course for an industry that generated \$20.7 billion in U.S. sales last year.

It also is an industry that has faced its share of chal-



lenges of late, as children focus increasingly on technology—think anything with a screen—instead of traditional toys. In turn, that has left some toy manufacturers embracing novel products such as "sushi" chalk as a way to stand out.

Otherwise, as Ms. DelCollo said, "Chalk is chalk."

She added that her product, which launched about a year ago and retails for \$8 to \$22, depending on the item, already is carried by 60 stores nationwide.

Sometimes, the novel also can border on the not-so-tasteful to adults, and absolutely hilarious to anyone under age 7.

A new game, Snot It, is described by a spokesman for its manufacturer, France-based KD Group, as the equivalent of "bobbing for boogers."

Green and purple Styrofoam peanuts serve as a stand-in for the dried mucus formations. Players try to catch them with an adhesive-like substance that loosely resembles, well, snot.

Children have always had a thing for gross-out fun, but these days, their parents are more likely to go along with the gag and thus buy the game, says Eric Levin, KD's chief strategy officer.

"If I told my dad, 'Let's play Snot It,' he would have been like, 'Get out of my face,'" said Mr. Levin of the generational shift.

Which isn't to say that traditional toys don't continue to sell well. Stuffed animals and toy cars remain as hot as ever,

says Steve Pasierb, president and CEO of the Toy Association. And there's the most basic plaything of all—a bouncing ball.

"There are now balls that light up, but they're still balls," Mr. Pasierb said.

There also is a sizable market for toys that bypass the children's market altogether and go straight for adults. Think collectibles in every conceivable format—and of every conceivable character or personality from television, comic books and other media.

Entertainment Earth, a California-based company, has even taken to making a 2½-inch wooden figure of "Hamilton" creator Lin-Manuel Miranda as part of its Pin Mates collectibles series.

"We wanted to do something that hadn't been done before," said Entertainment Earth President Jason Labowitz.



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THE WALL STREET JOURNAL.

Tuesday, February 20, 2018 | B1

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Albertsons and Rite Aid to Combine

By HEATHER HADDON

Albertsons Cos. plans to buy the rest of **Rite Aid** Corp. that isn't being sold to **Walgreens Boots Alliance** Inc. as retailers of all stripes scramble to respond to a rapidly changing consumer shopping landscape.

The drugstore chain and Albertsons have a combined value of around \$24 billion, including debt, the companies said Monday. Rite Aid, which comprises thousands of drugstores and a benefits-management company with millions of members, has a market value of about \$2.3 billion and

is in the process of selling a chunk of its stores to Walgreens.

Following the proposed cash-and-stock deal, shareholders of closely held Albertsons, owner of Safeway and 19 other supermarket chains, would hold roughly 71% of the combined company, while Rite Aid investors would own the rest, they said.

The transaction would create a company with revenue of \$83 billion and allow Albertsons to go public after more than a decade of ownership by private-equity giant **Cerberus Capital Management** LP. The grocer was on the brink of an

initial public offering in 2015 but shelved the plan in the face of a dour profit forecast by rival **Walmart** Inc.

The deal would create a giant with revenue of \$83 billion and let Albertsons go public.

For Rite Aid, the third-largest U.S. drugstore chain, the deal represents another way to gain heft after the federal government blocked its full

sale to Walgreens, which now plans to buy roughly 2,000 of Rite Aid's approximately 4,600 stores.

The chief executives of the companies said in interviews Monday that the merger is the best way for them to compete in businesses increasingly threatened by **Amazon.com** Inc., along with an emboldened Walmart.

Amazon is making a big push into food retail with its purchase of Whole Foods Market Inc. Walmart, in turn, has boosted its e-commerce offerings and the range of goods it sells, through a number of recent deals.

"We know that scale matters," said Bob Miller, Albertsons chief executive. "We continue to grow to compete with all competitors, not just Amazon."

John Standley, Rite Aid's CEO, said the merger will help the company expand its food offerings to stand out from **CVS Health** Corp., Walgreens and Walmart. It will also expand Rite Aid's e-commerce offerings given Albertsons' progress in that realm, said Mr. Standley, 54 years old.

"There is a ton of potential here," he said.

All three of the U.S.'s big Please see **DEAL** page B2

Private Trades Key To Debut Of Spotify

By MAUREEN FARRELL

Spotify AB is counting on its surging private-market value to bolster the music-streaming service's appeal to investors in an unorthodox public debut that could be the biggest since **Snap Inc.**'s \$20 billion IPO last year.

The listing, expected as soon as the end of March, isn't an initial public offering, in which underwriters set a price and place shares with chosen investors before trading. Instead, the Swedish company will simply float the shares on the New York Stock Exchange and let the market find a price, in what is known as a direct listing.

While Spotify and its advisers are still determining how exactly the process will work, the company and its banks are expected to have a role in helping guide the market to a price and connecting buyers and sellers initially, people familiar with the matter said. A suggested price range is expected to be relayed to the market before trading starts, but the price will ultimately be set by what buyers are willing to pay and the price at which sellers part with their shares.

Private trading is expected to be a key part of the company's effort to guide the market to a price, people familiar with the matter said.

The secondary markets in private technology stocks are typically an afterthought in an IPO, in part because trading tends to be thin and not always a reliable indicator of value.

But Spotify and its advisers at **Goldman Sachs Group** Inc., **Morgan Stanley** and **Allen & Co.** are closely watching trades among private investors and have taken steps to spur volume, the people said. The company recently informed existing investors that it waived its right to buy shares before they are offered to others.

In recent months, Spotify's shares have traded at valuations between \$17 billion and \$18 billion, according to people familiar with the transactions. At those levels, Spotify's debut would be the largest for a tech company since **Snap** went public.

There is another signpost for Spotify's value: Late last year, the company swapped stakes with Chinese internet giant **Tencent Holdings** Ltd. at a valuation of nearly \$20 billion.

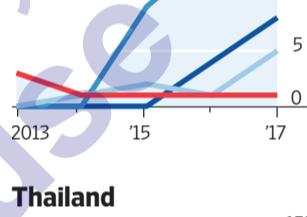
One investment bank that is representing a potential new Please see **SPOTIFY** page B6

Fallen Apple

Market share of smartphone makers in some Asian countries, by shipment

■ Apple ■ Xiaomi ■ Oppo ■ Vivo

Indonesia



Thailand



The Philippines



Source: Canalys

THE WALL STREET JOURNAL.



Xiaomi increasingly is putting products on the market that offer the look, feel and functionality of iPhones but carry a lower price tag.

Mining Firms Dig Up Profits, Weigh Deals

The world's biggest mining companies are again poised to shower investors with billions

geoning electric-vehicle market.

Four of the world's top publicly listed miners—**BHP Billiton** Ltd., **Rio Tinto** PLC, **Glencore** PLC and **Anglo American** PLC—have rebounded after plummeting prices for commodities several years ago led them to cut costs, slash dividends and dump assets. Collectively, these companies' market values have increased by about \$200 billion in two years.

Investors stand to benefit.

Analysts expect Glencore, Anglo and BHP to report large increases in profits when they announce earnings this week. BHP is expected to return \$4 billion in cash to investors this year, according to Macquarie Group Ltd., and Glencore will likely announce a payout of about \$2.2 billion, UBS Ltd. said.

Rio Tinto said this month that its yearly net profit almost doubled to \$8.76 billion, as the British-Australian miner increased dividends and an-

nounced a new \$1 billion share buyback. "I don't think anyone is going to have any cause for complaint," Rio Tinto Chief Financial Officer Chris Lynch said in an interview.

Rising commodity prices have driven the comeback, while the mining giants also reap the benefits of sustained cost cuts undertaken during the industry downturn a few years ago. Copper has risen 20%, gold is up 8.9% and coal has climbed 12% over the past 12 months.

The metals market has been buoyed by a rare period of synchronized economic growth in China, the U.S., Eu-

Please see **MINERS** page B2

Oil Change

Producers survived a recent bust in large part by selling more than \$60 billion of stock. Now they are starting to buy it back..... B10

HEARD ON THE STREET | By Justin Lahart

Tax Cut Won't Lift All Retailers Equally

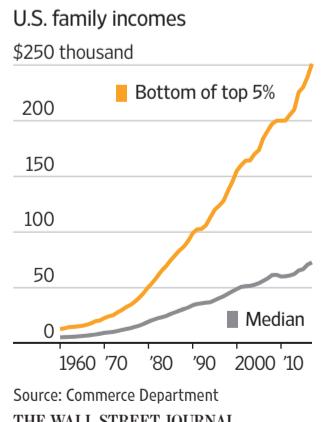


Tax cuts aren't about to make America's inequality problem go away.

But with an assist from a tight job market, they are bound to make the less affluent feel more flush.

That should support middle-class spending, benefiting many retailers and other consumer-facing businesses. It also could upend a long-standing trend in retailing by which companies serving the lower and upper rungs of income performed well and those that traditionally served the middle class struggled.

Rising inequality is a decadeslong problem. As of 2016, the lowest-earning family in the top 5% by income made \$251,183 a year, according to the Commerce Department, or 3.5 times the median family's \$72,707. That compared with 3.2



times in 2000 and 2.9 times in 1990.

The tax package Donald Trump signed into law in December is unlikely to reverse inequality. Estimates from both the Tax Policy Center, which is run by a former Obama administration official, and the conservative-leaning Tax Foundation show

that households in the top fifth by income will receive larger percentage increases in after-tax income this year as a result of tax cuts than households in the middle fifth. Similarly, while economists agree that some of the benefit from lower corporate taxes will accrue to workers, most think that the bigger benefit will be to investors.

Investors shouldn't let such considerations diminish the importance of what is happening to middle-class paychecks. Starting this month, the individual tax cut started translating into higher pay for many Americans. And the less well off they are, the more likely they are to spend it. That could have a powerful effect:

A typical family with children that earns \$75,000 annually will pay \$2,119 less in taxes this year, according to the Tax Policy Center.

The spillover from the corporate tax cut means that

many middle-class workers' before-tax wages could be heading higher, too.

The extra money in the pockets of lower-income consumers, in particular, could alter the retail landscape. Stores such as **Dollar General** could get less of their business as shoppers make more trips to stores like **Walmart**. Further up the income ladder, middle-class consumers will spend more, but that doesn't mean they will spend it indiscriminately. Companies seen as offering good value on the dollar—Walmart, again, as well as **Amazon.com** and **Costco Wholesale**—will get much of their business.

On the other hand, stores that have struggled to compete on price, such as department stores, might not get as much of a sales boost while still facing higher labor costs. As with so much else, it will be a case of haves and have-nots.

INSIDE



'BLACK PANTHER' BREAKS THROUGH AT BOX OFFICE

MOVIES, B5

STARTUPS WILL HELP YOU BUY A HOUSE—FOR A CUT

REAL ESTATE, B6

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	eBay.....R9
ABLV Bank.....A10	Electronic Arts.....B9
Adobe Systems.....B9	F
Aetna.....B2,R7	Facebook.....A1,A2,B4,B6,R8
AK Steel Holding.....B3	Freddie Mac.....B6
Albertsons.....B1	G
Alcoa.....B3	General Dynamics.....B3
Allen &....B1	Glencore.....B1
Alphabet.....A1,B4	Goldman Sachs Group.....B1
Amazon.com.....B1,B9,R9	Guaranteed Rate.....B6
AmerisourceBergen.....B2	Gulfport Energy.....B10
Anadarko Petroleum.....B10	H
Andreessen Horowitz.....B6	Hannover Re.....B8
Anglo American.....B1	Hasbro.....B2
Apple.....B1,B9,R9	Huntington Ingalls Industries.....B3
Apricus Biosciences.....B9	I
BAE.....B3	Imax.....B5
Barneys New York.....R8	Intel.....R8
BBK Electronics.....B1	International Business Machines.....A11
Berkshire Hathaway.....B8	J - L
BHP Billiton.....B1	Just Play.....B2
Boeing.....B3	Landed.....B6
C	Laredo Petroleum.....B10
Century Aluminum.....B3	LaRose Industries.....B2
Cerberus Capital Management.....B1	Lockheed Martin.....B3
Chan Zuckerberg Initiative.....B6	M
Christie's.....R11	Mattel.....B2
Coca-Cola.....R4	Medtronic.....R7
ConocoPhillips.....B10	Meredith.....R2
Costco Wholesale.....B1	MGA Entertainment.....B2
CVS Health.....B1	Microsoft.....B9
D - E	Morgan Stanley.....B1
Daimler.....B9	Munich Re.....B8
Delek Drilling.....A8	N
Dollar General.....B1	Nagico Insurances.....B8
Dolphin Holdings.....A8	Noble Energy.....A8,B10
Dragonfly Investment Group.....B6	O
E	P
F	Miller, Bob.....B1
G	Milner, Yuri.....B6
H	Georgiadis, Margo.....B2
I	Gerry, Amias.....A12
J	Gilmore, John.....B4
K	Goldman, Rob.....A4
L	Hiroki, Takashi.....B9
M	Hollis, Dave.....B5
N	Ishrak, Omar.....R7
O	Johnson, Ron.....A3
P	Kaplan, Joel.....A4
Q	Kaur, Kiranjeet.....B4
R	Kennedy, Tom.....B3
S	T - V - W
T	Thiel, Peter.....B4,B6
U	Tiffith, Anthony "Top Dawg".....B5
V	Vitale, Daniella.....R8
W	Waller, Kathy.....R4
X	Woolum, Andrew.....R4
Y	Work, Bob.....B3
Z	Xiaomi.....B1

INDEX TO PEOPLE

A	Gait, Paul.....B2
Aoun, Joseph.....R12	Gardiner, Kevin.....B9
Arcuri, Joe.....R8	Georgiadis, Margo.....B2
B	Gerry, Amias.....A12
Bakula, David.....B5	Gilmore, John.....B4
Becker, William.....R9	Goldman, Rob.....A4
Bethune, Craig.....B10	Hiroki, Takashi.....B9
C	Hollis, Dave.....B5
Carney, Mark.....B9	Ishrak, Omar.....R7
Cerutti, Guillaume.....R11	Johnson, Ron.....A3
Christakis, Nicholas.....B4	Kaplan, Joel.....A4
Curhan, Jared.....R9	Kaur, Kiranjeet.....B4
D - E	Kennedy, Tom.....B3
Dunn, David J.....B6	L
Eberly, Pam.....A15	Lacy, Stephen.....R2
Etelman, Paul.....B9	Lamar, Kendrick.....B5
Emby, Charlie.....B2	Lankford, James.....A3
F	Loerzel, Josh.....B2
Ferguson, Niall.....B4	Lynch, Roger.....R10
Flandro, David.....B8	Mark Zuckerberg.....B6
Flournoy, Michèle.....B3	
Foutch, Randy.....B10	
Frascotti, John.....B2	

DEAL

Continued from the prior page gest pharmacy chains are now pursuing deals in a sign of the threats they face as customers increasingly shop online. CVS has agreed to buy health insurer **Aetna** Inc., and Walgreens, in addition to the scaled-back Rite Aid deal, is in talks to buy drug distributor **AmerisourceBergen** Corp., The Wall Street Journal recently reported.

The S&P index for drug retail has fallen 11% in the past year.

Mr. Standley is to serve as the new company's CEO, while Mr. Miller would act as chairman. Speculation as to who would succeed the 73-year-old Albertsons CEO had mounted in recent years.

Rite Aid's CEO says the merger will help the company expand its food offerings.

"The truth is I'd like to work forever; I love what I do, but I'm going to be 74 in a month," Mr. Miller said.

The new company, to be based in both Boise, Idaho, and Camp Hill, Pa., would operate approximately 4,900 stores and 4,300 pharmacies across 38 states and Washington, D.C., with a heavy presence along the coasts. The company's new name is to be determined upon the deal's close, expected by the summer, the companies said.

The federal government will have to approve the deal. Albertsons and Rite Aid operate in many of the same markets, but have less sector overlap than Walgreens and Rite Aid, the companies said. Rite Aid today does sell food, and Albertsons operates pharmacies in its stores.

Mr. Standley said the company has sought to learn from the failed Walgreens deal, and that it believes the merger wouldn't stifle competition.

America's further push into grocery has caused supermarket stocks to tumble and prompted food retailers to search for deals in a sector known for razor-thin

Albertsons owns the grocer.

VALERIE MOSLEY/THE COLORADOAN/ASSOCIATED PRESS

BUSINESS & FINANCE



A youngster played with a slime toy at a London toy fair last month. Toys firms are trying to get products into stores at a faster clip.

Toy Makers Are in a Hurry

Hasbro, rivals develop new products quickly to profit from trends fueled by social media

By PAUL ZIOBRO

Toy companies are mimicking the moves of fast-fashion retailers as they scramble to produce toys and games tied to the swift rise and fall of trends driven by social media.

Hasbro Inc., **Mattel** Inc. and other companies are rushing to collapse production times and capitalize on fast-moving trends such as slime-making kits and viral videos that can spawn new games and toys. The goal is to spot ideas and get products in stores in a matter of months instead of the following Christmas.

Toy companies need rapid turnaround times if they are to profit from these trends, which spike and dissipate quickly. Copycats, usually smaller manufacturers, also can quickly crowd the market.

The quest to discover more fads comes as the \$27 billion U.S. toy industry experiences a slowdown. It grew by just 1% last year after rising 5% and nearly 7% in the preceding two years, according to NPD. The research firm said the 2017 growth was fueled by toys tied to "social media driven trends," while higher-price toys and those tied to some

movie properties such as "Star Wars" fell short.

Toy makers—which are convening in New York for the four-day North American International Toy Fair, which runs through Tuesday—also are coping with the bankruptcy of Toys "R" Us Inc. The retailer is closing about 20% of its stores.

When Lawrence Rosen, chairman of **LaRose Industries** LLC, noticed in October 2016 that sales of his Cra-Z-Art glue were rising more than 50% a month at Walmart stores, he said, "We knew something was up." Children were mixing the glue with a few household ingredients—baking soda, contact-lens solution—to make slime.

By January, Mr. Rosen, a toy-industry veteran of four decades, presented slime kits with glue and other ingredients at a toy fair. He also teamed up with Nickelodeon cable-television channel to license its name. After getting buy-in from retailers, he started making the kits at his two U.S. factories and shipped them 45 days later. He quickly sold one million units. In the first year, retail sales topped \$50 million. Other slime-kit makers jumped on the trend.

In a sense, the companies are lifting from the playbooks of fast-fashion retailers such as Zara and Forever 21, which can churn out new coats in just 25 days, say analysts.

Among toy companies, smaller

firms can move quicker than the big players, who need to nurture established brands and develop toys to satisfy large licensing partners such as **Walt Disney** Co.

Mattel has carved out a team of fewer than 10 executives to develop toys that match up with larger trends in the industry. Mattel Chief Executive Margo Georgiadis said in an interview Friday that she gave the team three months and a "next to nothing" budget to create a few ideas to pitch at a January toy fair. Those items, including a plush toy, are expected to be sold later this year.

Hasbro last year established a similar team, called "Quick Strike," hoping to turn social-media trends into marketable products. The maker of Monopoly and Nerf guns has come up with several games inspired by viral videos.

Fantastic Gymnastics is based on a bottle-flipping trend where children try to land water bottles upright, while **Speak Out** grew out of online videos where people tried to pronounce phrases with dentist's mouth guards in their mouths. The latter took just 11 weeks to develop. "We've since expanded this approach to our broader organization," Hasbro President John Frascotti said. "All of this is resulting in a faster, more nimble and more efficient product-to-market process."

Until the giants catch up, small companies are having their day. **MGA Entertainment** Inc.'s hit toy last holiday season, **L.O.L. Surprise!**, a ball that children unwrap to reveal small dolls and accessories inside, took just 18 weeks to hit stores. An item from that line was the top-selling toy of 2017 in dollar sales, according to NPD. **Just Play** LLC's doll and accessories based on the teen pop star Jojo Siwa took four months to develop after the company signed a licensing deal with Nickelodeon.

The goal is to find a trend that can last beyond the initial fad. "Sometimes they're hot and in-and-out, and other times, you have great success stories," said Charlie Emby, co-president of Just Play.

Zing, based in Portland, Ore., has three social-media coordinators whose job includes scanning for trending hashtags. In June 2016, the company noticed on social media that people in Greece were using a variation of rosary beads called **beglari** as a fidget toy. By mid-December, Zing's version of the product, **Thumb Chucks**, was in stores.

Zing also jumped on the fidget-spinner trend. While it sold quickly, Zing was left with a "decent amount of inventory," said Josh Loerzel, Zing's vice president of sales.

The episode highlights one of the risks of chasing trends: "They burn really bright," he said, "and really short."

MINERS

Continued from the prior page rope and major economies elsewhere. Also helping is a chilly Chinese winter that fueled coal purchases, the industry's expectations of a global infrastructure push and a weaker U.S. dollar, which is the currency used to buy most commodities. A weakening dollar allows international buyers to purchase more.

Rising expectations of a coming surge in electric-vehicle sales also have increased demand for the raw materials used to make the vehicles' batteries. Cobalt, an important ingredient in lithium-ion batteries, has more than doubled in price over the past year. The price of nickel, another key ingredient, is up 20%.

So far, the big miners haven't indicated they will use their windfalls to boost production or launch new projects, which they did during the last boom to the tune of \$1 trillion, according to Sanford C. Bernstein research. Instead, they have played it safe by reducing the debt on their balance sheets and returning cash to shareholders.

"At the moment the mantra is all 'value over volume'...rewarding shareholders for their patience and not getting carried away," said Bernstein mining analyst Paul Gait. "We will see how long it lasts."

The industry's buoyant mood was evident at its biggest annual gathering earlier this month in Cape Town, South Africa, where much of the chatter was about deal making, which had dried up during the downturn. An "Investment Battlefield" stage was set up at the conference to allow small companies to pitch projects to investors.

By contrast, executives had struggled to put on a brave face about the future at the 2016 conference, and attendance from supporting indus-

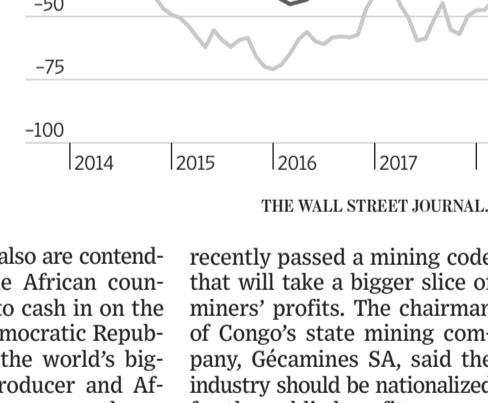
Long Rebound

The world's biggest miners have made a comeback as commodity prices rise.

Share price performance



Percentage change in commodities prices



Sources: WSJ Market Data Group (companies); FactSet (commodities)

tries was thin. Back then, Glencore was aiming to raise at least \$10 billion to reduce its debt by eliminating its dividend, and was mothballing mines, issuing \$2.5 billion in new stock and selling assets. Anglo had announced plans to scale back its business, including plans to shed 85,000 employees.

Times have changed. Last year, Glencore approached Bunge Ltd., a \$10 billion crop trader and processor, with a takeover proposal, evidence that it is among the industry's most aggressive deal makers. Rio Tinto says it is looking for deals. But mining executives say it is still a tough market for acquisitions, since few companies are eager to sell what appear to be increasingly profitable businesses as commodity prices keep ascending.

"You are not going to steal assets in this day and age," Rio Tinto's Mr. Lynch said.

Still, there remain serious challenges. BHP, the world's largest diversified mining company, faces a push from activist investor Elliott Management to change its dual-listed, London-Sydney structure. BHP says Elliott's proposals would do more harm than good.

recently passed a mining code that will take a bigger slice of miners' profits. The chairman of Congo's state mining company, Gécamines SA, said the industry should be nationalized for the public benefit.

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BUSINESS NEWS

Tariffs Have Costs, Benefits for Makers Of Steel, Aluminum

By BOB TITA

U.S. makers of aluminum and steel hope tariffs under consideration by the Trump administration will heat up demand for their products.

But steep duties and quotas also could hurt a U.S. manufacturing sector that has become dependent on imported metal, without helping operators of aluminum overcome high hurdles to domestic production.

The U.S. remains an expensive place to make steel and aluminum. While U.S. steelmaking has rebounded somewhat with an improving U.S. economy, aluminum-smelting capacity remains severely diminished.

About 15 aluminum smelters have closed since 2000. Most of those plants were demolished. Only two U.S. aluminum smelters are running at

ported steel to a combination of tariffs for specific countries and import quotas for the rest of the world. Mr. Trump is due to make a decision by April.

News of the possible tariffs sent stocks in steel and aluminum producers soaring. **Nucor** Corp., the largest U.S. steelmaker by sales, rose almost 5%, and **United States Steel** Corp. and **AK Steel Holding** Corp. each gained more than 10%. Aluminum stock reaction was more muted, with market leader **Alcoa** Corp. up almost 3% and **Century Aluminum** Co. rising 8%.

U.S. steel companies have lobbied for such measures for years. They blame rising imports sold in the U.S. at prices they say are unfair for idling American mills. The steelmakers have pledged to increase investments in domestic mills if imports of cheap steel are curtailed.

But tariffs won't protect the industry from weakening demand. Many manufacturers say higher steel prices would be a disincentive to making things in the U.S. "If there's a supply response, then the market just weakens again," said Seth Rosenfeld, an analyst for Jefferies.

For the aluminum industry, analysts say the duties are unlikely to fully compensate for chronic challenges including rising electricity costs. Last year, 4.8 million metric tons of raw aluminum were imported to the U.S. to make everything from car hoods to foil. Just 741,000 tons were made in domestic smelters, down 9.5% from 2016, according to the Aluminum Association.

As smelter-made aluminum shrinks in the U.S., new domestic aluminum is increasingly being made from recycled scrap.

—Jacob M. Schlesinger contributed to this article.

Defense Firms to Get Lift

Lockheed, Northrop and others to benefit under proposed rise in military spending

By DOUG CAMERON

The recent budget deal has handed U.S. defense companies an extra \$75 billion over the next two years as the Pentagon boosts spending on aircraft, missiles, tanks and maintaining older equipment.

The Pentagon proposal unveiled Monday alongside the White House budget request for fiscal 2019—which starts on Oct. 1—includes spending more than \$470 billion over the next two years on buying weapons and military research, a 20% increase from the Obama administration's final plan in fiscal 2017.

"I had to actually go practice how to say the word 'growth' a few times before this call," Mike Petters, chief executive of **Huntington Ingalls Industries** Inc., told analysts after the Navy shipbuilder reported quarterly earnings on Thursday.

Even **Boeing** Co.'s defense arm, which has shrunk in recent years, forecasts rising military sales, and its combat-aircraft and missile-defense systems are among the biggest beneficiaries of the new Pentagon budget, which has yet to be approved by lawmakers.

The federal budget deal reached last week raised the statutory cap on military spending over the next two years and paved the way for the release of President Donald Trump's first stand-alone defense budget. This followed White House-commissioned strategic reviews that officials said emphasized tackling the threat of potential adversaries such as Russia and China, rather than fighting terrorism.

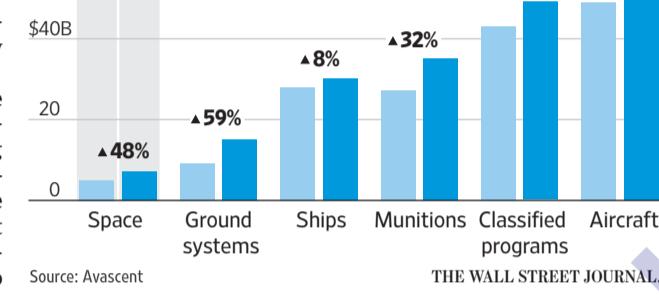
The increase in planned spending on everything from bullets and missiles to F-35 combat jets has eased investor concerns about any abrupt



The USS Gerald R. Ford. Spending for military research and buying weapons is expected to climb.

Reinforcements

Additional Pentagon spending is focused on ground forces, munitions and protecting U.S. assets in space.



Source: Avasent

THE WALL STREET JOURNAL.

vulnerable satellites and losing access to the Global Positioning System. Northrop Grumman, Boeing and Lockheed Martin all stand to benefit.

Spending on military aircraft and on ships and submarines would rise 9% and 8%, respectively, boosting all of the main prime contractors and their suppliers.

However, some analysts are concerned spending could taper off in the early 2020s, just as big bills to modernize U.S. nuclear forces fall due. Building new submarines, bombers and intercontinental ballistic missiles is forecast to cost an average of \$17 billion a year from 2021 through 2043, said Bob Work, a former deputy defense secretary. "There is a big chance that 2018 and 2019 are the high point of the defense buildup," Mr. Work said.

under temporary budgets for much of the past nine years.

"As important as the increase in the dollar amount is the predictability," said Michèle Flournoy, a former Pentagon policy chief.

The budget for tanks and armored vehicles is up by an average of 59% over the next two years compared with 2017, benefiting companies including Abrams tank maker **General Dynamics** Corp. and **BAE Systems** PLC, which makes armored cars.

Another winner is the space budget, up almost 50% in a reflection of U.S. concerns about

Tax reform has spurred additional investment.

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KEYWORDS | By Christopher Mims

TECHNOLOGY

Facebook and the Tools of Uprisings



What do Facebook Inc., the Soviet Union and the European Reformation have in common?

They all consist of networks that formed quickly by leveraging new communications technologies and then just as swiftly were taken over by a handful of people who consolidated their influence over millions of people.

Some historians and scientists are coming to understand that the internet—and specifically Facebook—are only the latest examples of the revolution-spawning networks, common throughout history, that give rise to hierarchies that both empower and oppress.

In an indictment released Friday, special prosecutor Robert Mueller described a scenario in which Russian operatives allegedly exploited Facebook with the intent of influencing the 2016 U.S. election. That Facebook could be used in this way should be no surprise, because research has shown that the downside of powerful, centralized networks is their susceptibility to being subverted and exploited.

As recently as the Arab Spring in 2011, sober-sounding intellectuals could plausibly argue that the disruptive force of the internet, capable of upending old hierarchies, would provide the means to spread democracy and grant new freedoms.

That view, said historian Niall Ferguson, author of the 2018 book "The Square and the Tower: Networks and Power, From the Freemasons to Facebook," was born of an all-too-common mistake: the failure to appreciate that, even when new technologies come along, it's still humans who are using them.

"From 1990s slogans



A street clash in Cairo in 2011. Some say the internet's disruptive force helped drive the Arab Spring.

MOHAMMED ABED/AGENCE FRANCE PRESSE/GETTY IMAGES

about how we're all 'netizens' to the recent Facebook talk of a global community, we've heard this argument ad nauseam," Mr. Ferguson said. "And I think it has slightly robbed us of our critical faculties."

Understanding why this happens—why networks start out as distributed power structures but quickly become vertical hierarchies capable of rapidly disseminating both information and propaganda—requires a little network theory and some historical perspective.

Take the Bolshevik revolutions of 1917. The coalition of the armed forces and the industrial workforce that overthrew the czar was, essentially, a distributed network. But the insiders who subsequently consolidated power over the Communist Party—whose control peaked with the rule of Joseph Stalin—is the hierarchy.

"A hierarchy is just a special kind of network where

some nodes have higher centrality—the ones through which others have to communicate or pass," Mr. Ferguson said.

Technology usually plays a role in revolutionary change. In Russia, it was telegraphs and railroads. In the case of the Reformation, the printing press allowed for the rapid spread of the Bible in local languages. The distributed network of believers posed a sudden threat to the established Catholic hierarchy, yet once Protestantism achieved critical mass, its own hierarchy arose.

To see how the power of nation- or globe-spanning networks can be exploited, look at China's transformation of its internet into the world's most sophisticated machine for censorship, surveillance and social control.

The distributed nature of the internet should have posed a major threat to a country like China. As inter-

net activist John Gilmore once said, "The net interprets censorship as damage and routes around it."

Recognizing this, China built its portion of the internet from the start as a hierarchy in which internet companies can only rent bandwidth from government-controlled service providers. In other words, all traffic is routed through a limited number of powerful, central nodes.

Even when networks aren't architected for this kind of control, they tend to organize themselves in ways that lead to disproportionate influence by a handful of their members.

In just a few years, Facebook became the world's most dominant conduit of news and information but said it would remain neutral to what spread through its channels. Meanwhile, a handful of engineers were building algorithms to decide which of its 2.2 billion users

would see what.

By remaining agnostic about which influencers rose to popularity, and helping them along by building recommendation and newsfeed algorithms to enhance that popularity, Facebook allowed Russia to rapidly gain influence on the site, said Nicholas Christakis, a physician and sociologist at Yale who studies social networks.

The company has taken steps to address these problems, but it's Facebook's "original sin"—to optimize for engagement above all else as a servant of advertisers as much as of users—that is at the root of its issues, Dr. Christakis said.

According to Dr. Christakis, "You can connect a group of people one way and they're kind, and cooperation spreads. But if you take the same group of people and connect them in a different way, they're mean sons of bitches, and they're cruel to each other."

Facebook isn't the only internet power structure like this, of course. All the top social networks that use algorithmic feeds to feature content have been exploited in similar ways. Alphabet Inc.'s YouTube recently came under fire for allowing its artificial intelligence to promote extremist views. And in Friday's indictment, Mr. Mueller named Twitter Inc. and Facebook-owned Instagram as well.

Historically, the only way to deal with this problem has been to disrupt an established network with a fresh one. Fostering competition could shift power away from Facebook. Yet many have begun to argue that Facebook, with its dominance of social media, should be treated as a monopoly, and even broken up. One could argue that the grounds for doing so now include national security.

Thiel Isn't Alone In Valley Departure

BY DOUGLAS MACMILLAN

Billionaire venture capitalist Peter Thiel has said he plans to leave Silicon Valley in part because of its perceived cultural uniformity. He isn't the only one.

Several tech workers and entrepreneurs also have said they left or plan to leave the San Francisco Bay Area because they feel people there are resistant to different social values and political ideologies. Groupthink and homogeneity are making it a worse place to live and work, these workers said.

"I think the politics of San Francisco have gotten a little bit crazy," said Tom McInerney, an angel investor who moved a decade ago to Los Angeles from the Bay Area.

"The Trump election was super polarizing and it definitely illustrated—and Peter [Thiel] said this—how out of touch Silicon Valley was," said Mr. McInerney, who describes himself as fiscally conservative but socially liberal.

Tim Ferriss, the tech investor and best-selling author of the "4 Hour Workweek," moved to Austin, Texas, in December, after living in the Bay Area for 17 years, partly because he felt people there penalized anyone who didn't conform to a hyperliberal credo.

People in Silicon Valley "openly lie to one another out of fear of losing their jobs or being publicly crucified," said Mr. Ferriss in a recent discussion on Reddit.

Mr. Ferriss, who describes himself as socially liberal, said during the discussion that he found that Austin has "a wonderful exploding scene of art, music, film, tech, food, and more," adding that "the people are also—in general—much friendlier."

Proponents of Silicon Valley point to its rich history as a hotbed of entrepreneurship teeming with new ideas, a region that has spawned some of the world's biggest companies. Tech leaders have a unique brand of politics, they say, typically favoring globalization, free trade and immigration, while also generally supporting capitalism and opposing labor unions and government regulation.

"Nowhere but Silicon Valley is there as much of an intensity and variety of creation and development going on," said Aydin Senkut, a startup investor at Felicis Ventures. "I think it's up to you as an individual to not be limited to the echo chamber in Silicon Valley." Mr. Senkut said he seeks out friends in art and other industries beyond tech, and his firm looks for investments outside of the Bay Area.

Preethi Kasireddy said she wasn't surprised when she heard the news that Mr. Thiel is moving to Los Angeles from San Francisco. Ms. Kasireddy, a 27-year-old startup entrepreneur, said she made the same move last November because, like Mr. Thiel, she felt surrounded by people who shared identical beliefs, particularly about how to build a successful company.

Sometimes Silicon Valley venture-capital investors and startup founders "have a certain way of thinking, and if you don't fit into that way of thinking you're not in the cool club," said Ms. Kasireddy, who declined to state her political beliefs but said they didn't influence her decision to move. She also said she realized many of the resources she needed to build her next project—a blockchain startup—didn't require her to be in Silicon Valley.

Apart from ideological issues, many are being driven away from the Bay Area by soaring housing costs and increasing traffic congestion, a 2016 survey by the Bay Area Council suggested. Of 1,000 registered voters from the nine counties making up the Bay Area, 40% said they were considering leaving the region, citing the cost of living, traffic and a lack of availability of housing.

—Keach Hagey contributed to this article.

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An Oppo phone vendor in Indonesia, where Apple's market share is 1%.

BEAWIHARTA/REUTERS

APPLE

Continued from page B1
top-end" smartphone anymore, said Kiranjeet Kaur, an analyst with research firm IDC in Singapore.

The iPhone X or Apple's older, more affordable models aren't aimed at the mass market in emerging Asia, where telecom companies don't subsidize devices as in the U.S., meaning most people pay full price for their phones up front. The typical smartphone in India and Indonesia sells for under \$200, which is less than even the least expensive iPhone model and much less than the iPhone X, which costs \$1,000, according to IDC.

Apple's high-price phones helped its revenues grow 11% last quarter in the Asia-Pacific region, even though its market share has been stagnant or declining in most Asian markets.

Abhay Shahi, a 28-year-old graphic designer in the Indian city of Ludhiana, has given up on Apple for good, recently ditching his iPhone 6 for a new Xiaomi Redmi Note 4. It has most of the bells and whistles for about one-fifth the price of the iPhone X.

An Apple spokeswoman declined to comment on its strategy for emerging Asian markets or whether it sees Chinese smartphone makers as rivals to the iPhone.

In China, Apple's market share is roughly 8% now, down from 13% in 2015, research firm Canalys says. In India—which last year overtook the U.S. to become the

world's second-biggest smartphone market—Apple has had just a 2% market share since 2013. Apple's shipments to India fell last quarter compared with the year before, a rare contraction, Canalys says.

The iPhone maker's market share in Indonesia, home to some 260 million people, has fallen to 1% from 3% in 2013. Apple's market share also has dropped in the Philippines and Thailand, and has remained static in Malaysia and Vietnam.

Meanwhile, Apple's Chinese rivals are gobbling up customers. Beijing-based Xiaomi has jumped to 19% of India's market today from just 3% in 2015. While much of that rise has been on the back of inexpensive phones, increasingly it is putting more expensive devices on the market that offer the look, feel and functionality of iPhones and even a few extra features.

Xiaomi created special chargers for its smartphones that can handle India's fluctuations in power supply, for example. And in a country where consumers are flooded by promotional text messages, Xiaomi tweaked its software to weed out advertisements so users don't miss personal texts from friends.

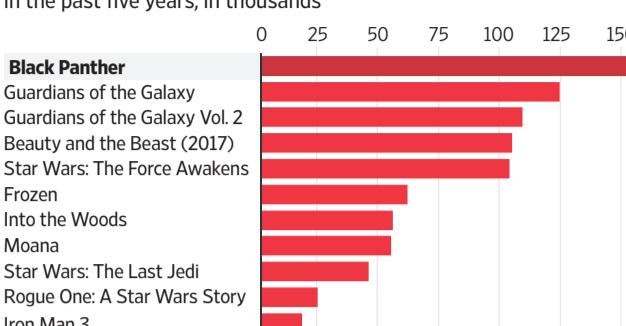
Among the newest India-specific creations, Xiaomi announced at a recent launch event in New Delhi: tweaks to its selfie-beautification software so it doesn't erase bindi forehead decorations or nose rings, mistaking them for blemishes.

—Anita Rachman in Jakarta contributed to this article.

MEDIA

Super Starts

First-week sales and streams for the top 10 Disney movie albums in the past five years, in thousands



Source: Nielsen Music

THE WALL STREET JOURNAL.

'Black Panther' Pounces

Marvel's superhero blockbuster breaks ground for films with primarily black casts

BY BEN FRITZ

It was one of the biggest superhero movie openings of all time, but instead of wearing capes and masks to the theater, fans wore traditional African garb.

With an estimated opening of \$235 million in the U.S. and Canada over Presidents Day weekend, "Black Panther" wasn't just another blockbuster success for Walt Disney Co.'s Marvel Studios, but a breakthrough for motion pictures with primarily black casts. It was the first such movie to open to more than \$100 million.

Its \$201.8 million gross from Thursday night through Sunday is the fifth-highest of all time, behind only the past two "Star Wars" sequels, "Jurassic World" and Marvel's "The Avengers."

Overseas, "Black Panther" broke free from a long history of movies with primarily black casts performing relatively poorly or not even being released in some regions. The new superhero movie grossed \$169 million overseas, making it the 25th-highest foreign debut of all time. And that is without three major markets—China, Japan and Russia—where it will open later.

Its highest national gross overseas was \$25.3 million in South Korea, where one sequence of the movie takes place. The movie also grossed a very strong \$24.8 million in the U.K. and Ireland. Across West and East Africa, "Black Panther" posted the biggest opening weekend ever, with \$443,000 and \$267,000, respectively. In South Africa, it had the third-highest opening ever at \$1.4 million.

Based on a Marvel comic-book character who first appeared 52 years ago, "Black Panther" takes place in the fictional African nation of Wakanda, which has kept its technological superiority hidden from the rest of the world and is defended by a lineage of kings with superpowers. The movie features some of Hollywood's top black actors including Chadwick Boseman, Michael B. Jordan, Lupita Nyong'o, Forest Whitaker and Angela Bassett. It was directed by Ryan Coogler, who previously made "Creed" and "Fruitvale Station."

Though Hollywood has faced pressures to diversify its casting for years, the industry has been reluctant to feature primarily nonwhite casts in big-budget movies with aspira-



The movie's opening over the weekend became a cultural moment, with fans organizing group outings.

Estimated Box-Office Figures, Through Monday

FILM	DISTRIBUTOR	SALES, IN MILLIONS		
		WEEKEND*	CUMULATIVE	% CHANGE
1. Black Panther	Disney	\$235	\$235	--
2. Peter Rabbit	Sony	\$23.1	\$54.1	-8
3. Fifty Shades Freed	Universal	\$19.4	\$78.6	-50
4. Jumanji: Welcome to the Jungle	Sony	\$10	\$379.7	--
5. The 15:17 to Paris	Warner Bros.	\$9.1	\$26.9	-27

*Friday, Saturday, Sunday and Monday Source: comScore

money to buy tickets for underprivileged children, and expressing their excitement on social media. Colorful dashiki shirts were a common sight at theaters throughout the nation.

U.S. audiences were 37% African-American, according to exit polling, just slightly ahead of the 35% who were white, and 18% Hispanic. Males made up 55%, and 65% of the audience was under 35.

IMAX Corp. screens generated \$35 million of the global gross, of which \$23.5 million was in the U.S. and Canada.

The success of "Black Panther" comes just eight months after "Wonder Woman" demonstrated that a superhero movie starring a woman also can be a blockbuster success.

While it has long looked likely that "Black Panther" would be a hit, its success has outpaced expectations.

"When you get into the zeitgeist and become a cultural moment, it turns traditional models on their heads," said Dave Hollis, Disney's head of theatrical distribution. "We are in the very best way seeing what happens when movies become a can't-miss, communal event."

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MONEY & INVESTING

Startups Are Investing in Homes

Buyers get help from a crop of Silicon Valley upstarts that partner on purchases

BY PETER RUDEGEAIR
AND CHRISTINA REXRODE

Some well-funded startups have an unusual pitch for homeowners strapped for cash: Let's own this house together.

A handful of companies, including those backed by marquee Silicon Valley names such as Andreessen Horowitz and Mark Zuckerberg's philanthropic organization, are experimenting with a product that essentially lets them take an ownership position in a house along with the homeowner. The agreements, called "shared-equity" contracts, provide a new way for investors to get exposure to rising home prices across the U.S.

Shared-equity products are aimed at new buyers who need help with a down payment, or current homeowners looking for an alternative to a cash-out mortgage refinancing or a home-equity loan. The first use has caught the attention of mortgage-finance giant Freddie Mac, which recently agreed to buy loans on properties where one firm, Unison Agreement Corp., contributes to the down payment.

In those cases, home buyers get money for part of their down payment in exchange for pledging some of the home's future price appreciation. The firms market them as a better alternative to low-down-payment loans, since they can give consumers more buying power without requiring them to take out pricey mortgage insurance.

Landed Inc. offers these down-payment contracts to teachers and other educators. Last year, the Chan Zuckerberg Initiative, a philanthropy co-founded by Facebook Inc.'s chief executive, gave Landed \$5 million to start a new fund.

Michael Nizhnikov found



One firm got funds from a philanthropy run by Facebook's Mark Zuckerberg and wife Priscilla Chan.

out about Unison's shared-equity product from his mortgage lender, **Guaranteed Rate** Inc. He used it for half of the 20% down payment on a home when he moved to accept a position in the psychology department at Southern Connecticut State University.

Dr. Nizhnikov, 46 years old, said the idea of sharing ownership of his home at first was a bit disconcerting. One thing that won him over: If his home's value falls, Unison shares in the loss. "We get to feel comfortable, just in case something crazy happens," Dr. Nizhnikov said.

The length of the contracts can vary from a few years to 30. Homeowners can repay early, including if they sell their house before the term ends. How much they end up owing depends on how the value of their home changes. Because the funds are equity, not a borrowing, they don't require monthly payments.

For example, a Unison customer could receive \$50,000 toward a \$100,000 down payment on a \$500,000 house. If the home later sells for \$600,000, the customer gets back the \$50,000 he or she initially put down plus 65% of the \$100,000 appreciation. Unison gets back its \$50,000 plus the other \$35,000 of appreciated value. (That is keeping the mortgage constant at \$400,000 for illustrative purposes.)

And if the home goes down in value? Unison shares in the loss. Say the home sells for \$400,000. After paying back the \$400,000 mortgage, the homeowner's \$50,000 in equity is wiped out. Unison only shares in 35% of the loss. That means the homeowner is on the hook for the difference and needs to pay Unison \$15,000.

Shared-equity contracts can help home buyers unload some risk of a decline in property values, but they also can end up being expensive if housing

prices rise. "The homeowners who are going to do this are the ones who don't have a lot of choices," said Allan Weiss, who founded a home-price analytics firm that bears his name.

Patch Homes Inc., **Point Digital Finance Inc.** and Unison are among the companies that are marketing these products as an alternative to home-equity loans and cash-out refinancings. Unlike those products, shared-equity contracts don't add to the consumer's outstanding debt and tend to have looser qualification standards.

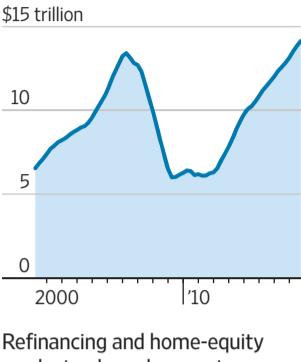
Raju Mann of Marin County, Calif., took out about \$85,000 through a shared-equity contract on her home from Point in 2016. She was encouraged by the startup's shareholders, which include Andreessen Horowitz and former Citigroup Inc. CEO Vikram Pandit.

Ms. Mann, 54, said banks rejected her for loans because her sources of income—including royalties on the sale of books written by her grandfather, Nobel Prize-winning author Thomas Mann—were unpredictable.

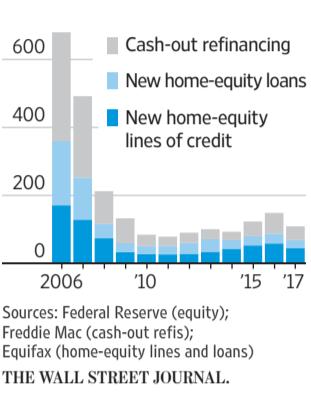
After getting funds from Point, Ms. Mann used the money to pay off debt. Home prices were rising in her neighborhood, though, and the longer she waited to pay back Point, the more the firm would make. She decided to exit her contract last month, using money she got refinancing her existing mortgage. Ultimately, she wound up paying Point around \$120,000. "They made good money with me," Ms.

Home Cooking

Homeowners' equity in U.S. real estate has rebounded since the mortgage crisis.



Refinancing and home-equity product volume have not.



Sources: Federal Reserve (equity); Freddie Mac (cash-out refis); Equifax (home-equity lines and loans)

THE WALL STREET JOURNAL.

Mann said.

Unison said it has done 600 agreements in the past year; the other firms have done fewer. To the firms, the idea is to give homeowners the same option that companies have in raising funds via both debt and equity. The firms also typically charge fees for arranging the contracts.

For investors, yields can be attractive. Kingsbridge Wealth Management Inc., a Las Vegas-based multifamily office, has placed around \$3 million into a fund that Point manages since May 2016, earning an internal rate of return of roughly 16%, said Kingsbridge President David J. Dunn.

But there also is risk that investors' capital will be tied up for years before recognizing any gains.

High-school biology teacher Sara Shayesteh and her husband, Isaac, used an agreement with Landed to cover about half their down payment for their home in San Mateo, Calif.

The Shayestehs have 10 years to repay Landed, but can choose to do so after one year. They said it feels odd to have an investor own part of their house but are grateful for the arrangement. "We're trying to live in a crazy area with a market," said Ms. Shayesteh, 32. "There's no other way we could have purchased a property that would have met our needs."

SPOTIFY

Continued from page B1
investor recently approached some current shareholders and tested their appetite for selling stock at a \$20 billion valuation but found no takers, a person familiar with the communications said.

There is little precedent for the kind of direct listing Spotify is attempting, and it is anyone's guess how the shares will trade.

There is no formal system for trading Spotify shares, and transactions are facilitated on a case-by-case basis by a network of investment banks, fund managers and others.

Trading in Spotify shares has been relatively robust, however. The company puts fewer restrictions on stock sales by employees or early investors than many other private tech startups, some of which heavily restrict trading.

While Spotify previously had the right of first refusal on shares for sale, people familiar with the matter said the company rarely exercised it and typically let sellers process transactions quickly—in contrast to some private companies notorious for taking days or months to approve or deny trades.

Spotify's shares have been trending higher since late 2016, according to people familiar with the private transactions. At that time, the shares traded at levels valuing the company at \$6 billion to \$7 billion, or about \$1,670 apiece. That is below the \$8.5 billion valuation the company received when it raised new money in 2015.

By early 2017, the valuation had jumped to roughly \$12 billion, these people said; by the

\$18B

Spotify has traded at valuations as high as this recently.

second half of 2017, it was up to \$15 billion.

Two of the largest buyers of Spotify's shares in the private markets in the past several years were **Tiger Global Management LLC**, which has invested about \$700 million since 2015, and **DIG Investment**, a firm that invests on behalf of U.S. and Swedish family offices.

Founders Fund, the venture-capital firm co-founded by PayPal Holdings Inc. co-founder Peter Thiel, and DST Global, run by Russian billionaire Yuri Milner, were also big investors. They exited from part or all of their stakes in 2016 when the valuation was \$6 billion to \$7 billion, people familiar with the trades said. Mr. Milner's firm first invested in Spotify in 2011 when it was valued at \$1 billion. Mr. Thiel's fund purchased its stake in 2009 when Spotify was valued at \$300 million, a person familiar with the investment said.

Meanwhile, a consortium including private-equity firm **TPG**, investment firm **Dragoneer Investment Group** and clients of Goldman, which lent Spotify \$1 billion, converted their debt to shares at a price that valued the company at as much as \$13 billion, people familiar with the deal said.

That debt had been designed to convert into stock when the company went public through a traditional IPO. Since Spotify decided to list its shares directly, the debt wouldn't have automatically converted, but Spotify let them do so at the highest possible price, the people said.

Many of the investors in the consortium, including TPG and Dragoneer, are expected to be buyers once Spotify is public, people familiar with the matter said.



KRISTJAN BOCS/BLOOMBERG NEWS

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The following person died in Rorschach SG on 5 August 2017:

Ettet Alfred, born 26 September 1940, from Wolfhalden AR, widowed, son of Ettet Alfred and Ettet nee Wick Maria Agnes, formerly resident in Thalerstrasse 36d, 9422 Staad SG. The deceased has disposed of his entire estate by will. Since not all legal heirs are known, they will be notified in this manner of the disposition mortis causa. The legal heirs are in the grandparents' line. The uncle of the deceased, Wick Gottlieb Klemens, born 7 February 1898, died on 21 May 1978 in Colorado. The descendants of Wick Gottlieb Klemens have the right (with proof of their right to inheritance) to inspect the disposition mortis causa and to demand a copy at the St. Gallen notary's office located in Davidstrasse 27, 9001 St. Gallen, Switzerland. The designated heirs will be duly recognized. Insofar as no objection is lodged with the notary's office within the meaning of Art. 559 of the Swiss Civil Code (ZGB) by the legal heirs within a period of one month from publication of this announcement.

St. Gallen, 26 January 2018

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KRISTJAN BOCS/BLOOMBERG NEWS

MARKETS DIGEST

Dow Jones Industrial Average

25219.38 ▲ 1028.48, or 4.25% last week
High, low, open and close for each of the past 52 weeks

Last P/E ratio 26.30 20.96
P/E estimate * 17.30 17.67
Dividend yield 2.10 2.37
All-time high 26616.71, 01/26/18

BUSINESS & FINANCE

Catastrophe Losses Bruise Reinsurers

Rising competition and lower renewal rates are taking a toll on the sector

By WILLIAM WILKES

One morning last September, Dwayne Elgin unbolted the front door of his home on the island of St. Martin and gazed upon a wasteland of flipped cars, uprooted trees and flattened homes.

Irma, the strongest Atlantic hurricane on record, had laid waste to the Caribbean island overnight and as head of **Nagico Insurances**, a local insurance firm, Mr. Elgin knew almost all of his policyholders would turn to him for help. But he was prepared: Like many insurers, he had unloaded a large portion of firm's risk to reinsurers, the

industry's last line of defense. Irma and an extraordinary string of other natural disasters in 2017 saddled insurers and reinsurers globally with more than \$135 billion in losses, according to **Munich Re's** 2017 Natural Catastrophe Report.

Typically, that would lead reinsurers—the largest of which include German and Swiss firms such as Munich Re, **Swiss Re** and **Hannover Re**—to raise prices, helping them to bounce back from the losses.

However, this year the industry has struggled, in an illustration of how loose monetary policy is challenging Germany's financial sector.

Reinsurers fared poorly in January during annual price-renewal negotiations with insurers, according to industry analysts, with easy money opening up new ways for in-

surers to spread risk beyond reinsurers, such as issuing bonds, pressuring prices.

The combination of soaring catastrophe losses and low renewal rates—the annual price difference in policies sold by reinsurers—has, in some cases, all but wiped out profits.

Munich Re recently reported a 85% fall in full-year profit because of natural disasters, reducing its return on equity—a closely watched measure of financial productivity—to 1.3% from 8.3% the previous year. That is far below the long-term industry average of over 10% calculated by Standard & Poor's. The company's average renewal-rate increases of 0.8% will do little to compensate for the losses, analysts say.

Munich Re's chief financial officer, Jörg Schneider, said the company had a sufficient capital buffer to cope with the

disaster-related losses and that he expected reinsurance prices to rise in future renewal negotiation rounds. The company is the world's second-largest reinsurer by premiums written behind Swiss Re.

Rival Hannover Re also has

Munich Re CFO Jörg Schneider says his company has sufficient capital to cope with losses.

been hit, with a spokesman saying its disaster losses for 2017 would be the largest in its 52-year history. It is set to report full-year earnings next month. Its profit margin fell sharply in the third quarter.

U.S. firms face similar issues, with **Berkshire Hathaway Inc.**—set to report full-year results on Friday—citing hurricanes and an earthquake in Mexico for its insurance-underwriting arm swinging to a third-quarter loss.

The main reason for reinsurers' loss of pricing power is growing competition, which has come in part from insurance-linked securities such as catastrophe bonds. Such bonds essentially package insurance risk as debt that doesn't have to be repaid in full or at all if a disaster stipulated in the bond's contract strikes.

Offering relative yields of up to 8%, the bonds have proved popular with sophisticated investors looking for higher returns after bond buying by central banks drove bond prices higher and yields lower.

Global issuance of catastrophe bonds hit a record \$10.5 billion in 2017, according to

Property Claims Services, a U.S. industry body.

Such forms of alternative capital now account for around 14% of total reinsurance capital, up from 4% in 2006, according to U.S. insurance broker Aon Corp.

With monetary policy only starting to normalize around the world, the pricing environment for reinsurers looks unlikely to improve in the near term, according to David Flandro, head of analytics at JLT Reinsurance Brokers.

The other side of the profit equation—natural disasters—is impossible to predict but some reinsurers don't think 2017 was an exception.

The 2017 events "are giving us a foretaste of what is to come," Torsten Jeworrek, a Munich Re board member, said last month. "Our experts expect such extreme weather to occur more often in future."

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds generally do not buy and sell shares at a price equal to their cash in their holdings. Instead, fund share trade on a stock exchange. NA signifies that the information is not available or not applicable. NS signifies funds not in existence of entire period. 12 month yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, February 16, 2018

52 wk
Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Adams Divers Equity Fd ADX 17.98 15.34 -14.7 24.2

Boulder Growth & Income FDI 11.18 10.6 20.5

Central Securities CET 32.44 27.09 -16.5 20.5

Coh Steer Opprty Fd FOI 13.73 12.71 -7.4 20.2

Cornerstone Strategic CLM 14.3 15.35 +14.3 20.2

Cornerstone TR CRF 13.09 15.32 +17.0 22.0

EtrVnc TaxAdv Div EFT 23.66 22.98 -2.9 13.3

Gabelli Dividend & Income GDV 29.42 23.21 -6.9 18.1

Gabelli Equity Trust GAB 6.58 6.33 -3.4 18.6

Gen American Investors GAM 40.81 34.44 -15.6 13.1

Guggenheim Enf GPM 8.95 8.76 -2.1 19.7

Hnck John TaxAdv HDT 23.90 22.21 -7.1 12.2

Liberty All-Star Equity USA 6.86 6.32 -7.9 29.2

Royce Micro-Caps RMT 10.45 9.44 -9.7 19.5

Royce Value Trust RVT 17.51 16.17 -7.7 21.4

Source Capital SOR 46.16 41.31 -10.5 14.0

Tri-Continental TOT 30.53 27.29 -10.6 23.6

Specialized Equity Funds

Adams Natural Rsrcs Fd PE0 22.04 18.61 -15.6 0.0

AllzGflPrf Div Interst NFJ 14.93 13.15 -11.9 9.4

AlpnGflPrf Prop APP 7.18 6.41 -10.7 23.3

BlkRk Enf Cap Inc II NCF 11.20 10.6 20.5

BlkRk Eny Res Tr BGR 14.69 13.77 -6.3 4.7

BlackRock Enf Div BDJ 9.94 9.16 -7.8 16.8

BlackRock Enf Div GIV BOE 12.94 12.18 -5.9 18.1

BlkRk Enf Grth&nbs BGY 6.90 6.38 -7.5 19.0

BlkRk Health Sci BME 36.05 34.86 -3.3 10.8

BlackRk Rcs Comm Str BCY 10.31 9.55 -7.4 17.8

BlackRock Science & Tech BKT 29.73 30.14 +1.4 62.0

BlackRock Utilities Entl BU 20.40 20.26 -0.7 11.0

CBREGlnrlGflRsltnm IGR 8.42 7.35 -12.7 6.2

Sprott Physical Gold CEF 13.51 9.34 -8.0 8.0

ClearBridge Amer Enf CBA 8.20 -9.2 -9.2 8.0

ClearBridge Eng MltPlf CEM 15.63 NA 0.4

Clearbridge Eng MltPlf CTR 11.96 NA -2.5

Cohen & Steers Inf Fndt UF 24.38 22.21 -8.9 16.4

C&L MltPlf Engr Opn MIE 10.75 10.24 -4.7 4.7

Cohen & Steers Qual Fund RQI 12.03 10.91 -9.3 -6.1

CohnStrs Pltfnc Inc RNP 20.98 18.43 -12.2 1.5

Cohen & Steers Tr RFI 12.21 11.81 -3.3 3.0

Cohen & Steers Tr RFI 12.21 11.81 -3.3 3.0

CLslgmn Prf Tech Grd Fd STL 21.13 21.74 +2.9 24.7

Duff & Phelps DNP 9.06 10.27 +13.4 3.8

Duff & Phelps ClltnglDv Pdg 16.59 14.96 -9.8 -0.9

Eaton Vance Eq Inco Fd EO1 15.26 14.47 -5.2 19.7

Eaton Vance Eq Inco II EO1 16.41 16.07 -2.1 26.9

Ftr Energy & Growth Fd FEN 24.09 24.53 +1.8 -3.7

Ftr Enf Eq Inftd Fd FFA 16.58 15.55 -6.2 17.9

First Tr Engy Infr Fd FFI 17.52 17.07 -2.6 3.3

First Tr MLP & Engy Incn FFI 13.99 14.53 +3.9 -4.5

Gabelli Htcr & Well GRX 11.80 10.17 -13.8 6.8

Gabelli Utility Tr GUT 4.88 7.10 +45.5 20.3

GAMCO/Glb/GldNtRsrcs GZN 5.20 5.13 -1.3 7.0

Goldman Sachs Pltfc Opp GMZ 9.24 NA -10.3

Goldman Sachs MLP Opp GMZ 6.61 NA -16.1

John Hancock Finl Opp Fd BTB 38.86 39.92 +2.7 12.9

Macquarie Glb Infstrct MGU 26.38 23.44 -11.7 15.2

Neuberger Berman MLPlm NML 9.64 9.21 -4.5 -5.1

Neubrg Brml Pltfnc Fd NRO 5.02 4.67 -7.0 -2.5

Neuve Dsny Dmd Nrm Dm NDR 10.20 9.86 -3.3 28.6

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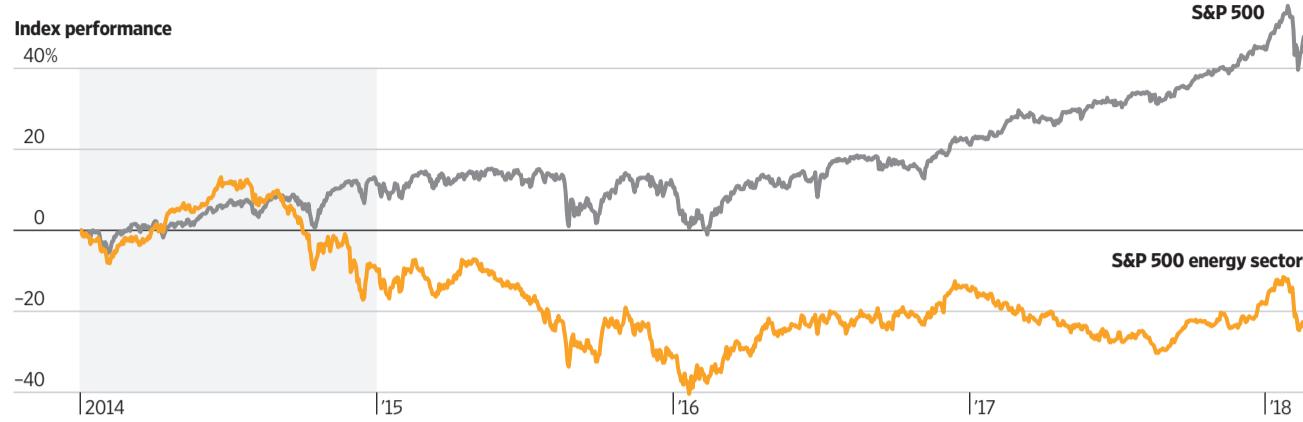
MARKETS

Oil Producers Return to Stock Buybacks

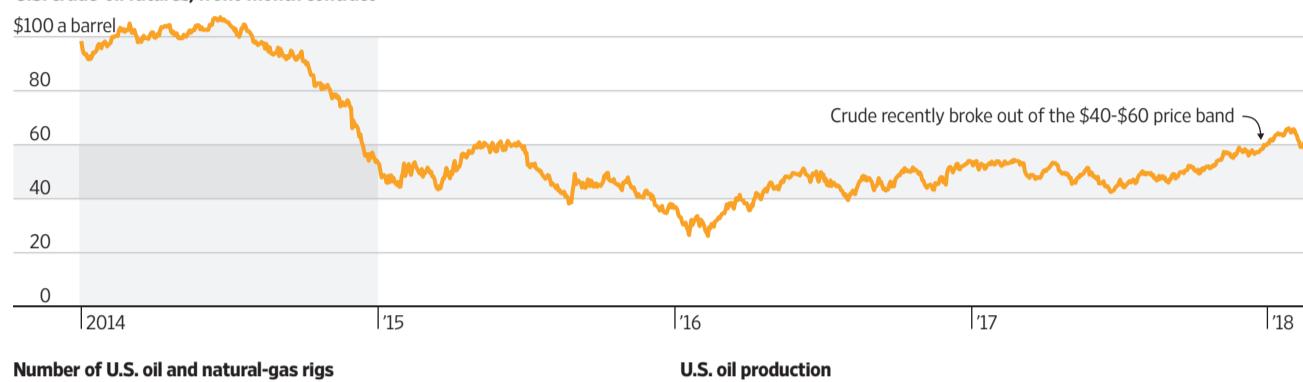
BY RYAN DEZEMBER
AND ALISON SIDER

The energy sector has largely missed out on the broader stock market's rally since the 2014 downturn in oil prices.

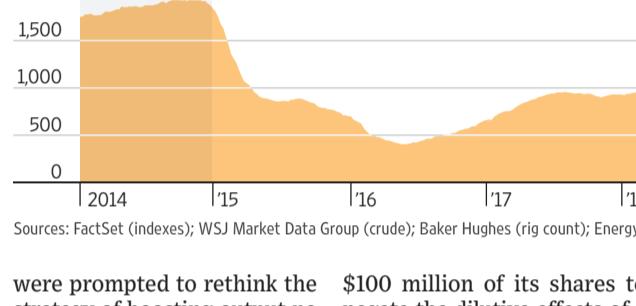
Index performance



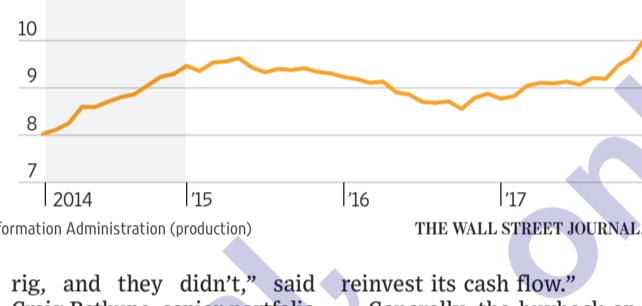
U.S. crude-oil futures, front-month contract



Number of U.S. oil and natural-gas rigs



U.S. oil production



Sources: FactSet (indexes); WSJ Market Data Group (crude); Baker Hughes (rig count); Energy Information Administration (production)

earlier announced buyback budget to \$3 billion from \$2.5 billion, as well as **Suncor Energy** Inc.'s disclosure that it had authorized a buyback of 2 billion Canadian dollars (US\$1.6 billion) to begin in May, when its previously announced repurchase program of the same size expires.

Anadarko and Suncor produced two of the largest follow-on stock offerings of the bust, each selling about \$2.2 billion in 2016.

Derek Rollingson, an energy portfolio manager at Icon Advisers Inc., said it is a good time for companies to buy their shares, which are trading at multiyear lows for some, despite the run-up in the broader stock market and oil prices. "There's been this disconnect between the equity prices and the commodity prices," he said.

Laredo Petroleum Inc. Chief Executive Randy Foutch said last week that buying back as much as \$200 million of the Tulsa, Okla., company's stock was the "most compelling and accretive" way to put money in shareholders' pockets following the sale of its stake in a Texas pipeline system. Laredo's shares are trading more than 20% below what the company sold stock for in three offerings during the downturn.

Noble Energy Inc. and **Gulfport Energy** Corp. are likely to buy at even bigger discounts to what they sold shares for in recent years. Noble said last week it would use proceeds from the sale of its Gulf of Mexico fields to repurchase \$750 million of its stock, which is trading about 45% below the \$47.50 its shares fetched in a \$1.15 billion offering three years ago. Gulfport said it plans to buy back \$100 million of the stock it sold at prices ranging from \$21.50 to \$47.75 in four offerings between April 2015 and December 2016. Its shares ended Friday at \$8.75.

were prompted to rethink the strategy of boosting output no matter the cost, which had typified the shale boom.

"The general tone has changed," said Jake Fells, senior analyst at BTU Analytics. "You're seeing a focus on shareholder return."

Pioneer, one of the country's most prolific oil producers, said it would quadruple its semiannual dividend to 16 cents a share and buy back

\$100 million of its shares to negate the dilutive effects of a similar amount of stock awarded this year to employees. That is a small amount relative to the nearly \$2 billion of new stock it sold to bolster its balance sheet during the downturn, but some investors view the move as one made with shareholder returns at top of mind.

"It's a good sign—their alternative was to add another

rig, and they didn't," said Craig Bethune, senior portfolio manager at Manulife Asset Management. "I don't think we need the extra growth."

Yet Sanford C. Bernstein & Co. analysts say that because Pioneer has proved it can be "solidly profitable" drilling its West Texas fields, they come down on the other side of the "return on capital versus return of capital" debate: "Pioneer has earned the right to

reinvest its cash flow."

Generally, the buyback announcements have been applauded. Barclays analysts boosted their price target for **ConocoPhillips** to \$72 from \$59 after the company said it would buy back \$2 billion worth of its shares, up from an earlier plan to take \$1.5 billion off the market.

Similar plaudits have followed Anadarko's announcement that it would boost an

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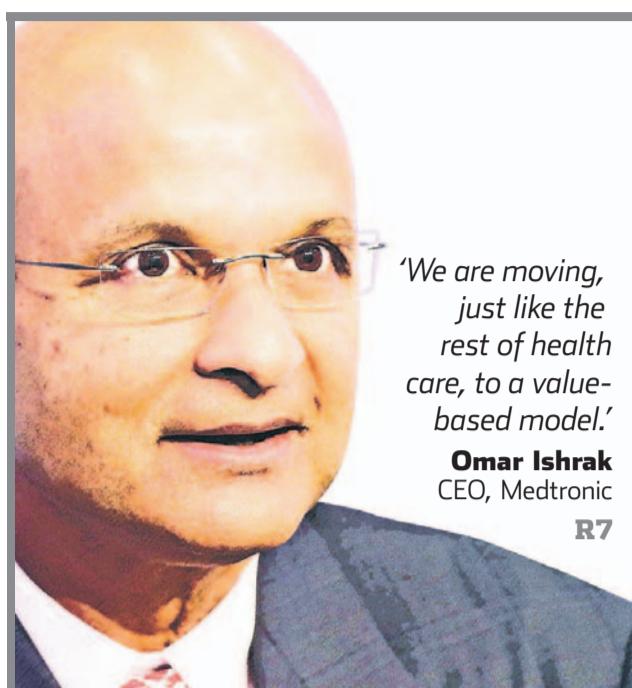
Encompass
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C-SUITE STRATEGIES

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THE WALL STREET JOURNAL.

Tuesday, February 20, 2018 | R1



'We are moving, just like the rest of health care, to a value-based model.'

Omar Ishrak
CEO, Medtronic

R7



'Retailers could no longer afford to just be retailers.'

Daniella Vitale
CEO, Barneys New York

R8



'You need to make sure you're always innovating.'

Roger Lynch
CEO, Pandora

R10



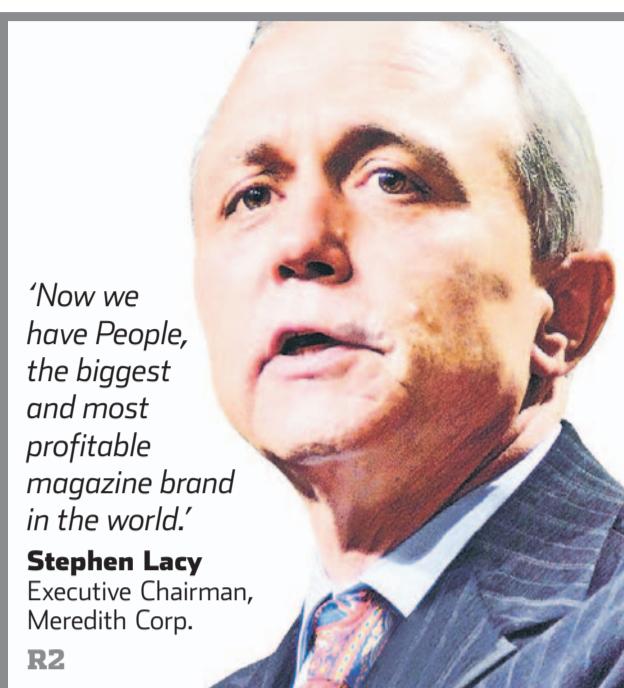
'We need more incentives for experiential learning.'

Joseph Aoun
President,
Northeastern
University

R12

VIEW FROM THE TOP

What are today's pressing issues for CEOs, chief financial officers, chief marketing officers and others in the C-suite? Hear from the bosses themselves and join the conversation online.



'Now we have People, the biggest and most profitable magazine brand in the world.'

Stephen Lacy
Executive Chairman,
Meredith Corp.

R2



'Ninety percent of Venmo transactions have been shared in a social context.'

John Rainey
CFO, PayPal

R9



'If it's got sugar, we're probably reformulating it.'

Kathy Waller
CFO,
Coca-Cola

R4



'We're trying to attract millennials, but also what we call sports socialites.'

Joe Arcuri
Chief Marketing
Officer, PGA
Tour

R8

PHOTO-ILLUSTRATION BY LINDSAY HOLMES

INSIDE



The Hidden Status Battles That Can Roil the Office
Perks and promotions for some may disrupt employee teams

R2

Make Surge Pricing Work—Without Turning Off Customers
Companies can offer extras and cap how high prices can rise

R4

The Big Impact of a Little Rudeness at Work
Seeing a rude act in the morning can hurt job performance all day

R4



The Fine Art of Museum Admission Pricing
With funding tight, what to charge visitors is a crucial question

R6

When Good Feelings About a Deal Turn Against You
Take a break between negotiations

R9

What My Son With Autism Taught Me About Managing People
The value of recognizing colleagues' different cognitive styles

R10



JOURNAL REPORT | C-SUITE STRATEGIES

Meredith Corp. Makes The Case for Magazines

Stephen Lacy, executive chairman, explains why he is making a big bet on the future of print publications

BY JEFFREY A. TRACHTENBERG

STEPHEN LACY, executive chairman of **Meredith Corp.**, the magazine publisher and owner of 17 broadcast television stations, has had his share of disappointments. In 2013, he tried to buy a group of magazines from Time Warner Inc., only to see Time Warner spin off all its magazines under the Time Inc. umbrella.

Mr. Lacy persisted. Meredith—with its long history of women's service titles that include Better Homes & Gardens, Shape and Allrecipes—appeared the most likely partner for Time Inc., whose properties include such women's brands as Real Simple, InStyle and People.

Now, after several years of trying, Mr. Lacy has acquired Time Inc. for \$1.85 billion, establishing Meredith as the country's largest magazine publisher. It represents a daring bet on the future of print magazines at a time when print advertising and circulation revenues continue to slump.

But it also signals Meredith's confidence in a brighter digital future. With Time Inc.'s digital properties on board, Meredith generates 170 million unique monthly visitors in the U.S., more than 10 billion annual video views and nearly \$700 million in digital advertising revenue, according to the company. That scale, says Mr. Lacy, will enable Meredith to better compete with Facebook and Google, which together command the lion's share of new digital ad dollars.

Mr. Lacy, 63, joined Des Moines, Iowa-based Meredith in 1998 as chief financial officer and was named CEO in 2006. Now he faces his greatest challenge, melding two different corporate cultures. Following are edited excerpts of a

Wall Street Journal interview with Mr. Lacy on the future of magazines and Meredith's place in the industry.

Bigger is better

WSJ: Why was it so important for Meredith to get bigger?

MR. LACY: In all conversations with our major advertisers and marketers, they've said they want to do larger cross-platform deals with fewer players. The ability to have a consumer audience that moves across all major adult life phases creates so many more opportunities. We now reach 200 million unduplicated consumers with 60 million unduplicated subscribers.

WSJ: Why are you bullish on the future of magazines?

MR. LACY: The consumer part of the business, the 60 million subscribers that we have on a combined basis, is our second-largest revenue stream. The renewal rates are very consistent. I have a lot of confidence in our longtime consumer connection. Then we built a digital business on top of that and never cannibalized our print business with the digital.

WSJ: Hasn't that changed over the years?

MR. LACY: When I talk to young portfolio managers, I say that we printed eight million copies of Better Homes & Gardens when I joined in 1998. How many do you think we print today? They usually guess three million or so. But it's still eight million.

And the median age of the reader is fundamentally the same—and so are the renewal rates. The businesses in our industry that have struggled the most look like newspapers—they create time-sensitive information. We focus on life-stage activities, such as having a child, or lifestyle activities, such as cooking, gardening and decorating. That's

what gives us confidence: our connection to our consumers, and the fact that consumers pay for our content.

WSJ: Newsstand sales are declining nationwide at a steady pace. Isn't the newsstand the best barometer of consumer interest in print magazines?

MR. LACY: Absolutely not. The newsstand business was built in an environment where the consumer went to the supermarket three times a week. There was no Costco or Sam's Club. Now the average consumer makes a big monthly run to those stores, and uses the grocery store to shop the perimeter for fresh meat, the bakery and produce. As a result there is less impulse buying.

Solid as a rock'

WSJ: What makes the subscription business desirable?

MR. LACY: We get the cash and run the business on consumer operating capital. We've always worked hard to sell one- and two- and three-year subscriptions. The renewal rate and the ability to [charge a little more over the years] is as solid as a rock. The beauty of millennials is that they are very comfortable buying anything online and using their credit or debit card. Our interface with them is the credit card and auto renewal. It has to be the right content, and it has to be served to them the way they want it. But they'll pay for it.

WSJ: There is so much competition for reading time these days. Meredith has kept a very tight focus on serving women at various stages in their lives. How will the purchase of Time Inc. affect that focus?

MR. LACY: Now we have People, the biggest and most profitable magazine brand in the world. We can say to those readers, if you like this, you



'We now reach 200 million unduplicated consumers with 60 million unduplicated subscribers.'

STEPHEN LACY

might like that. The circulation opportunities are there. Millennials are even more interested in entertaining at home and decorating and remodeling than their baby-boomer mothers.

WSJ: For the fiscal year ended June 30, Meredith's revenue at its magazine group declined 2% to \$1.08 billion, while revenue at the TV station group increased 15% to \$630 million. Why not double down instead on the side of your company that is showing stronger growth?

MR. LACY: We love that business. It's a high cash-flow margin business. But you never own the brand. You have the pleasure of renewing your affiliation with the network every five years, and they take their bite from that apple. That business is a wonderful local megaphone, and like any other media business, if you are No. 1 or No. 2 in the market, you get a disproportionate share of the revenue. But you are a franchisee, and the terms and conditions change. That's not the case with People and Real Simple and Better Homes & Gardens. Those are owned-and-operated brands.

Building plans

WSJ: Can publishers increase revenue today?

MR. LACY: After we get the

Expanding Empire

Some of Meredith's acquisitions in recent years

2002 | American Baby Group, including American Baby

2005 | Parents, Family Circle, Fitness, Ser Padres

2011 | EatingWell, Family Fun, Rachael Ray Every Day

2012 | Allrecipes.com and ShopNation

2014 | TV stations in St. Louis, Phoenix, Mobile, Ala., and Springfield, Mass.

2016 | Selectable Media and Grocery Server

2017 | WPCH, a TV station in Atlanta

2017 | Agrees to purchase Time Inc.

2018 | Completes acquisition of Time Inc.

Source: the company

THE WALL STREET JOURNAL.

print declines and allows for organic growth. We've got a couple of years of hard work to get this bigger portfolio to that place.

WSJ: A private-equity unit of Koch Industries called Koch Equity Development provided \$650 million in financing. You've earlier said that you've never met Charles and David Koch. Is that still the case, and what do you make of the concerns raised regarding the Koch Industries investment?

MR. LACY: We wanted the ability to go to the Time Inc. board with a very simple all-cash offer. We didn't have the ability to borrow that much money, and we didn't want the leverage of doing so. We wanted some preferred equity and went to 10 different players. We said they wouldn't have any seats on the board and wouldn't have observer rights, and there would be no involvement with the management of Meredith. Private equity tends to get involved with managing the business. Koch Equity agreed to our terms, and we agreed to their dividend. It's pretty straightforward.

Mr. Trachtenberg is a Wall Street Journal news editor in New York. He can be reached at jeffrey.trachtenberg@wsj.com.

tions and noted when different forms of conflict—conflict over tasks, work processes, interpersonal struggles and status—emerged. Status conflict took many forms, including team members invoking their educational pedigree, devaluing another person's contributions to the team, and accentuating their own contribution. When the researchers looked at which teams performed the worst on a series of tasks it was the teams that most frequently had struggles over status.

I first encountered status conflict when I was studying an effort by a large health-care organization to improve patient care. The effort increased the status and responsibility of nurses, though it didn't formally change the nurse's role. The nurse was still a nurse.

As part of the rollout, hundreds of nurses, doctors and medical assistants wore sensors, allowing me and Ingrid Nembhard, an associate professor at Wharton, to track the frequency and duration of interactions within teams, as well as the team's conversational characteristics on a second-by-second basis.

What we found surprised us. Rather than translating into higher performance for the health-care teams, the change in the nurses' status created discord within the teams. Everyone on the team started interrupting each other more frequently. The wearable sensors showed that they stopped listening to one another. Nurses and physicians simply stopped talking to one another. And yet none of the teams recognized the cause of the increased strife.

With the evidence from the wearable sensors, the organization successfully relaunched the program with additional interventions to improve nurses' relationships with the care team and support their leadership role.

If teams don't know they are engaged in a conflict over status, how can managers identify and avoid status conflict? Managers, after all, want to reward employees who are doing well, or may want to give certain people—such as in the nurses' example—more responsibilities in an effort to improve performance.

The key is to do it in a way that achieves the desired result, without setting off a status-battle backlash.

For one thing, managers need to look for subtle signs that people on teams may be struggling to figure out their status ordering. Increases in nonverbal aggression, such as frequent interruption, individuals dominating conversations, interpersonal antagonism and disengagement, can be telltale clues. Managers may also notice cliques forming as people who feel like they've been slighted attempt to increase their sense of self by creating coalitions.

So what can a manager who notices this do? Generally, there are two approaches to conflict: either trying to reduce differences between team members or trying to increase tolerance of differences. The first approach works

with many types of interpersonal conflicts. But not with status battles. With those, trying to resolve it by reducing differences, giving everyone equal voice or negotiating is likely to backfire and lead to even more conflicts over who does what job.

A much better approach is to try to get teams to recognize the necessity of status differences and increase their tolerance of them by creating transparency in how rewards are allocated and affirming the value that other team members bring to the team by frequently recalling past successes or highlighting what they bring to the team.

But the most important thing managers can do is to head off status conflicts in the first place. In cases where a manager wants to recognize one individual from a long-standing team, for instance, managers should get buy-in from the group and rely on peer-to-peer recognition systems, which allow all members of the team to recognize their colleagues for their contributions. Even if the boss promoted someone who didn't receive such accolades from his or her peers, the simple acknowledgment of the worker's contributions would go a long way toward damping the status conflict. Much of the time people simply want to be recognized and employees want to be heard.

Perils of personality

When considering who to move to the corner office or to receive a public award, managers also should be careful not to rely on personality as a proxy for proficiency. Often, extroverts are prematurely given elevated status since their gregariousness and social fluidity are associated with competence. Research by Prof. Cameron Anderson and his colleagues at the University of California, Berkeley, found that over time, extroverts tend to lose status since there is a disconnect between expectations and performance. In contrast, people who seem anxious and withdrawn tend to increase in status as their unrealized talents become apparent. A misallocation early on based on personality, rather than performance, makes it more likely that teams will have to grapple with status conflict later when the disconnect between performance expectations and status becomes clear.

Finally, beware of too much of a good thing. Given the opportunity, most managers would be thrilled to have the chance to create a dream team full of high-status stars. But research by Boris Groysberg and Jeffery Polzer of Harvard Business School along with Hillary Anger Elfenbein at Washington University found that having too many high-status members on a team can lead to decreased performance because of status conflict, as the team members become absorbed in sorting out who has the highest status.

Dr. King is a professor at the Yale School of Management. Email reports@wsj.com.



BRIAN STAUFFER

The Hidden Status Battles That Can Roil the Office

BY MARISSA KING

EVERY DAY, MANAGERS bestow perks they believe are positives—publicly giving awards and recognition, giving someone a desk with a window, increasing employees' responsibilities, and so forth.

What managers don't realize is the damage these acts do.

Sure, they may notice changes at the office. Maybe one employee suddenly begins to dominate the conversation at meetings, or people are interrupting each other more often, forming cliques or ignoring someone's comments. It would never dawn on them, though, that their benevolent acts precipitated the changes.

But that is exactly what has happened: Research reveals that the kindnesses to individual employees often unsettle the existing status order and lead to conflicts as the group tries to sort it out.

The answer, obviously, isn't that managers

should stop rewarding employees. But it's crucial that managers recognize when they're up-

More damage

Such status conflict is more detrimental to group performance than other forms of conflict. A study by professors Corinne Bendersky and Nicholas Hays of the University of California, Los Angeles, and Michigan State University followed 374 M.B.A. and executive M.B.A. students who were collaborating in 68 teams as part of their training. They tracked interac-

tions and noted when different forms of conflict—conflict over tasks, work processes, interpersonal struggles and status—emerged.

Status conflict took many forms, including team members invoking their educational pedigree, devaluing another person's contributions to the team, and accentuating their own contribution. When the researchers looked at which teams performed the worst on a series of tasks it was the teams that most frequently had struggles over status.

I first encountered status conflict when I was studying an effort by a large health-care organization to improve patient care. The effort increased the status and responsibility of nurses, though it didn't formally change the nurse's role. The nurse was still a nurse.

As part of the rollout, hundreds of nurses, doctors and medical assistants wore sensors, allowing me and Ingrid Nembhard, an associate professor at Wharton, to track the frequency and duration of interactions within teams, as well as the team's conversational characteristics on a second-by-second basis.

What we found surprised us. Rather than translating into higher performance for the health-care teams, the change in the nurses' status created discord within the teams. Everyone on the team started interrupting each other more frequently. The wearable sensors showed that they stopped listening to one another. Nurses and physicians simply stopped talking to one another. And yet none of the teams recognized the cause of the increased strife.

With the evidence from the wearable sensors, the organization successfully relaunched the program with additional interventions to improve nurses' relationships with the care team and support their leadership role.

If teams don't know they are engaged in a conflict over status, how can managers identify and avoid status conflict? Managers, after all, want to reward employees who are doing well, or may want to give certain people—such as in the nurses' example—more responsibilities in an effort to improve performance.

The key is to do it in a way that achieves the desired result, without setting off a status-battle backlash.

For one thing, managers need to look for subtle signs that people on teams may be struggling to figure out their status ordering. Increases in nonverbal aggression, such as frequent interruption, individuals dominating conversations, interpersonal antagonism and disengagement, can be telltale clues. Managers may also notice cliques forming as people who feel like they've been slighted attempt to increase their sense of self by creating coalitions.

So what can a manager who notices this do? Generally, there are two approaches to conflict: either trying to reduce differences between team members or trying to increase tolerance of differences. The first approach works



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JOURNAL REPORT | C-SUITE STRATEGIES

Coca-Cola's Plan to Move Beyond Its Name

CFO Kathy Waller on how the firm is reformulating and expanding

BY JENNIFER MALONEY

AS HEALTH-CONSCIOUS consumers drink less soda, Coca-Cola Co. has rolled out more waters, teas and juices, part of its goal to be known for something other than soft drinks.

Chief Executive James Quincey has been urging employees to be more innovative and executives to abandon the cautious stance some have held to since the company's disastrous 1985 rollout of a reformulated Coke.

Chief Financial Officer Kathy Waller, who joined Coca-Cola in 1987 as a senior accountant, has the challenge of overseeing cost-cutting while trying to lead more experimentation. She also plays a role in deciding which products and companies Coca-Cola should buy or back.

As consumers focus on cutting back on sugar, can the Coca-Cola name signify healthful products? Ms. Waller spoke to The Wall Street Journal about what the company is doing to get there. Edited excerpts follow.

Choices for all

WSJ: How is Coca-Cola trying to adjust to rapidly changing consumer tastes?

MS. WALLER: Our current initiative, Beverages For Life, is about offering beverages for all types of people at all stages of their lives and for a variety of purposes. It is also about helping our consumers understand that we are so much more than the name on the building, the Coca-Cola Co. We have 500 brands and 3,500 products around the world.

The second thing is the reformulations and the things we're doing to take sugar out of our beverages. For a while, we made the point that we weren't the cause of obesity. But as we talk to others and look at how others are viewing us, we realize that it's not

good enough to say we're not the cause. We also have to be part of the solution. We need to give consumers that option and have more beverages that have less sugar in them.

WSJ: What are some examples?

MS. WALLER: If it's got sugar, we're probably reformulating it. You will always be able to buy, for the most part, the full-sugar version of something, and then you will have less-sugar options of those things. Some will be kind of a midcalorie version of the full-sugar version, and some will be no sugar, zero calorie. A few midcalorie options are Coca-Cola Life, which is sweetened with cane sugar and stevia leaf extract, Powerade, Honest Tea and Vitaminwater.

WSJ: Was Coke late in acknowledging that it should be part of the solution when it comes to sugar, and is it late in pivoting to this total-beverage-company idea?

MS. WALLER: We have already had the options out there. What we're late at is helping our consumers understand how many options we already have.

WSJ: What do you make of some people's health concerns around diet sodas, such as increased sugar cravings or possible associations with risk for stroke and dementia? Is Coca-Cola considering these as it develops new products?

MS. WALLER: Some people cannot metabolize one of the components of aspartame. That subset of the population is well aware of that issue and doesn't consume products with aspartame. However, for the vast majority of the population, low-calorie sweeteners have been proven to be safe by world-wide government safety authorities, as well as hundreds of scientific studies.

That said, we also know that some consumers want the



the sugar and change the recipe, and the consumer basically said "No thank you." So we quickly put the original version back out. That happens quite a bit because we'll try things, and we'll experiment with a formula.

WSJ: What is something that's worked?

MS. WALLER: Coca-Cola Zero Sugar. We were very worried about it in the U.S., because if you think way back to when we did the New Coke thing, everybody was so nervous about making any formula changes in the U.S. Coca-Cola Zero was working in various places around the world before we brought it into the U.S. and then we did it slowly and carefully.

The formula tastes very good, and the consumer has readily accepted it and it's been fantastic.

WSJ: But you're not going to touch the formula of the classic red Coke.

MS. WALLER: No, we're not touching that. Not if anyone wants to stay employed.

WSJ: You've been successful in the U.S. selling smaller packages for higher prices. Consumers here actually pay more for a mini can than they would for a 12-ounce can. How long before consumers say "Enough"?

MS. WALLER: I think we've got quite a bit of runway left, even in the U.S. Less than 10% of consumers are choosing mini cans, so I think we've got more runway. Today that value proposition works because it's convenient. It's being able to have the right size and not open a bigger bottle without leaving extra. You pretty much finish the smaller can when you open it. The other benefit is that you finish it while it's still cold.

WSJ: Do you have an example of a recipe change or an experiment with a recipe, that either worked or didn't work?

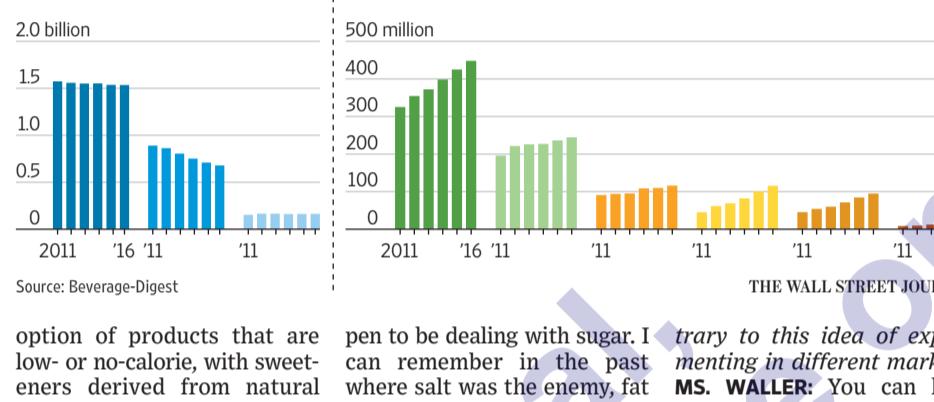
MS. WALLER: Fanta in Costa Rica. We were trying to reduce

'We are so much more than the name on the building, the Coca-Cola Co.'

KATHY WALLER

Changing Tastes

Yearly case sales of various Coca-Cola drinks



option of products that are low- or no-calorie, with sweeteners derived from natural sources. That is one reason we are working on new products with ingredients like stevia.

WSJ: It seems like sugar is part of the conversation these days in a way that it wasn't even a couple of years ago.

MS. WALLER: There have been ingredients that have, at one time or another, come under attack, and right now we happen

to be dealing with sugar. I can remember in the past where salt was the enemy, fat was the enemy, etc. So I do find myself talking a little bit more about it.

I think we all believe it's the right conversation to be having as well.

Testing recipes

WSJ: You have said that one cost-cutting measure is standardizing recipes around the world. That seems to be contrary to this idea of experimenting in different markets.

MS. WALLER: You can have slight variations of Fanta around the world based on consumer tastes. We just find ourselves with too many different recipes.

WSJ: Do you have an example of a recipe change or an experiment with a recipe, that either worked or didn't work?

MS. WALLER: Fanta in Costa Rica. We were trying to reduce

Surge Pricing—Without Turning Off Customers

BY CHRISTOPHER S. TANG



◆ **Combine surge prices with low-cost perks.** Rewards don't need to be limited to habitual customers. Companies can offer gifts or other rewards to all shoppers during surge periods. For example, a cinema might offer free beverages or popcorn, or a supermarket could give coupons for future visits. Other businesses could hand out redeemable vouchers. This form of investment is small because compared with the extra revenue from surge pricing, the real cost of soft drinks and popcorn is very low, as is the redemption rate of coupons.

◆ **Take the sting out of higher prices with value-added services.** In some cases, the purpose of surge pricing isn't to manage demand but simply to maximize revenue when traffic is high. For instance, a supermarket deli counter might raise prices at lunchtime, but also leverage the crowds to bring in specialty bakers or outside chefs to create unique food items, providing customers with higher-quality or novel products.

◆ **Bundle surge and nonsurge items.** Companies that offer a unique bundle of products or services are in the best position to introduce surge pricing without alienating customers, for the obvious reason that customers aren't as likely to notice. Although prices may be raised for certain high-demand items, customers will instead focus on the price of the whole bundle, making the premium prices less obvious. This is especially easy for grocers, where shoppers typically buy a basket of items. For cinemas, the whole bundle can include movie tickets, soft drinks, popcorn and parking fees.

◆ **Don't take advantage of vulnerable customers.** The surest way to provoke consumer anger is by appearing to use surge pricing to take advantage of sudden, disaster-related spikes in demand. It's one thing to raise prices on soda before the Fourth of July weekend, but quite another at the approach of a hurricane. Customers might not like paying a premium for ride-hailing after a popular concert, but they're going to be furious about being charged more after a terrorist attack. Companies will end up alienating their best customers and inviting retaliatory action such as boycotts.

◆ **Cultivate customer loyalty.** Companies whose customers have well-established shopping habits, we found, are better able to adopt surge pricing. Many consumers are "time loyal," shopping when it's most convenient or when they have free time. They might be less likely to change habitual behavior in the face of surge prices. But companies shouldn't take them for granted. To hang on to these loyal customers, companies should consider loyalty programs that reward peak-time customers with more points or other benefits during the surge period.

For example, some airlines offer more reward points for flight segments with a surge price. These kinds of loyalty programs have been shown to keep customers returning even if prices are higher.

◆ **Don't get carried away.** Companies that successfully introduce surge-pricing programs might be tempted to push premium prices to an extreme. Still, they risk consumer backlash if prices rise too high, too quickly and too noticeably. Companies can avoid this by putting a cap on surge prices, and by limiting the surge price period over a certain time window.

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JOURNAL REPORT | C-SUITE STRATEGIES

The Fine Art of Museum Admission Pricing

BY DANIEL GRANT

BUYING A TICKET to an art museum? That will be \$25. Or \$14. Or \$2. Or possibly free, depending on where you're going, who you are and what day of the week it is.

How much to charge visitors has become a complex and controversial question for museums. As funding gets harder to come by, museums are under greater financial pressure—so they're taking a closer look at how they set admission prices. The result is a hodgepodge of approaches as they try to figure out the best way to maximize revenue while giving the most people access.

Painted into a corner

Funding pressures are hitting museums from all sides. Government arts agencies continue to slash their budgets. Hosts of new nonprofits are springing up each year, spreading donor dollars thinner. And many museums have undertaken big capital projects that need to be paid off.

Many museums are cutting costs, laying off staff and reducing programs. But those changes rarely do the trick. So tinkering with admission prices can be crucial.

In many cases, the price is set by the most prominent museums, and others follow, for fear of seeming too expensive. For instance, many museums in tourist destinations have decided that \$25 is what customers will bear, so other institutions have adopted that as well.

The number "appears to be the prevalent number for admissions, based on comparable prices elsewhere," says Philippe de Montebello, director of New York's Acquavella Galleries and former director of the Metropolitan Museum of Art. "You don't want to be out of line with what other institutions are charging."

Often, though, increased admissions fees apply to only one group of visitors: tourists. The Met plans to impose a \$25 admissions charge for visitors who are not New York state

How Much for a Ticket? It's Complicated Museum prices vary, depending on who you are and when you visit.						
ART INSTITUTE OF CHICAGO	PHILADELPHIA MUSEUM OF ART	BARNES FOUNDATION Philadelphia	AUTRY MUSEUM OF THE AMERICAN WEST	MILWAUKEE ART MUSEUM	MUSEUM OF MODERN ART New York	WALTERS ART MUSEUM Baltimore
CHICAGO RESIDENTS: ADULTS: \$20 SENIORS: \$14 STUDENTS: \$14 TEENS: Free	ADULTS: \$20 SENIORS: \$18 STUDENTS: \$14 TEENS: \$14 PA ACCESS: \$2 FREE: Children 12 and under; local art students	ADULTS: \$30 SENIORS: \$28 STUDENTS: \$5 TEENS: \$5 FREE: Access/EBT cardholders; Philadelphia teachers (Sundays); active-duty military members and family (Memorial Day-Labor Day)	ADULTS: \$14 SENIORS: \$10 STUDENTS: \$10 CHILDREN: \$6 (ages 3-12) FREE: Children under 3; active military personnel and veterans, peace officers and park rangers	ADULTS: \$19 SENIORS: \$17 STUDENTS: \$17 FREE: Children 12 and under; Wisconsin teachers; first Thursday of each month; free passes to Boys and Girls Clubs, YMCA, YWCA	ADULTS: \$25 SENIORS: \$18 STUDENTS: \$14 FREE: Children 16 and under; Fridays 4 to 8 p.m.	ADULTS: \$25 SENIORS: \$18 STUDENTS: \$14 FREE: Children 16 and under; Fridays 4 to 8 p.m.
ILLINOIS RESIDENTS: ADULTS: \$22 SENIORS: \$16 STUDENTS: \$16 TEENS: \$16 OTHERS: ADULTS: \$25 SENIORS: \$19 STUDENTS: \$19 TEENS: \$19	PAY WHAT YOU WISH: First Sunday of the month (10 a.m.-5 p.m.); Wednesdays (5 p.m.-8:45 p.m.)					

Note: Museum members receive free admission. Age ranges for seniors, students and teens vary; ID may be required for some discounts and free admission.



The Milwaukee Art Museum is free to Wisconsin teachers.

LONELY PLANET IMAGES/GETTY IMAGES

residents starting this March. But its pay-what-you-wish policy remains in effect for New Yorkers with valid IDs, as well as for students in Connecticut, New Jersey and New York.

The logic? Out-of-state and international visitors annually account for an average 50% to 55% of total visitor numbers, and the new policy aims to better monetize that group, says Daniel Weiss, the museum's president and chief executive officer.

The old system no longer works, he says. "In 2004, 63% of visitors paid the fully suggested price," but in 2017 only 17% did, he says.

Officials at some museums say there's a deeper philosophy at work in their treatment of out-of-state visitors. Local taxpayers are their principal stakeholders, they say, and deserve a discount based on their support. Moreover, some officials are betting that raising prices on out-of-

town visitors won't decrease their admissions numbers significantly because those tourists simply aren't that sensitive to price.

A change in perspective

But even as many museums raise prices, some worry about what the increases mean for less-affluent visitors and the young art fans who are vital to their long-term growth. So, in some cases, museums don't charge *any* visitors an entrance fee.

"We eliminated admissions in 1999 as an incentive to encourage visitors," says Julian Zugazagoitia, director of the Nelson-Atkins Museum of Art in Kansas City, Mo., "because we are not pursuing our mission if people can't afford to come here." He says the museum found ways to make the admissions policy "revenue-neutral." Entry is free, but there's a cost for parking, as well as admission to

special exhibitions.

Along similar lines, many museums are instituting variable pricing, which they say makes admissions easier for the neediest arts fans but also brings in more total visitors and thus more revenue.

The Crocker Art Museum in Sacramento, Calif., has a top admissions price of \$10 for adults, with seniors, college students and active service members of the military paying \$8, children ages 7 to 17 paying \$5, and those 6 or younger allowed in free. In addition, the third Sunday of every month is free to all.

Some museums are moving to flat prices, also reasoning that it will help less-affluent visitors while also raising total revenue. The High Museum of Art in Atlanta used to charge a top rate of \$19.50 for adults, with separate prices for others, but lowered that in October

2016 to one flat rate of \$14.50. (Children ages 5 and under still are free, and all visitors get in free the second Sunday of the month.)

"We heard from people that \$19.50 was out of whack with the other cultural opportunities in Atlanta and served as a barrier to some," says the museum's director, Randall Suffolk. At the same time, age-group discounts groups brought the average ticket revenue below \$12 a person. At the new flat rate, average revenue rose to around \$13. And minority groups rose to 45% of visitors from 15%.

Mr. Suffolk says there's a larger principle at work, too. "Why are some people more deserving of a discount than others? Who isn't economically challenged these days?"

Mr. Grant is a writer in Amherst, Mass. Email reports@wsj.com.

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JOURNAL REPORT | C-SUITE STRATEGIES

A New Health-Care Model: Pay if It Works

Medtronic's chief executive officer, Omar Ishrak, says 'value-based' contracts are the future

BY PETER LOFTUS

OMAR ISHRAK, chief executive of **Medtronic** PLC, sees a future in which medical-technology companies accept more risk in how they get paid for their products.

Medtronic, the world's largest medical-device maker, specializing in such products as implantable cardiac devices and insulin pumps, is increasingly signing supply contracts with customers that adjust prices based on how well the products work in patients, rather than simply having the customer pay a fixed per-unit cost regardless of a device's performance in individual patients.

Mr. Ishrak, at the helm of the Dublin-based company since 2011, says the deals are part of a broader shift to "value-based" health care—holding providers and manufacturers financially accountable for patient outcomes.

Since early last year, Medtronic has signed nearly 1,000 contracts that require it to reimburse hospitals for certain costs if an antibacterial sleeve called Tyrx doesn't ward off infections in patients who get cardiac-device implants. It also has a deal with **Aetna** Inc. to tie a portion of the reimbursements the insurer pays for Medtronic's insulin pumps to whether diabetes patients improve after switching to the pumps.

Mr. Ishrak, who is 62 years old and trained as an electrical engineer, spoke recently with The Wall Street Journal about the company's foray into outcomes-based contracts. Edited excerpts follow.

WSJ: Why outcomes-based contracts?

MR. ISHRAK: Medtronic is focused on technologies to improve outcomes. We use biomedical engineering to alleviate pain, restore health

and extend life. Historically we've done that by creating credible evidence that our technologies do change outcomes. But at the end of the day, we and the industry get paid on the technology itself and a promise that those outcomes will actually be changed.

We are moving, just like the rest of health care, to a value-based model, where we get paid in some fashion for actually achieving the outcome. It's a step we have to take to make sure that the value we create with our technologies is truly realized. And when it gets realized, we will get paid fairly for it.

Additional assurance

WSJ: Do you see this primarily as a way to reduce costs, or to provide additional assurance that customers are getting what they pay for?

MR. ISHRAK: I think it's more the latter. The entire health-care system actually gets the benefit of the money that they spend for certain kinds of treatment, of which technology is a part. So this is not going to happen by ourselves.

WSJ: How will this benefit patients?

MR. ISHRAK: Patients benefit because when I say improve outcomes, if you look at the words "alleviate pain, restore health and extend lives," this means improving outcomes that are meaningful for patients. If they're assured that the entities who are treating them are actually accountable financially to make sure that their outcomes are improving, then I think that's very meaningful for patients.

WSJ: How much of your business could these contracts cover?

MR. ISHRAK: My aspiration would be that all of our revenue gets paid through, or is at least tied in some fashion to,

some kind of outcome-based measurement. And maybe a portion of that is at risk.

The first task we have is, what outcome are you going to measure? Is it really meaningful for patients? Can it be measured? Can it be baseline? Can you proactively monitor it?

We've started by kind of making contracts in areas where there are fewer variables, where the outcomes can be measured well.

WSJ: In what areas?

MR. ISHRAK: The one that is most mature and has had the most success is an antibacterial sleeve on implantable cardiac devices. The sleeve essentially guarantees prevention of any sort of infection as a result of the implantation procedure of that device.

Here we take a certain cohort of patients, where the risk of infection is the highest. And we say to a provider that we will be responsible for any incurred costs for that provider on that patient if there is a reinfection. Total cost. Not simply the value of the sleeve but the whole cost of the procedure we will be responsible for if there is an infection.

That program has really taken off.

WSJ: Are there cases where you had to pay back costs?

MR. ISHRAK: Almost none. Very, very few.

Growth areas

WSJ: Where will this grow?

MR. ISHRAK: One area is chronic-disease management, a continuous effort to prevent escalation of a disease. For that you need periodic measurements of clearly identified outcome measures, which could be clinical markers, such as the blood-glucose level in a diabetic patient. Or it could be a blood-pressure measurement of some sort. You may also



'The first task we have is, what outcome are you going to measure?'

OMAR ISHRAK

have outcome measures tied to their activity levels, whether they can walk around, climb stairs.

It could be a variety of things that are meaningful for patients that are measured on a periodic basis, and the payment is done according to the different organizations who are participating—their ability to keep a patient or group of patients within a certain range of these measurements.

WSJ: Why aren't more device companies doing this?

MR. ISHRAK: It's difficult to do. Incentives for the whole health-care industry don't encourage this. You get paid for a service; that's easier than being paid for an outcome. You get paid for a technology; that's easier than getting paid for the technology actually doing something. So the incentive structures across multiple stakeholders, almost every stakeholder, are fashioned to make this a risky proposition.

The fee-for-service model is just not a sustainable model, and we have to do our piece in a managed way, a responsible

way, to move the ball forward. I think there's general agreement in med-tech that having some sort of financial connection to the outcome, or some accountability for the outcome, is a good thing, and that's important.

Pharma vs. devices

WSJ: In pharma, these types of deals have been held up as a response to the backlash against high drug prices. In devices, the patient out-of-pocket cost doesn't seem to be as big an issue.

MR. ISHRAK: I agree. In our industry these models are easier to create, because we create engineered solutions for which outcomes are very clearly defined and you know when to expect them, as opposed to pharma, where outcomes are a little more difficult to measure and predict.

WSJ: Are there obstacles to market acceptance of your products, and do these contracts help overcome those?

MR. ISHRAK: Price is a big market barrier sometimes. Because you spend money develop-

oping something and you expect a better price, and in many cases there is no objective measure of the value you're creating. Often in the present model, we sell to providers, hospital systems, physicians, and although they accept the fact that the improvement is there and will benefit the patient, the cost benefit may in fact be realized by a payer—an insurer, for example—because the patient doesn't come back again. But the hospital really doesn't see that at all, because in fact if the patient comes back, they get paid again.

WSJ: So your outcomes-based deals are primarily with the providers, and not the payers?

MR. ISHRAK: Providers, yes. But we're beginning to work with some payers. We're only scratching the surface and we've only done it in a few areas. We're certainly encouraged by the progress.

Mr. Loftus is a Wall Street Journal reporter in Philadelphia. He can be reached at peter.loftus@wsj.com.

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JOURNAL REPORT | C-SUITE STRATEGIES

In Search of Golf Lovers

The PGA Tour's plan to get more—and younger—fans

BY BRIAN COSTA

FOR DECADES, professional golf has had a stable business model. Corporate sponsors pay millions to put their names on tournaments in deals that also require them to buy commercial time during broadcasts. That, in turn, drives more revenue to the **PGA Tour** through broadcast rights deals.

But as with all professional sports, the landscape for the Tour is growing more complex. Traditional television viewership is in decline. Even as tournaments will pay out a record \$363 million in prize money this season, Tour executives are trying to figure out how to reach a wider audience through a greater array of media channels.

At the center of that effort is Joe Arcuri, who joined the Tour as chief marketing officer in June 2017 after a two-year stint at Newell Rubbermaid. He previously spent more than 25 years in marketing, product development and other roles at Procter & Gamble.

Mr. Arcuri talked with The Wall Street Journal about what kinds of new fans the PGA Tour is chasing and how it is trying to engage them. Following are edited excerpts.

Making a connection

WSJ: How is marketing professional golf similar to marketing consumer packaged goods, as you've done for much of your career, and how is it different?

MR. ARCURI: What I've found similar is how fundamental the power of your ideas is, and the ability to create authentic and engaging connections with your consumer, or in our case our fan. That remains the fuel of great brand-building, and the Tour brand is no exception.

The biggest difference is the higher degree of unpredictability inherent in marketing a sport, given the week-to-week variables of live competition. What you have to get really good at is real-time storytelling. You need to be very nimble week-to-week on the story lines that are occurring.

One example is from last year's Northern Trust tournament, our first FedExCup playoffs event, when we saw a battle develop down the stretch between Dustin Johnson and Jordan Spieth. As the afternoon progressed, we produced highlights as it took place and pushed them to sports fans that we knew were watching or involved in other sports that day.

We were able to capitalize on a moment and put it in front of fans who didn't know it was happening in real time.

WSJ: What are the Tour's biggest marketing priorities for 2018?

MR. ARCURI: My overall focus is to grow new fans. We have a very strong and affluent core fan base to build on. But to future-proof the Tour, we need to make sure that we're attracting and growing new fans. We've been shaping our marketing plans through a fans-first lens to ensure that our media, our partnership deals, our content across all platforms, right to our on-site tournament experience, will allow us to reach beyond that core fan and attract new fan segments.

WSJ: Who are those new fans?

MR. ARCURI: We're trying to attract millennials, but also what we call sports socialites. Those are a more diverse group of fans. They skew a little bit younger than our core base. They're more diverse in general, and they consume the

product at a high rate on both digital and social platforms.

WSJ: What makes "sports socialites" distinct from millennials?

MR. ARCURI: It's not an age thing. It's more a mind-set of how they want to interact with the sport. They are as interested in what we call outside-the-ropes stories as inside-the-ropes stories and competition content. They're interested in what's going on with our players beyond just the competitive action. They have a broader sense of the sport and want to engage with it on different levels.

Fan content

WSJ: What is the Tour doing to try to better engage those groups?

MR. ARCURI: We are doubling down on our commitment to technology and innovation. We were one of the first sports to put out our broadcast via **Twitter**. We're partnering with **Intel** to produce and globally distribute live virtual reality and live 360-degree videos at our Tour events in 2018. And we've recently relaxed our social-media guidelines for our players and our fans, to encourage them to create more content.

Jordan Spieth's holed bunker shot to win the Travelers Championship last year was a great example, how fans brought that to life with videos shot from the gallery. We loosened our social-media rules to allow fans to share these moments, and we were then able to find and compile them into a compelling clip that allowed fans that missed it to feel what it was like to be there when Jordan made that shot.

WSJ: Have any of these efforts to attract more millennials had a quantifiable impact so far?



'My overall focus is to grow new fans.'

JOE ARCURI

CARYN LEVY/PGA TOUR

hour round on the weekends? Or is it consuming golf in other ways?

I think you appreciate the game more if you actually have given it a try, but we're finding plenty of fans who love the game of golf, love the PGA Tour brand and the events we put on every week, that you wouldn't call traditional golfers.

WSJ: Tiger Woods came into 2018 looking healthier than he had been in years. Can the Tour ever build a marketing plan around him again, given all the injuries he has had?

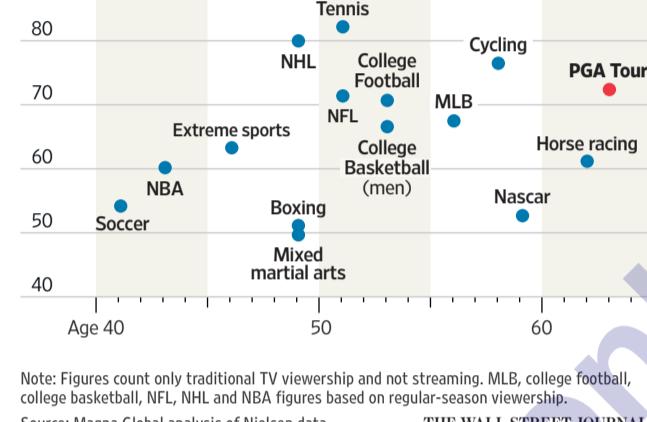
MR. ARCURI: It would certainly be great for the game to see him in the mix with the very players he inspired to take up the game. For me, that would be special.

But that's probably where the real-time storytelling would come in. We would see. We build our plans around what is happening in the game. We have so many great players.

Mr. Costa is a Wall Street Journal reporter in New York. He can be reached at brian.costa@wsj.com.

Driving at Youth

The PGA Tour is trying to attract younger followers with new platforms and offerings. Sports-television viewership by average age and median income, 2017:



Note: Figures count only traditional TV viewership and not streaming. MLB, college football, college basketball, NFL, NHL and NBA figures based on regular-season viewership.

Source: Magna Global analysis of Nielsen data

THE WALL STREET JOURNAL.

MR. ARCURI: During the FedExCup playoffs last year, we saw 29% year-over-year growth on our digital properties among this group, and since August of last year, our fans in this segment on Facebook have grown 39%.

WSJ: The number of golfers in the U.S. has dropped over the past decade. Do you see potential to build engagement with younger people even if they don't play the game?

MR. ARCURI: Yes, I think that is key. The growth of **Topgolf**, the entertainment-venue chain, shows there's plenty of interest in golf. It's just how you define consuming the product.

Is it playing the four- or five-

tomers to experience something different.

WSJ: How are you using technology in your stores?

MS. VITALE: We have this Recommend app that we created in-house [for sales associates] that has been enormously successful. If you opt in, a sales associate can see where you purchase, what you purchase, so they can help you get what you need.

Let's say you bought 12 cotton shirts in the last year. The first thing they show you, hopefully, is not a cotton shirt. Hopefully, it's a trouser or they know you love Irene Neuwirth's jewelry, so they may show you new pieces.

WSJ: Is there pushback? Are some sales associates afraid of the technology?

MS. VITALE: I would say yes. That is one of the hardest things we have to do. It's not about having the most innovative technology. It is also about shifting the culture to the use of technology.

WSJ: It sounds like you're also redefining what luxury means in your stores.

MS. VITALE: We still care about the most discerning products, culturally relevant things. If a 20-year-old has saved up all their money to come in and buy an Off-White T-shirt, that's a luxury.

WSJ: You brought in Highsnobiety—the sneaker and street-culture website—as a partner for the Drop.

MS. VITALE: Two or three years ago, we would never, never have considered partnering with them, never, never.

WSJ: Why?

MS. VITALE: Maybe because we thought it wasn't the right branding or it's not a Barneys customer. Those things are just wrong. We need to find new partners like a Highsnobiety to communicate to a new audience.

You know what? Maybe earlier, Highsnobiety wouldn't have wanted to work with Barneys either.

Ms. Binkley is a writer in Los Angeles. Email her at reports@wsj.com.

The Need to Reinvent Luxury Marketing

Daniella Vitale, CEO of Barneys, says the old ways don't work

BY CHRISTINA BINKLEY

DANIELLA VITALE stepped into her role as chief executive of **Barneys New York** in early 2017 as a slew of headlines reported falling store revenues at retailers nationwide and shifting consumption patterns.

Barneys felt the pain at its stores. The privately held retailer of high-end clothing and other luxury goods doesn't report revenue, but Ms. Vitale says its stores were suffering along with those of other retailers.

Luxury stores had been feeling tremors for several years as shoppers began to search for their Saint Laurent and Balenciaga goods online, but 2017 was a wake-up call: Traditional marketing strategies were failing to grab the attention of younger adults.

Online, Barneys' sales were growing, Ms. Vitale says, but she thought the company needed to do more to connect with customers and potential customers—particularly younger shoppers—to increase sales both online and in its stores.

There's good reason to pursue young shoppers. They are driving the luxury market, which bounced back last year after shrinking in 2016. A study by management consultants Bain & Co. released in October said 85% of the growth in the luxury market last year came from consumers age 35 and younger.

Ms. Vitale set out to rethink Barneys' approach and to experiment with marketing initiatives aimed at people who hadn't previously shopped with the retailer but could afford to.

One example: In a two-day event called "the Drop" last fall in Barneys' Madison Avenue store, tattoo artists and piercers, custom sneaker and T-shirt bars, and street brands like Off-White and Fear of God catered to younger shoppers.

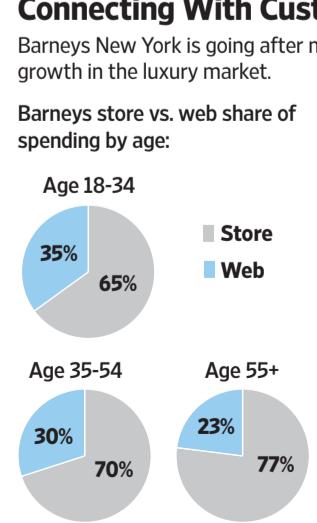
The results excited Barneys executives. Revenue rose 30% from the same days a year



ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

'The challenge is in serving the younger consumer without alienating our existing customers.'

DANIELLA VITALE



THE WALL STREET JOURNAL.

long as we continue to create experiences that stay true to the Barneys DNA, we can keep all of our customers satisfied.

Finding patterns

WSJ: How are you finding new younger customers?

MS. VITALE: We've been working with people like **Facebook** to communicate with people that don't shop with us but have similar shopping patterns, or shop similar brands.

We are also always thinking about categories that can be entry points to the Barneys New York brand.

We always thought beauty was the first entry point to Barneys, when in fact the 34-and-under customers actually make their first purchase in stores.

You look at our younger consumer, 34 and under; more than 50% of them actually shop in the physical store. The Drop is a perfect example.

WSJ: What are its risks?

MS. VITALE: The challenge is in serving the younger consumer without alienating our existing customers.

However, we found that with the Drop, while we did bring in a younger customer, it did not impact traffic from existing customers at the store, who were actually interested in the event as well.

Every experience may not be for every customer, but as

long as we continue to create experiences that stay true to the Barneys DNA, we can keep all of our customers satisfied.

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Based on this finding, we then challenge ourselves to create more exclusives, rare finds and one-off styles within the footwear category.

Our second point of entry is beauty, and we are focusing our efforts on creating a more experimental experience [with in-store makeovers] to provide customers respite from their everyday lives.

Anyone can just put product on a shelf for you to help yourself, but we want our cus-

Ms. Binkley is a writer in Los Angeles. Email her at reports@wsj.com.

PayPal's Plan to Expand Mobile Payments

John Rainey, CFO, explains the allure of Venmo for millennials

BY KARI PAUL

PAYPAL IS growing fast—and so are its competitors.

The global payments giant has 227 million active customer accounts, 8.7 million added in just the fourth quarter. One of its newer products, Venmo, a peer-to-peer mobile-payment platform with a social-media feature, has become a verb to many young customers. Venmo processed payments totaling \$10.4 billion in the fourth quarter, up 86% from a year earlier.

But as digital payments take off, there's more room for competitors. **Square** Inc. and **Apple** Inc. are challenging PayPal Holdings Inc. in both merchant payment processing and peer-to-peer. Giant merchants such as **Amazon.com** Inc. are expanding their own digital-payment platforms. And **eBay** recently replaced PayPal, which it formerly owned, with the smaller Adyen as its payment processor.

PayPal is racing to make more partnerships and offer payment platforms to companies around the world. It's pushing to expand Venmo into merchant transactions. And to woo the many who haven't dipped a toe into digital payments yet, it is trying to make the process easier.

The Wall Street Journal asked PayPal's chief financial officer, John Rainey, about the competition and the future of payments. Here are edited excerpts of the conversation.

Eliminating friction

WSJ: What are the biggest challenges?

MR. RAINNEY: The biggest problem we have is that 85% of the world's consumer payments—the number of transactions—still take place using cash. People have to have a value proposition to switch

whatever they're doing. It is not extremely difficult to pull out a credit card to shop at a merchant or storefront. So, as PayPal accelerates the shift to digital payments, it needs to make sure it provides a value proposition to consumers and merchants to help that shift.

WSJ: What is that value proposition?

MR. RAINNEY: It's important to make it a more frictionless experience: 60% to 70% of all shopping experiences begin on mobile in the U.S., so there is a ton of friction in typing in your credit-card number and address that can be eliminated. With PayPal One Touch, with a simple fingerprint or click of a button you can follow through with a purchase.

The result is that it increases conversion for merchants. There is 87% conversion on those with One Touch on checkouts, which is 30 to 40 percentage points higher than the next alternative out there.

WSJ: Will cash disappear anytime soon?

MR. RAINNEY: I don't think we will ever be entirely cashless, maybe in large part because I don't know if we will ever be in a world that every person has a smartphone or a mobile device.

That said, more consumers have moved to mobile as their primary computing device, and it's created tremendous new opportunity. From Kenya, where more than half of the population reports having used their mobile phones to make a payment, to Sweden, which is rapidly converting into a cashless economy.

The social element

WSJ: How do you compete with fast-growing merchant-branded mobile wallets like Amazon Pay and Walmart Pay?

MR. RAINNEY: The important thing for PayPal is we are plat-



'Given the volatility of bitcoin right now, it's not a reliable currency for transactions.'

JOHN RAINNEY

form-agnostic: We can be used across any operating system, no matter what financial institution you're associated with. A great example is the partnership we announced with Baidu, a Chinese shopping platform. Baidu has something like 150 million customers who have a Baidu Wallet.

Our partnership will allow those customers to use Baidu-Wallet to shop at PayPal's network of 17 million merchants across the world. This partnership also enables PayPal's merchants to tap into new opportunities in the booming Chinese import buying market and interact with Chinese consumers.

That is hugely important because the data I see suggests China alone will be 40% of all cross-border activity in three or four years.

The social element

WSJ: How do you win over millennials and younger people?

MR. RAINNEY: Venmo is a good example. That demographic has shown they in many cases prefer to share their payment experiences in a social context:

90% of Venmo transactions have been shared in a social context. Users increasingly tell us they want to use the platform in more ways. So, we made Venmo's offerings available to even more merchant types and business models. More than two million merchants in the U.S. can provide Venmo as a checkout option.

WSJ: Are there downsides to Venmo's very defined brand image?

MR. RAINNEY: This is an evolution. When I speak to groups on college campuses, and I say I am presenting as the PayPal CFO, that isn't nearly as exciting to them as when I say we also own Venmo. We would like to provide the same features and functionality to both of these brands and platforms.

WSJ: How do you get people to see it as more than a peer-to-peer payment system?

MR. RAINNEY: The coveted aspect of Venmo from a merchant's perspective is the buying power the millennial demographic has, and that is largely who uses Venmo.

name the merchant in comments, that becomes free advertising.

The crypto factor

WSJ: Will PayPal ever accept cryptocurrency?

MR. RAINNEY: We were one of the first companies to allow the acceptance of bitcoin on our platform: Our Braintree platform started accepting those in 2014 or 2015. We allowed our merchants, if that is how they wanted to be paid, in bitcoin, to do so.

Given the volatility of bitcoin right now, it's not a reliable currency for transactions because if you're a merchant and you have a 10% profit margin, and you accept bitcoin, and the very next day bitcoin drops 15%, you are now underwater on that transaction.

WSJ: Will crypto or bitcoin ever be popular as payments?

MR. RAINNEY: At some point there is very high likelihood. The technology, there is real merit to it. I do think, though, it will be years down the road before we see the ubiquity and acceptance that make it a currency that is used every day.

Ms. Paul is a reporter for MarketWatch in New York. Email her at kari.paul@marketwatch.com

Broadening Base

Paypal's active customer accounts by quarter



Increased Activity

Number of transactions per active account by quarter



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WHEN GOOD DEALS TURN AGAINST YOU

BY AISHA AL-MUSLIM

Success often has a way of building upon itself. When it comes to negotiating deals, however, that isn't always the case.

A recent study published in the Journal of Applied Psychology found that when people engage in back-to-back negotiations with different counterparts, the residual glow of success from one negotiation can lead to a bad

Why it might pay off to take a break between negotiations.

peatedly with the same party—in which case having positive feelings in one negotiation can often lead to a better outcome in the next negotiation—this study explored “sequential negotiations,” or engaging in multiple negotiations within a short time frame with different parties, the professors say.

“Hubristic pride may give you a false sense of confidence, and you may underestimate your next counterpart,” says Dr. Curhan.

“That may make you not prepare adequately for the next negotiation.”

The solution? People who negotiate back-to-back with different parties, such as those who work in purchasing, sales, real estate and recruitment, should take a break between negotiations if possible, ideally waiting until the next day to begin a

new set of talks, the professors say.

Dr. Curhan also advises people to ask themselves after each negotiation: What went well in the negotiation? What would they have done differently? Dr. Becker suggests tailoring negotiating strategies to each situation.

The takeaway for managers is to be flexible with their employees who are doing the negotiation, says Dr. Curhan, who teaches a course on negotiation for executives at MIT. “If you don’t allow the flexibility, [your employees] won’t be able to space out their negotiations,” he says.

Ms. Al-Muslim is a reporter for The Wall Street Journal in New York. She can be reached at aisha.al-muslim@wsj.com.

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JOURNAL REPORT | C-SUITE STRATEGIES

What My Son With Autism Taught Me About Managing People

BY ALEXANDRA SAMUEL

I LIKE TO THINK I was a considerate colleague when I worked in an office. I paid attention to cultural and gender differences. I made an effort to run inclusive meetings and write inclusive articles.

But for all my attention to diversity, I didn't pay attention to one crucial form of difference: the way people think.

It took my autistic son to wake me up to the truth. For many years, I struggled with my son, who had been variously labeled "oppositional," "difficult" or...well, there are words that we can't put in a newspaper. We had hourly conflicts, and he had near-daily meltdowns.

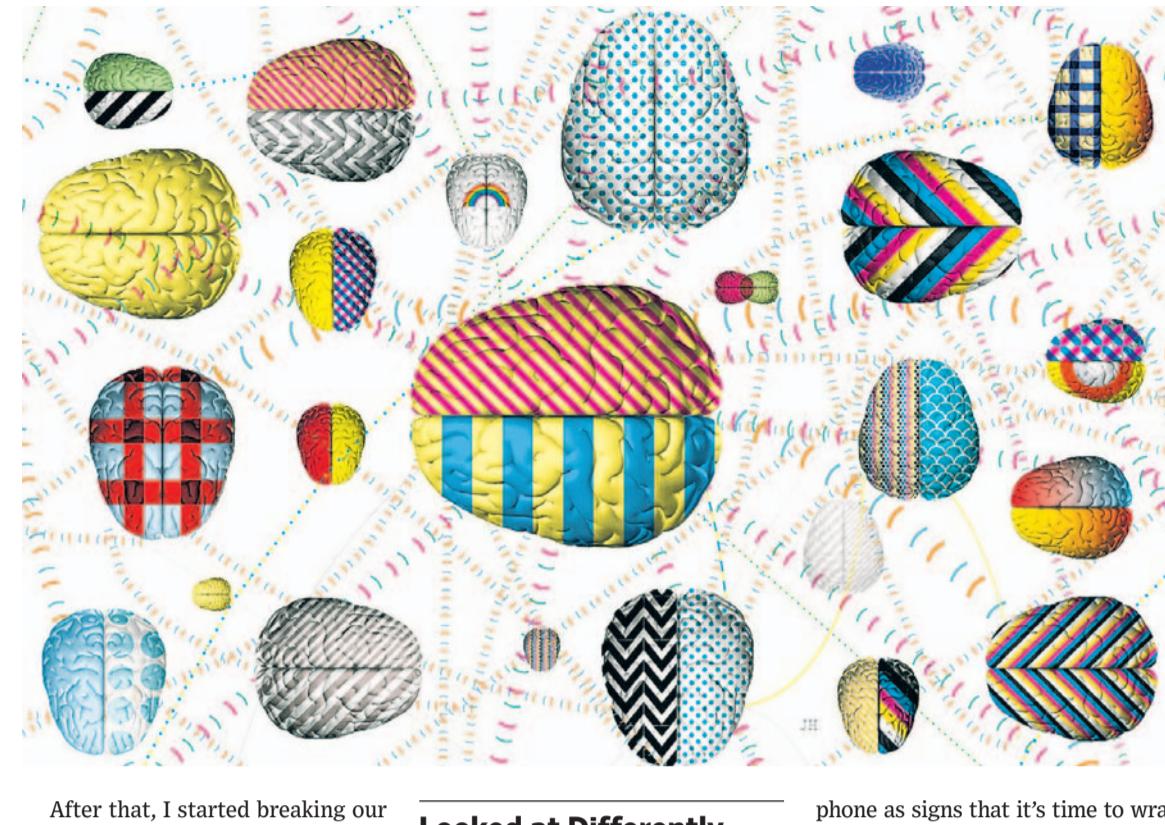
It wasn't until he received his first formal diagnosis—initially for ADHD, rather than autism—that I realized his brain was just wired differently from mine. I was able to recognize how often I was asking him to do something he *couldn't* do, rather than something he *wouldn't* do. Even more important, I started to see the connection between his wiring and his talents, like his mathematical ability and his extraordinary vocabulary.

Once I recognized those distinctions as a mom, I started seeing them in my professional relationships, too. Just as my son had a learning and communications style of his own—and strengths that came along with it—my colleagues and I each had our own distinctive wiring that shaped how we approached the world. Recognizing that, and learning to deal with each other's ways of thinking, makes for stronger understanding and smoother communication. And better business.

Around the table

These different styles of thinking showed themselves most clearly in meetings. After my son's diagnosis, I started to pay attention to how different members of the team did or didn't participate in our regular sit-downs.

For instance, my own wiring pushes me to jump in, get as many of my ideas on the table as possible, and then push toward a decision. But one smart young man, who was absolutely brimming with ideas, wasn't apt to speak during meetings. He once explained to me, "I need time to reflect before I'm ready to share my ideas."



everything from software projects to marketing campaigns.

Soon, it took fewer repetitions for me to get my ideas across—but I also became more patient with the repetition, because I realized that I wasn't speaking their language.

As I became more conscientious about working with my colleagues' diverse thinking styles, I also learned to acknowledge and ask for help with my own style—even when that help involved admitting a weakness. I have long realized that I have challenges with what psychologists call "executive function"—namely, the ability to break a project apart into component tasks and organize those tasks so that they can be completed on time. I'm the kind of person who has a messy desk and can easily miss deadlines, so I've gradually built up a set of digital tools and habits that mostly compensate for my state of mental disorganization.

Remind me

Once I embraced my new perspective, however, I stopped feeling like my executive-function issues were something to apologize for—just as I no longer expect my colleagues to apologize because they don't speak quickly at meetings or prefer to walk and meet. I'm just wired differently. I still make an effort to keep myself organized by paying careful attention to my digital tool kit, but I supplement that with an additional strategy: openly acknowledging my limitations. When I start working with someone new, I let them know that I am not great at keeping track of tasks and details, so I invite them to remind me if anything slips.

Recognizing all these variations hasn't crowded out my concern for other kinds of diversity in the workplace. I don't have a whole lot of patience for using differences in thinking as an excuse for gender bias or cultural insensitivity.

If anything, noticing different thinking styles has helped me become more effective in working across a wide range of differences within the workplace. The more I acknowledge and embrace my colleagues' quirks—not to mention my own—the more I'm able to tap into their unique strengths.

Ms. Samuel is a technology researcher and the author of "Work Smarter With Social Media." Email her at reports@wsj.com.

Looked at Differently

About one-quarter of adults surveyed said they had at least one neurodiverse condition. Among those, the percentage saying that at their most recent employer they experienced:

No discrimination	53%
Discrimination in the following areas*:	
Performance review/evaluation	26%
Requested supports and accommodations	24
Promotion decisions	24
Treatment by supervisor	24
Treatment by co-workers	21
Job placement/differences in assignments	18
Compensation and benefits	18

*Multiple responses allowed.

Source: Wilder Research online survey of 437 adults, 2016

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cover that moving around gets me thinking differently, too.

Another area helped by my new way of thinking involves nonverbal cues. It never dawned on me that many people's wiring isn't set up to read throat clearing or glances at a

phone as signs that it's time to wrap up a chat, so they need more direct signals. But now if I find someone isn't picking up on my cues, I say explicitly, for instance, "I need to end our conversation now so that I can get back to work."

Such a simple thing—but I was totally blind to it before my son opened my eyes.

Making things concrete

Turning this new lens on others inevitably led to turning it back on myself. In what ways was my wiring getting in the way? How was my way of thinking and relating to people keeping me from being as creative and productive as I could be?

I have always been someone who remembers ideas and theories more than facts and anecdotes, but I had never thought about how that affects my professional relationships. I just noticed that I often had to repeat an idea three or four times before my colleagues finally understood or retained it. "Why can't they understand the idea of aggregating and tagging social-media content?" I might fret.

Once I started peppering my conversations with specific, concrete examples for each of my abstract ideas, I found my colleagues were much faster to embrace my ideas on

Pandora Gets Even More Personal With Its Service

CEO Roger Lynch aims to stem its loss in users with new offerings and more-individualized advertising

BY ANNE STEELE

IN THE FACE of stiff competition in a crowded music streaming landscape, **Pandora Media Inc.** is fighting for listening time.

The internet-radio company, popular for its free personalized music stations, has struggled as users have migrated to services like **Spotify AB** and **Apple Music** that allow listeners to play individual songs on demand. And ad dollars have followed.

Pandora's stock, once a Wall Street darling, has flagged, though the company remains the largest streaming-music provider in the U.S. Last year, a \$480 million investment from Sirius XM Holdings Inc. was followed by a management shake-up that brought Sling TV's founding chief executive, Roger Lynch, to the helm. Mr. Lynch is now leading Pandora's efforts to woo back listeners and advertisers.

Hedging its bets on the future of music listening, Pandora last March launched its own on-demand subscription service, Pandora Premium. In December, it rolled out a feature allowing users of its ad-supported radio tier to access about 30 minutes of free on-demand listening in exchange for watching 15-second ads.

But Pandora also sees a future for its core ad-supported radio and is doubling down on the technology that enabled it to provide personalized music. Founded on a technology called the Music Genome Project, a combination of humans and machines that helped it analyze music and recommend songs for each listener, Pandora has collected stores of data on music and its users.

Now Pandora is using its data to help advertisers better

target ads. It is also trying to apply similar analysis and algorithms to nonmusic content such as podcasts, to be able to make the same type of personalized recommendations.

Mr. Lynch discussed Pandora's data innovations, the perfect ad length and the future of listening to music. Edited excerpts follow.

Updating the service

WSJ: *Pandora has been losing users. Why do you think that is, and what is the most important thing for reversing it?*

MR. LYNCH: It's a more competitive market than it used to be, which means you need to make sure you're always innovating. One of the main reasons people cite for why they might stop listening to Pandora is the lack of the ability to listen to a song on demand. We launched the premium product, which is all on demand, in April of last year, but also in December we launched a new innovation bringing on demand into our ad-supported product.

WSJ: *Where are you looking for new subscribers, and how are you thinking about drawing them in to Pandora?*

MR. LYNCH: We have a three-tier model. We have our ad-supported listeners. Then we have two subscription tiers: people who want an ad-free version of Pandora for \$5 a month or full on-demand service for \$10 a month. That's where we decided to capture the growth that's happening in premium subscription services, while at the same time going after people who will not pay.

WSJ: *You have tons of users and lots of years of listening data. Are there any untapped or underutilized areas where you think you can use data to*

make the listening or ad experience better?

MR. LYNCH: An opportunity for us is to use it better in our marketing. Today's marketing is less about big brand campaigns and much more about using data to create a unique connection with an individual. By unique, I mean targeted for that individual from whatever data we know about you, and that's an opportunity Pandora has underexploited because we have strength in data.

WSJ: *Can you give an example of what they might look like?*

MR. LYNCH: We can serve hyperpersonalized audio ads to listeners, allowing advertisers to create thousands of versions of an audio ad easily and efficiently. For example, listeners in San Diego might hear something like, "Good morning San Diego, it's going to be hot today. Come grab your iced coffee at (insert coffee shop)."

A New York listener might get something like, "Good morning New York, it's cold out. Start your day with a warm latte from (insert coffee shop)."

WSJ: *What about users who don't want so many ads?*

MR. LYNCH: Much like how we know what song is likely to be positively received by a listener, we have a pretty good idea what kind of ad they will be most receptive to, and when best to serve an ad or not. We won't serve an ad if a listener has just thumbed-down a song. We're also able to identify if a person responds better to ads during particular times of day or days of the week, if they prefer longer but fewer ads or shorter but more frequent ones.

We personalize advertising to them in the same way we personalize their music feed.

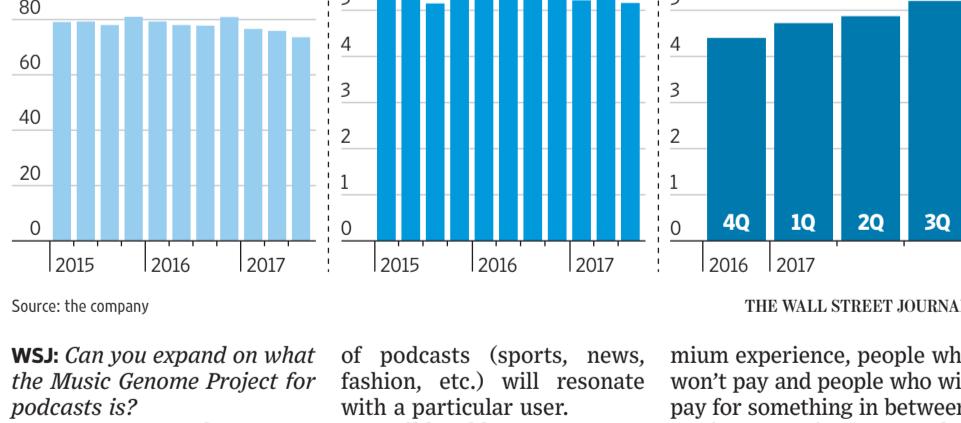


'We can serve hyperpersonalized audio ads to listeners.'

ROGER LYNCH

Adjusting the Volume

Pandora's users and listener hours have slipped, but its subscription service started in 2016 has grown.



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of podcasts (sports, news, fashion, etc.) will resonate with a particular user.

We'll be able to get as specific as the content of the episode, and then match this information with listener preferences to make recommendations.

The future of ads

WSJ: *How do you see the role of ad-supported music within the broader music-listening ecosystem that we have?*

MR. LYNCH: We do know that in any market, you have to segment the market. There are people who will pay for a pre-

mium experience, people who won't pay and people who will pay for something in between. So it's very important that Pandora has the spectrum all the way from the ad-supported up to the premium service, and I don't see that changing.

Even though there's growth with subscriptions, you are going to still see ad-supported audio continuing to be large, maybe the largest, in terms of listeners at least across the U.S.

Ms. Steele is a Wall Street Journal reporter in Los Angeles. She can be reached at anne.steele@wsj.com.

JOURNAL REPORT | C-SUITE STRATEGIES

Behind the Turnaround In the Global Art Market

The CEO of Christie's talks about where the demand is coming from, and how he hopes to expand in China

BY KELLY CROW

WHAT A DIFFERENCE a year makes. When Chief Executive Guillaume Cerutti took the helm of privately held **Christie's** on Jan. 1, 2017, the art market was mired in a slump. By November, art values had started to climb again, and the auction house stunned collectors by selling Leonardo da Vinci's "Salvator Mundi" for \$450.3 million—the most expensive work of art ever sold.

Thanks in part to that da Vinci, Christie's sales grew 21% to \$6.6 billion last year, but the recovery didn't feel whiplash-fast to Mr. Cerutti, who says he had to make "difficult decisions" to restructure the 252-year-old company. Mr. Cerutti, who previously worked as managing director of Paris's Pompidou Center museum, laid off 12% of Christie's workforce, or 270 people, and closed two of its older salesrooms, in Amsterdam and London's South Kensington neighborhood.

Now, he says the house is better positioned to capitalize on the next run-up. Mr. Cerutti

MR. CERUTTI: China remains a top focus for us because today one-third of our buyers come from Asia, yet international auction houses like us are still restricted in China. We can only sell Chinese objects made after 1949. But if we were able to sell older things, we could develop the art market in China and our revenues. So we want to be visible in China and demonstrate that we're there for the long run.

Our September sale in Shanghai is important for our profile in China, but also to help us develop our relationship with the Chinese authorities and show them that we want to build the art market with them, to help the collectors and artists there and not to go against their heritage.

We've also been selling Western art there, and we want to do more to sell decorative arts in Asia. So we're looking to partner with others in the wider industry.

Diverse demand

WSJ: What are you learning about Asian bidders, and why have they become such a buying force?

MR. CERUTTI: Five years ago, someone asked me if Asian buyers would one day be active in the competition for modern Western art. Today we know they are buying a quarter of the offerings in this category. There are major players coming from Hong Kong and continental China, but we've seen a major new bidder coming from Indonesia, too. So we're seeing more diversification of bidders across Asia.

Our clients there are more and more mature bidders in many different collecting fields. Hong Kong can no longer be this place where we conduct a couple of weeks of sales a year. It has become the real third sales force in the art market after New York and London. We can't look at Hong Kong from the outside. It has to be integrated.

WSJ: Where else are new bidders coming from?

MR. CERUTTI: Last year, we opened a new gallery in Los Angeles because it's clear that the West Coast has to be another real focus for us. There is a new generation of collectors coming from various industries including tech and media, and we have to be closer to them.

WSJ: How much are you relying on U.S. collectors to fuel the current market rise?

MR. CERUTTI: It's clear that Europe is the place today where you have more sellers than buyers, and Asia has more buyers than sellers. America is the place where you have an equal number of both. Last year, so many of the collections that went on the market came from America, but the buying side remained extremely strong—especially for postwar and contemporary art.

WSJ: Christie's first surged past Sotheby's a few years ago by expanding its sales of contemporary art. Is there a risk in betting so heavily on new art that hasn't entered the art-history textbooks yet?

MR. CERUTTI: We prefer to analyze the segment in terms of 20th-century art, so it folds in modern, postwar and contemporary art, photography and design—and it's true these categories represent 70% of our market.

That's because many new collectors have come on to the market, and they favor this art because it's of the moment and reminds us of the culture already around us. That's the 10-year trend. Old master and decorative art values have largely held steady, while the 20th-century categories have increased.

Will it change? I don't think so, so we have to adapt. We can try to engage collectors in other areas, but ultimately we reflect the market and the evolutions in taste. We want to support the classic categories, but they're more challenging today.

WSJ: Christie's is also investing in online-only auctions.

Are those efforts paying off?

MR. CERUTTI: In our attempt to diversify and attract new collectors, online sales are key. At least 37% of our new buyers come from the online sales. In terms of revenue, the sales are only 1% of our total, not much, but in terms of finding new buyers, it's strategic. We clearly want to retain these new clients and encourage and engage them into our broader activities.

Ms. Crow is a reporter for The Wall Street Journal in Washington. Email her at kelly.crow@dowjones.com.



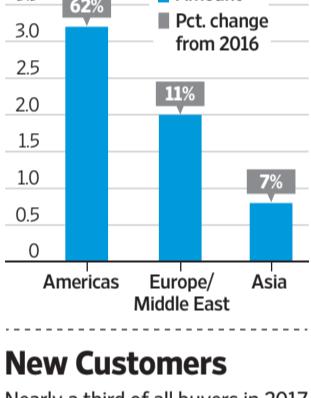
'Europe is the place today where you have more sellers than buyers.'

GUILLAUME CERUTTI

ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

Where in the World

Christie's had \$5.9 billion in auction sales in 2017, up 33% from 2016. A regional breakdown of buyers:



New Customers

Nearly a third of all buyers in 2017 were new to Christie's. The newcomers by region:



Source: the company

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spoke recently from his New York office about why Christie's is seeking to boost its profile in Hong Kong and investing so heavily in contemporary art, the biggest but arguably riskiest segment of the art market. Edited excerpts follow.

Focus on Asia

WSJ: Globally, auction sales grew 25% to \$11.2 billion last year, according to ArtTactic, a London firm that tracks auction performance. To what do you credit this turnaround?

MR. CERUTTI: I think there is more confidence in the art market. People were cautious two years ago, but last year they saw that things were still selling well, and they felt better. Everyone feels reassured by how global the market has become.

Every industry cycles differently, but we're not an industry like others. We are dealing with unique objects, and the reality for them one day isn't true the next, so you have to demonstrate to your clients that you are resilient, disciplined and that you have the best expertise.

We also were innovative. Look what we did with the da Vinci—it was extremely creative to put an old master painting into a contemporary sale. It also was brave to start the bidding at \$100 million.

Now the market is stronger than it was a year ago, but we still aren't back to the last peak.

WSJ: If the market continues to gain momentum, how—and where—do you plan to boost Christie's presence?

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JOURNAL REPORT | C-SUITE STRATEGIES

College Grads Aren't Ready for an AI World

A university president says schools need to change their focus, quickly

BY DOUGLAS BELKIN

ARE THE ROBOTS coming for your job? As many as one-third of American workers—about 50 million people—may need to find new lines of work by 2030, according to a McKinsey & Co report released in December projecting the impact of artificial intelligence and automation on the labor market.

The prediction is the latest in a long series of warning shots fired across the bow of the American labor force. Be prepared to be smarter, think faster, work more creatively—or risk being unemployed. But how exactly do you do that?

Joseph Aoun, president of Northeastern University, says a lifetime of education is the key. He spoke with The Wall Street Journal about his new book, "Robot-Proof," which includes a blueprint for higher education in the age of artificial intelligence, and about the roles of employers and the government in keeping people productively employed. Following are edited excerpts of that discussion.

A new kind of education

WSJ: There are a lot of predictions out there about how big an impact artificial intelligence is going to have on the job market. What's yours?

DR. AOUN: What everybody agrees on is the fact that jobs are going to disappear, others will be transformed, and new jobs will be created. The difference that you see is the scope. Some people are projecting up to 50% of the jobs disappearing. It's going to be less, but it's going to happen. It's happening as we speak.

WSJ: Do you think universities are preparing their students

for a job market where artificial intelligence is embedded into everyday life?

DR. AOUN: Overall, I don't think it is happening. We're still focusing on learning in academic silos, and we don't have enough integration across academic disciplines.

WSJ: How do you provide a robot-proof education?

DR. AOUN: First, a curriculum based on the integration of three curricula: One is technological literacy, understanding how machines work, how to interact with machines, etc.

The second is data literacy, understanding this enormous flow of information and how to navigate it and how to make sense of it. Third is human literacy, what we as humans do that machines are not able to replicate, such as creativity, innovation, entrepreneurship, the ability to be empathetic with others, the ability to work with others, understand their body language, work in teams, be global, be culturally agile.

The other point is that it's not enough to talk about creativity, it's not enough to talk about entrepreneurship, it's not enough to talk about cultural agility in the classroom and to study that. You have to practice it. You have to experience it. This is why experiential education is essential, the integration of the classroom experience with world experience. By doing that, you come to understand the world, you come to understand yourself, and you come to understand the opportunities that exist, what you are good at, what you are not good at, how you can innovate, how you can create, how can you launch a new idea.

WSJ: So your argument is that while artificial intelligence will

be able to out-process or out-work human beings, it will remain limited to narrow channels, and an education should teach people to think across those channels to innovate?

DR. AOUN: Yes. The creativity, entrepreneurship, that ability to work with others in teams, the ability to be empathetic and the ability to be culturally agile, those are not something that computers, that AI, are good at.

WSJ: What about adults who are already in the workforce?

DR. AOUN: Society has to provide ways, and higher education has to provide ways, for people to re-educate themselves, reskill themselves or upskill themselves.

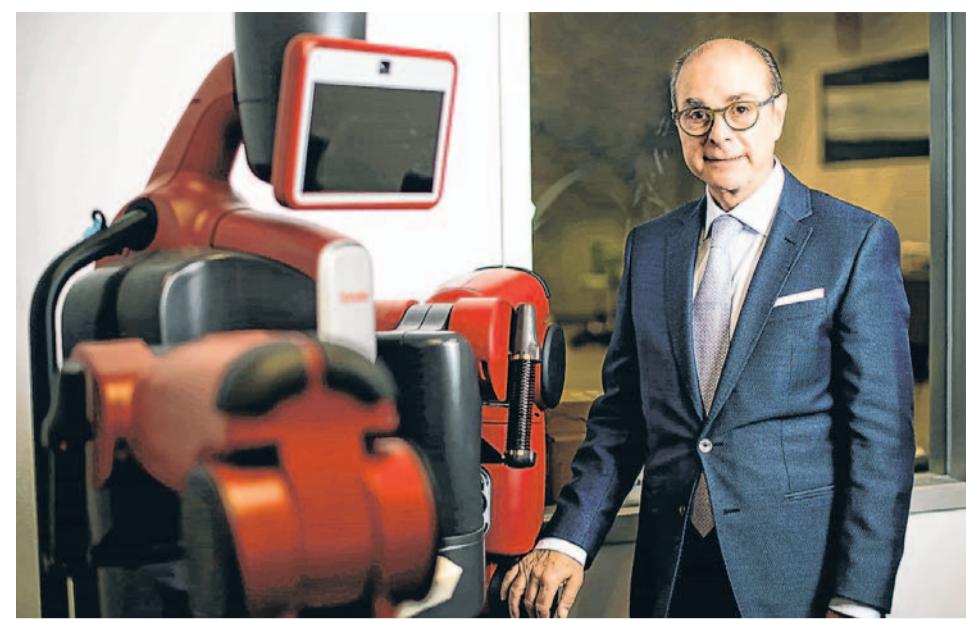
That is the part that I see that higher education has not embraced. That's where there is an enormous opportunity. We look at lifelong learning in higher education as an ancillary operation, as a second-class operation in many cases. We dabble with it, we try to make money out of it, but we don't embrace it as part of our core mission.

Government's role

WSJ: Republicans in the House recently proposed a new higher-education act. Do you have a sense of how effectively the federal government is dealing with this train that is barreling toward us?

DR. AOUN: We looked into that. We did a word search [in the bill] and looked for artificial intelligence and looked at lifelong learning, etc. It has 532 pages. There was no mention of AI at all.

Lifelong learning is the most important aspect here, and it requires incentives for companies and organizations to provide opportunities for employees for lifelong learn-

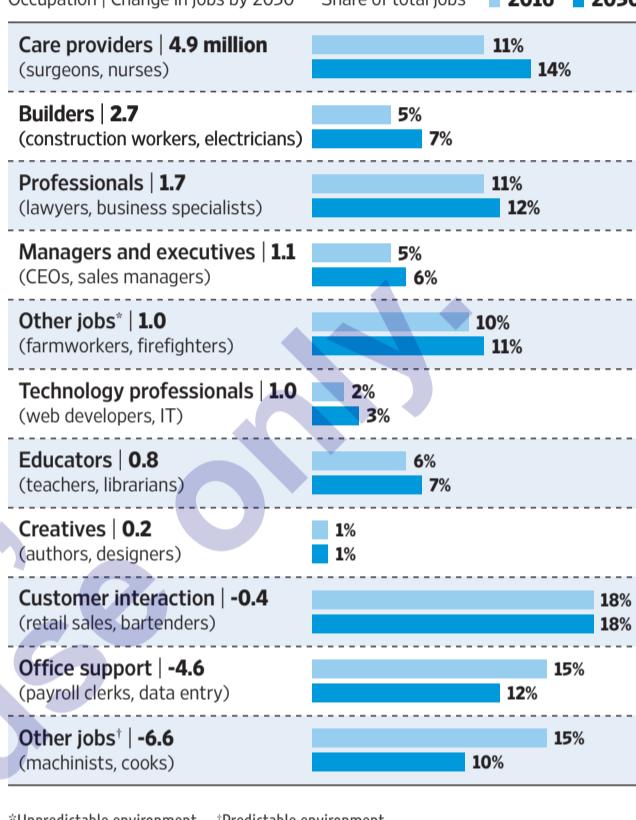


'We don't have enough integration across academic disciplines.'

JOSEPH AOUN

Unsteady Jobs

As many as a third of American workers may need to find new lines of work by 2030 due to automation and AI. The projected changes in the workforce:



*Unpredictable environment †Predictable environment

Note: Projections based on midpoint automation scenario.

Source: McKinsey & Co.

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