

THE WALL STREET JOURNAL.

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WEDNESDAY, FEBRUARY 28, 2018 ~ VOL. CCLXXI NO. 48

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★★★★ \$4.00

DJIA 25410.03 ▼ 299.24 1.2% NASDAQ 7330.35 ▼ 1.2% STOXX 600 382.36 ▼ 0.2% 10-YR. TREAS. ▼ 13/32, yield 2.910% OIL \$63.01 ▼ \$0.90 GOLD \$1,315.50 ▼ \$14.80 EURO \$1.2233 YEN 107.33

What's News

Business & Finance

Comcast is offering \$30.9 billion to acquire Sky, topping a rival bid from Fox to consolidate ownership of the U.K. broadcaster. **A1**

◆ **Powell** voiced optimism about the economy, signaling the Fed is on track to keep lifting rates and may even pick up the pace. **A1**

◆ **The Dow tumbled** 299.24 points to 25410.03 as Powell's comments did little to cool inflation fears. **B1**

◆ **More firms are boosting** their dividends, even as higher bond yields threaten the allure of stocks. **B1**

◆ **T. Boone Pickens's ETF**, which focuses on energy producers and users, is set to start trading Wednesday. **B1**

◆ **Some Japanese investors** are selling U.S. Treasuries on fears Trump's policies will weaken the dollar. **B1**

◆ **Fidelity posted** record revenue and operating profit in 2017 as investment performance improved. **B12**

◆ **U.S. consumer confidence** rose this month to its highest level since 2000. **A2**

◆ **Home prices** rose in December, but there were signs that gains could ease. **A2**

◆ **Boeing** and the Trump administration reached a deal to replace Air Force One. **B2**

◆ **Macy's shares jumped** after the retailer reported stronger holiday sales. **B3**

◆ **JPMorgan said** it is optimistic about 2018 and the impact of the new tax law. **B12**

◆ **Kushner Cos. is in talks** to buy the remaining stake in a Manhattan office tower. **B6**

World-Wide

◆ **North Korea shipped** 50 tons of supplies to Syria for use in building a suspected chemical-weapons factory, according to a U.N. report. **A1**

◆ **Syrian and Russian forces** conducted airstrikes on an area outside Damascus despite Moscow's promise of a pause in the fighting. **A5**

◆ **The top U.S. diplomat** on North Korea is resigning, signaling Trump administration rifts over the value of diplomacy with Pyongyang. **A6**

◆ **The Supreme Court** threw out a ruling that afforded bail hearings to noncitizens held in federal lockups while they appeal deportation. **A3**

◆ **The White House** downgraded Kushner's security clearance as Kelly pushed to tighten control of classified information. **A4**

◆ **Saudi Arabia's king** ordered a revamp of the armed forces to strengthen the military, enhancing the power of Prince Mohammed. **A5**

◆ **Sessions said** the Justice Department watchdog will probe how the FBI and prosecutors got warrants to surveil a former Trump aide. **A4**

◆ **GOP attorneys general** from 20 states are seeking to overturn the ACA in a lawsuit that argues the law is unconstitutional. **A4**

◆ **The administration** is proposing to delay a rule to address the high proportion of minority students in special-ed programs. **A3**

◆ **Delta's decision** to end discounts for NRA members has sparked a fight among Georgia Republicans. **A4**

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Airstrikes by Syrian forces and their Russian allies on the rebel-held enclave of Eastern Ghouta, on the outskirts of Damascus, continued Tuesday. The growing humanitarian crisis comes amid news that Pyongyang shipped Syria materials to build a chemical-weapons factory. **A5**

Pyongyang Tied to Syria Weapons

U.N. report says North Korea shipped supplies for suspected factory to make chemical arms

By IAN TALLEY

WASHINGTON—North Korea shipped 50 tons of supplies to Syria for use in building what is suspected to be an industrial-scale chemical-weapons factory, according to intelligence information cited in a confidential United Nations report.

A Chinese trading firm working on behalf of Pyongyang made five shipments in late

2016 and early 2017 of high-heat, acid-resistant tiles, stainless-steel pipes and valves to Damascus, the report said, citing them as evidence that Syrian President Bashar al-Assad is paying North Korea to help his country produce chemical arms.

The shipments are part of a steady stream of weapons-related sales by Pyongyang to Syria and to Mr. Assad's patron, Iran, estimated by some experts to be valued at several billion dollars a year.

U.S. officials recently warned Syria of a possible military response to the regime's increased use of chemical weapons against civilians. The Syrian American

Medical Society, a relief organization, says the regime has launched at least three such attacks this year. Damascus denies using chemical weapons.

Even as an international-sanctions noose tightens around North Korea, Syria's conflict has been a windfall for the North's leader, Kim Jong Un. Such illicit revenue undercuts Washington's "maximum pressure" sanctions campaign against North Korea with the aim of thwarting its nuclear-weapons program.

Trump administration officials say if sanctions don't get Mr. Kim to denuclearize, the U.S. may resort to mili-

tary action.

The U.N. report, which hasn't been publicly released, detailed evidence and intelligence from several member states. Syria's Scientific Studies and Research Center, or SSRC, the Assad-backed group responsible for developing chemical and other weapons of mass destruction, paid Pyongyang's primary arms dealer, Korea Mining Development Trading Corp., for the materials through a series of front companies, according to

Please see KOREA page A6

◆ European programming draws American suitors..... A9
◆ A Russian soldier's unsung death in Syria..... A6

Comcast Lobs in Rival Bid To Snatch U.K.'s Sky

Comcast Corp. is pursuing an audacious takeover of European pay TV giant Sky PLC, a power move in a global media-industry chess match.

By Stu Woo,
Shalini Ramachandran
and Ben Dummett

In a single gambit, Comcast Chief Executive Brian Roberts has scrambled the game board in multiple ways. Comcast said Tuesday it was planning a £22.1 billion (\$30.9 billion) offer for all of Sky, topping a rival bid from 21st Century Fox Inc. to consolidate ownership of the U.K. broadcaster. Fox already owns 39% of Sky.

Comcast's announcement also creates complications for Walt Disney Co., which agreed to acquire an array of Fox assets, including the Sky holding, in a \$52.4 billion deal reached late last year.

As a result of Mr. Roberts's maneuver, Fox Executive Chairman Rupert Murdoch and Disney CEO Robert Iger must decide whether to outdo Comcast's bid for Sky. Fox's board may need to show shareholders it got the best possible value for the company's 39% Sky stake under the deal with Disney.

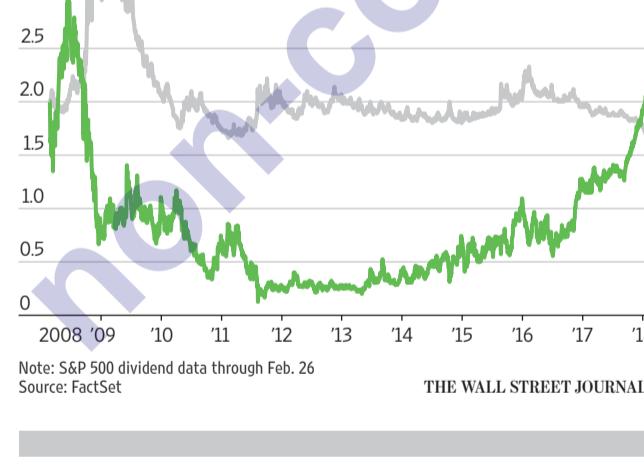
In a statement, 21st Century Fox said it remains committed to its offer for Sky, noting that Comcast hasn't made a firm Please see DEAL page A9

◆ European programming draws American suitors..... A9
◆ Heard on the Street: Behind the bidding war for Sky.... B14

Bonds vs. Dividends

More than a fifth of companies in the S&P 500 have boosted their dividend payouts this year, but higher bond yields threaten to diminish the allure of high-dividend stocks. **B1**

Two-year Treasury bond yield (■) vs. S&P 500 dividend yield (□)



Fed's Powell Spurs Talk of More Hikes

By DAVID HARRISON

WASHINGTON—Federal Reserve Chairman Jerome Powell said the economy's prospects have brightened in recent months, indicating the central bank is on track to keep gradually lifting short-term interest rates and perhaps even pick up the pace this year.

"My personal outlook for the economy has strengthened since December," he told members of the House Financial Services Committee on Tuesday in his first Capitol Hill appearance since taking over as Fed chief earlier this month.

"We've seen continuing strength in the labor market. We've seen some data that will, in my case, add some confidence to my view that in-

fation is moving up to target. We've also seen continued strength around the globe, and we've seen fiscal policy become more stimulative," he said in answer to a question about what could cause the Fed to raise rates more than three times this year.

He added that he "wouldn't want to prejudge that" outcome. But many investors took his comments as a sign of increased odds the Fed could lift

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◆ Consumers' optimism increases..... A2
◆ Home prices jumped in December..... A2
◆ In Japan, a pivot away from Treasurys..... B1
◆ Fed chairman's remarks hit stocks..... B13

Security Level Cut for Kushner



DOWNGRADE: The security clearance for White House senior adviser and Trump son-in-law Jared Kushner was lowered. **A4**

Goldman, Adviser to The Elite, Wants to Be the Local Bank

Its Marcus brand targets consumer markets the Wall Street powerhouse once disdained

By LIZ HOFFMAN
AND PETER RUDEGEAIR

SALT LAKE CITY—Goldman Sachs Group Inc. has come to Main Street.

In a glass-walled tower in Utah's capital, hundreds of Goldman employees are building what amounts to one of the world's most ambitious consumer-finance startups.

Their address, 111 Main St., stands as a symbol of the changes afoot inside the firm, better known as an elite adviser to big companies and billionaires.

Struggling to make money in the postcrisis world, Goldman is pushing into businesses it once dismissed as pedestrian and gimmicky, assembling a suite of

banking products for the middle class it hopes will power growth.

Goldman 18 months ago began making online loans of a few thousand dollars under the brand Marcus, named after founder Marcus Goldman. Individuals once needed \$10 million to get the attention of Goldman's elite private bankers. Today, customers can open a Marcus savings account with as little as \$1.

New initiatives under way include checkout-counter loans for shoppers, wealth management and household-budgeting tools for the masses as well as insurance, mortgages and car loans, according to people familiar with the plan.

Please see MARCUS page A10

For the Bar, Turn Left, Use The Window

* * *

Beijing bricks up illicit shops, which find workarounds

By CHAO DENG

BEIJING—Officials in China's capital are getting served reminders of an old saying about resistance to bureaucratic rule: "The higher-ups have measures. Those lower down have countermeasures."

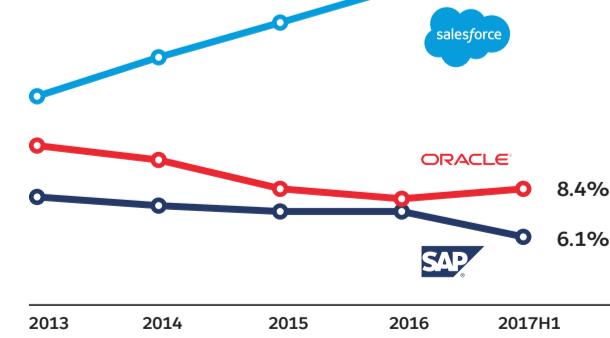
Li Kang began deploying countermeasures after a construction crew appeared at his Jian Guo craft-beer bar last autumn under government orders to seal the front door. Shortly after they bricked it over, Mr. Li placed wooden steps outside under the left-hand window facing the street so customers could climb through.

Beijing, in a zoning-regula-

Please see BRICK page A10

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017H1 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, October 2017.

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U.S. NEWS

Consumers Voice Optimism

BY ERIC MORATH

U.S. consumer confidence rose to its highest level since 2000 in February, showing Americans shrugged off financial market gyrations earlier in the month.

The Conference Board said Tuesday its measure of U.S. consumer confidence increased to 130.8 in February from 124.3 in January.

"Despite the recent stock-market volatility, consumers expressed greater optimism about short-term prospects for business and labor market conditions, as well as their financial prospects," said Lynn Franco, director of economic indicators at the Conference Board.

February's reading was the highest monthly level since November 2000.

The increase in the Conference Board reading reflected that Americans feel better about both the current and future state of the economy.

The present situation index rose to 162.4 from 154.7; the expectations index rose to 109.7 from 104.0.

Ms. Franco said the labor force was the main driver of the improvement.

The unemployment rate has held at a 17-year low since October, and wages grew at the best year-over-year pace in January since the recession ended in June 2009.

"Short-term prospects are increasing and that shows the much-anticipated improvement in the labor markets is finally helping household budgets," said Robert Frick,



Consumer confidence rose despite the stock-market volatility in early February.

corporate economist with Navy Federal Credit Union.

The Conference Board survey ran through Feb. 15, so it captured the most severe financial market volatility this month.

U.S. equity markets fell sharply in early February, in part because emerging signs of stronger inflation caused investors to worry that the Federal Reserve could be more aggressive in raising interest rates, a move that could hurt stock values.

Stock prices rose later in the month, but haven't fully recovered losses.

Federal Reserve Chairman Jerome Powell said in testimony to Congress on Tuesday that the economic outlook re-

mains strong and should justify further gradual increases in the central bank's benchmark interest rate.

Larger paychecks for most workers this month, reflecting changes to the tax code that took effect, may have supported better confidence.

Solid confidence could be a sign that Americans plan to spend that extra cash. Spending at U.S. retailers fell in January, before the tax-law changes showed up in take-home pay.

Consumer confidence and sentiment figures are watched as indicators for whether shoppers will step up spending. However, they aren't always reliable gauges for actual outlays.

Feeling Good

Consumer confidence index, monthly



Source: The Conference Board
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Home Prices Rose 6.3% in December

BY LAURA KUSISTO

Home prices continued to rise rapidly in the waning days of 2017, but there are early signs that price gains that have well outstripped wages and inflation could begin to ease this year.

The S&P CoreLogic Case-Shiller National Home Price Index, which covers the entire nation, rose 6.3% in December, up from a 6.1% year-over-year increase reported for November.

The 10-city index gained 6% over the year, unchanged from November. The 20-city index gained 6.3%, down slightly from 6.4% the previous month. That was in line with the expectations of economists surveyed by The Wall Street Journal, who expected the 20-city index to rise 6.3% in December.

Home price gains accelerated in 2017 compared with 2016, when prices grew more in the 5% range. Nonetheless, the pace of both new and existing home sales have slowed in recent months, which could ultimately put pressure on sellers to lower prices, especially as interest rates are beginning to rise.

"It is too early to tell if the housing recovery is slowing. If it is, some moderation in price gains could be seen later this year," said David Blitzer, managing director at S&P Dow Jones Indices.

Markets that are seeing the steepest increases remain

Rising Tide

S&P CoreLogic Case-Shiller National Home Price Index, change from a year earlier

7.0%

6.5%

6.0%

5.5%

5.0%

4.5%

4.0%

20-city average

U.S.

Source: S&P Dow Jones Indices

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concentrated in the West. Seattle reported the largest annual gain, at 12.7%, followed by Las Vegas at 11.1%. San Francisco, which had seen price increases slow until recently, reported the third-strongest gain, at 9.2%.

Month-over-month, the U.S. index rose 0.2% in December before seasonal adjustment, while the 10-city and the 20-city index also both rose 0.2% from November to December.

After seasonal adjustment, the national index rose 0.7% month-over-month and the 10-city index and 20-city index both rose 0.6%.

All 20 cities saw price increases after seasonal adjustment.

U.S. WATCH

WEST VIRGINIA

Striking Teachers To Return to Work

Public-school teachers in West Virginia who have been on strike statewide since last week will return to classrooms on Thursday, after reaching a tentative deal that would grant them a better pay increase than the state previously offered.

Gov. Jim Justice announced the resolution of the four-day strike Tuesday evening. He said he would urge lawmakers to give teachers a 5% raise this year, and all other public employees a 3% pay increase. He said

teachers represented by two major unions had agreed to return to work Thursday.

Two measures that unions fought, which would have limited seniority protections and cut into union dues collections, have also been taken off the table, union officials said.

Dale Lee, president of the West Virginia Education Association, praised the agreement but cautioned that if the Republican-controlled state Legislature doesn't follow through on it teachers could return to the picket lines.

The teacher walkouts affected some 270,000 students.

—Kris Maher

ELECTIONS

Trump Selects Digital Director

President Donald Trump chose the digital director of his 2016 campaign to lead Republican efforts to keep their House majority in midterm elections this year and to head Mr. Trump's 2020 re-election effort, further advancing an unusually early campaign process.

The campaign on Tuesday said Brad Parscale was taking control "as the advanced planning for the 2020 race begins." Mr. Trump formally filed to run for re-election on Inauguration

Day last year, earlier than any president in modern history.

Mr. Parscale said the president asked him to lead the re-election campaign with an eye toward the congressional elections later this year. Republicans are trying to hold majorities in the Senate and House.

Mr. Trump can use his campaign resources to travel the country promoting GOP candidates, and to try to shore up his own favorability ratings, which in turn can help Republicans overall. About 39% of Americans said they approve of Mr. Trump, according to a Wall Street Journal/NBC News poll in January.

—Rebecca Ballhaus

GUN LEGISLATION

Lawmakers to Meet At White House

An effort to tighten the national background-check system for gun sales bogged down on Capitol Hill Tuesday, but lawmakers held out hope that bipartisan negotiations, including a White House meeting on Wednesday, could spur legislative action in response to recent mass shootings.

Both Democrats and conservative Republicans raised concerns Tuesday over a bill from Sen. John Cornyn (R., Texas) that would encourage states and

federal agencies to submit criminal-conviction records to the National Instant Criminal Background Check System.

Lawmakers from both parties said they hoped President Donald Trump would give the congressional debate some momentum by spelling out what kind of legislation he wants Congress to produce.

Mr. Trump has recently suggested a bevy of ideas for preventing future shootings.

Mr. Trump has invited lawmakers to the White House who represent the sites of two deadly school shootings, Parkland, Fla., and Newtown, Conn.

—Kristina Peterson

FED

Continued from Page One its benchmark federal-funds rate four times in 2018, up from the three moves penciled in by officials in December. The Fed raised rates three times in 2017.

Stocks fell, the dollar rose and U.S. bond yields increased after his remarks. Futures contracts linked to the central bank's rate policies showed a roughly 33% probability the Fed would move at least four times, in quarter-percentage-point steps, by year's end, according to data from CME Group.

"The basic takeaway is not complicated: The likelihood of moving to a four hike baseline in March has gone up," wrote Krishna Guha, head of global policy at Evercore ISI in a note to clients.

The Fed raised rates in December to a range of between 1.25% and 1.5% and is likely to

and a new government spending plan also should boost economic growth, he said.

"I would expect the next two years, on the current path, to be good years for the economy," he said.

Even the market turmoil earlier this month hasn't dimmed his enthusiasm. "At this point, we do not see these developments as weighing heavily on the outlook for economic activity, the labor market and inflation," he said.

Mr. Powell said the strong job market and recent corporate tax cuts will increase consumer spending and make businesses more confident about investing, which should boost productivity. Stronger growth overseas, meanwhile, has benefited American exports and "provided considerable support to our manufacturing industry."

The task now for Fed officials will be to continue nudging up inflation without letting the economy grow so strongly that asset bubbles appear. The Fed "will continue to strike a balance between avoiding an overheated economy and bringing inflation to 2% on a sustained basis," Mr. Powell said.

Mr. Powell is scheduled to testify Thursday before the Senate Banking Committee. The Commerce Department will release January inflation data that morning, which could show consumer price growth rising closer to the Fed's goal.

Lawmakers didn't seriously challenge Mr. Powell in his inaugural hearing. But the new boss faced pointed questions from committee Chairman Jeb Hensarling (R., Texas) about the central bank's practice of adjusting short-term interest rates by adjusting the rate it pays on the money private banks park at the Fed, called reserves.

Mr. Powell, in response, said the current approach "seems to be working very well."

Rep. Andy Barr (R., Ky.) also asked whether the Fed would consider speeding up the pace at which it is shrinking its portfolio of bonds purchased during and after the financial crisis to stimulate the economy. Mr. Barr suggested selling assets rather than letting them roll off when they mature.

Mr. Powell dismissed that suggestion. "Our balance sheet normalization place was carefully crafted and carefully rolled out," he said. "I would have little inclination to change the general parameters of it."

Democrats pressed Mr. Powell on questions of economic inequality and employment gaps between black and white workers. He said those questions were outside the Fed's scope of action.

In response to questions, Mr. Powell also said Congress should focus on reducing government debt. "We really need to get on a sustainable fiscal path, and the time to be doing that is now," he said.

Mr. Powell also defended the Fed's 2% inflation target, a

topic that has generated much discussion. "That framework is working. The market understands it," he said in response

to a question about whether he expects to move away from that goal.

Central bankers like to main-

tain inflation around 2% because it is a sign of healthy demand in the economy. Modest inflation also pushes up borrowing costs, giving central bankers room to lower their benchmark interest rates if they need to support the economy in a downturn. But some economists have recently suggested adopting a less rigid goal, such as a range rather than a specific level, or letting inflation drift up during expansions to give the central bank more space for rate cuts.

Among those who would prefer a different inflation target: Mr. Powell's predecessor, former Chairwoman Janet Yellen. Speaking on a panel at the Brookings Institution on Tuesday, Ms. Yellen said the Fed "probably would come out with a higher inflation target now if we were starting from scratch."

But moving it up is "a tricky business," she said.

—Harriet Torry contributed to this article.



Fed Chairman Jerome Powell told a House committee Tuesday that the economy has strengthened.

CORRECTIONS & AMPLIFICATIONS

Hotel-booking site Tablet Hotels lists 3,500 hotels in 122 countries, 1,400 of which are part of the Tablet Plus Travel Club. An Off Duty article on Saturday about hotel-booking sites focused on luxury properties incorrectly said Tablet Hotels includes 1,400 properties in 88 countries.

In some editions Friday in a Sports article about cross-country skiing, the last name of Anders Aukland, a Norwegian Olympic gold medalist-turned-coach, was misspelled as Auckland.

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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REPRINTS & LICENSING

U.S. NEWS

Court Overturns Noncitizen Bail Hearings

Conservative justices send case back to the 9th Circuit to consider constitutional issue

BY JESS BRAVIN

WASHINGTON—The Supreme Court threw out Tuesday a lower-court decision affording bail hearings to thousands of noncitizens held in federal lockups while they appeal deportation orders.

Voting 5-3 along ideological lines, the justices found that the Ninth U.S. Circuit Court of Appeals had stretched the reading of federal immigration law when it ruled that the noncitizens are entitled to seek bail every six months.

The decision, by Justice Samuel Alito, didn't completely end the case, however. It allows the San Francisco-based appellate court to consider whether the Constitution's prohibition on arbitrary detention requires that the aliens have some opportunity to seek parole while their cases, which can take years to resolve, move through the courts.

Ahilan Arulanantham, an American Civil Liberties Union attorney who represented the aliens, said he was ready to argue that the no-bail policy is unconstitutional. "The Trump administration is trying to expand immigration detention to record-breaking levels as part of its crackdown on immigrant communities. We have shown through this case that when



The ACLU and Supreme Court liberals argue that holding immigrants indefinitely in jails violates constitutional 'due process.'

immigrants get a fair hearing, judges often release them based on their individual circumstances," he said.

The Justice Department welcomed the ruling, saying the bail hearings were burdensome and superfluous. "The circuit court's prior interpretation resulted in unnecessary bond hearings being conducted by immigration judges over the last few years, adding cases to the so-called backlog and plac-

ing an extraordinary burden on the immigration court system," said spokesman Devin O'Malley.

The case, Jennings v. Rodriguez, involves several categories of noncitizens the government seeks to deport, including some who entered the U.S. lawfully, as well as suspected illegal immigrants. They include lawful permanent residents—people who hold green cards—who have completed sentences for crimes and asylum seekers

whose claims were denied.

In a 2001 case addressing a different class of noncitizens slated for removal, the high court held that the government must provide a bail hearing every six months for aliens who remain in detention after the government misses the immigration code's 90-day deadline to carry out the deportation.

Following that reasoning, the Ninth Circuit adopted a six-month cycle for Alejandro Rodriguez and other noncitizens whose class action challenged their indefinite detention. Mr. Rodriguez, a Mexican citizen who received a U.S. green card in 1987, was ordered deported in 2004 after his conviction on drug and vehicle-theft charges.

The immigration code authorizes release of noncitizens in such circumstances "only if the attorney general decides" that doing so is necessary for witness-protection purposes

and that the alien is neither a threat to public safety nor likely to abscond.

To avoid a possible conflict with the Constitution's due-process provisions, the Ninth Circuit read the statute to provide implicitly for semiannual bail hearings, where the government could continue the detention by proving through "clear and convincing evidence that no reasonable conditions will...protect the community from serious danger."

In Tuesday's decision, Justice Alito called the Ninth Circuit's reading "implausible." "Spotting a constitutional issue does not give a court authority to rewrite a statute as it pleases," he wrote, joined in whole or part by Chief Justice John Roberts and Justices Anthony Kennedy, Clarence Thomas and Neil Gorsuch.

Justice Stephen Breyer stressed the liberals' disagreement with this conclusion by reading his dissent from the bench. If the statute was read to forbid bail hearings, he said, then the court should have taken the next step and found it unconstitutional.

"The Constitution forbids depriving any 'person' of his or her 'liberty...without due process of law,'" he said. To deny an alien "an opportunity to obtain bail and [force] that person to remain in prison in the United States, away from friends, family, community, for months, perhaps years, is arbitrary," he said, joined by Justices Ruth Bader Ginsburg and Sonia Sotomayor.

Illegal Evidence Is Faulted but Allowed

BY JOE PALAZZOLO

Emilio Jean won his appeal, but he might as well have lost.

Arizona law-enforcement officers violated Mr. Jean's privacy rights when they rigged a GPS device to a tractor-trailer he was co-piloting and tracked it for three days without a warrant, the state's highest court ruled in January.

But the Arizona court declined to throw out the illegally obtained evidence, a move that likely would have set Mr. Jean free. Instead, he is serving the rest of his 10-year prison sentence for attempting to haul 2,140 pounds of marijuana into the state.

The digital age has accelerated carve-outs to a concept that most Americans take for granted: that evidence obtained in violation of the Constitution can't be used against someone. Judges in recent decades have allowed evidence collected with defective war-

stead on a court precedent that allowed police to use a short-range radio transmitter to track suspects, a legal leap that the U.S. Supreme Court rejected two years later.

Critics of the constitutional carve-outs say they encourage police to push legal boundaries rather than erring on the side of protecting rights, especially when gathering digital evidence.

"It has granted the police a much freer hand to perform investigations and, ultimately, to violate constitutional liberties," said Julian Cook III, a professor at University of Georgia School of Law.

The rule that requires judges to exclude evidence gathered illegally is primarily designed to deter police misconduct—not protect rights, according to the U.S. Supreme Court. That purpose isn't served when courts suppress evidence that police collected while trying to follow the law, the high court has said.

Law-enforcement officials said guilty people shouldn't go free because of a shift in the law that police couldn't have anticipated.

"As technology advances and new techniques become available, it's not always clear an intrusion is going to be such that it triggers Fourth Amendment protections," said Steven Wasserman, a federal prosecutor who is vice president of policy for the National Association of Assistant United States Attorneys.

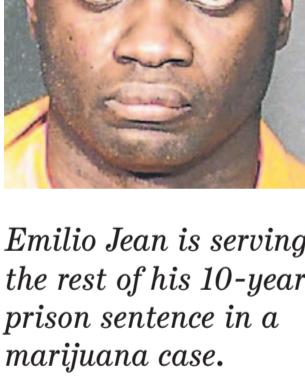
Even as the U.S. Supreme Court has crafted exceptions to the rule, it has interpreted privacy rights expansively, ruling in 2012 that the Fourth Amendment applies to the use of GPS devices and in 2014 that investigators generally need a warrant to search smartphones carried by suspects they arrest.

In a highly anticipated case, the high court is expected to rule this year on whether government investigators need a warrant for records created when mobile phones connect to nearby cell towers.

In Mr. Jean's case, the Arizona Supreme Court ruled that a 35-year-old U.S. Supreme Court ruling called *U.S. v. Knotts* was a reasonable guide for Arizona police and federal agents, in the absence of court precedent on GPS devices, and declined to toss any evidence.

Arizona Chief Justice W. Scott Bales said in a dissent the court should have thrown out the evidence, prompting law enforcement "to err on the side of obtaining a warrant" in the future, he wrote.

Law enforcers relied in-



Emilio Jean is serving the rest of his 10-year prison sentence in a marijuana case.

rants, under laws later found to be unconstitutional, or in accordance with court decisions that are later reversed or found to be inapplicable.

These days, most criminal cases involve new surveillance technology or personal data from smartphones, social-media companies or internet-service providers. The U.S. Supreme Court has held that the government can use illegally obtained evidence gathered by investigators who acted in good faith, following the rules as they saw them at the time. But the rules often lag behind technology.

At the time of Mr. Jean's arrest, in 2010, no law explicitly gave Arizona police and federal agents the right to "stick a GPS on this truck and monitor it for however long it takes," said his lawyer, Brad Bransky.

Law enforcers relied in-

Special-Education Rule Is Delayed

BY MICHELLE HACKMAN

WASHINGTON—The Trump administration is delaying the implementation of an Obama-era rule that seeks to address the high proportion of black and Hispanic children in special-education programs.

The rule, which the Education Department is reviewing as part of a rollback of Obama administration social policy, was set to take effect on July 1. It was designed to ensure that states use a uniform approach to identify school districts with disproportionately high numbers of minority students enrolled in special-education programs or segregated into isolated classroom settings.

Proponents of the policy, which was issued in the final weeks of the Obama administration, view it as a check on schools that knowingly or unknowingly move minority students down paths that can lead to lower educational attainment.

Black students are more than twice as likely to be identified as having an intellectual disability or emotional disturbance as their peers, according to Education Department data. Hispanic students are 40% more likely to be identified as having a learning disability, while Native American students are 90% more likely.

The delay, published in the Federal Register on Tuesday, is one step in a larger Education Department review as of officials weigh whether to scrap the Obama-era rule entirely.

If it remains on the books, the rule, which set up a formula for determining when a situation demanded more scrutiny, will now take effect in 2020. Meanwhile, 10 states plan to implement the regulation in July, the department

noted in its federal notice.

Trump education officials have argued the rule would place an undue burden on states to define "significant disproportionality" and go after it.

They also worry that directing schools to achieve certain ratios might mean schools wouldn't offer special education to certain students despite a real need.

"Because of the concerns raised, the Department is looking closely at this rule and has determined that...it is prudent to delay implementation for two years," said Liz Hill, an Education Department spokeswoman, in a statement.

The School Superintendents Association has long argued the rule would create an undue burden on certain schools. "This heavy-handed and aggressive regulation by the Obama administration should be pulled back given the enormous financial consequences

for districts," the group's executive director, Daniel Domenech, said in a statement.

The special-education policy is one in a series of Obama-era social policies that Education Secretary Betsy DeVos has described as federal overreach and has targeted for review.

In its 2004 reauthorization of the Individuals with Disabilities Education Act, Congress required states to identify school districts that placed large numbers of black, Hispanic and Native American students in special-education programs. The law didn't set any threshold at which racial disparities would be considered "disproportionate."

A 2013 Government Accountability Office report found just 2% of school districts followed the law.

Those findings led Obama administration education officials to draft a policy that

would set a "canary-in-the-coal-mine trigger," said Catherine Lhamon, head of the department's civil-rights division from 2013 to 2017. "The regulation as it now exists is designed to make sure that there's a consistent understanding across America of what that canary should be."

In its notice announcing the delay, the department said it has heard from "commenters" who believe the federal agency doesn't have the authority to mandate how states determine what constitutes "significant disproportionality."

The Education Department in one analysis estimated that nearly half of all school districts would be identified for having disproportionate numbers of minority students in special-education programs under the Obama standard. It estimated the cost of implementing changes at between \$50 million and \$90 million.

Duke Settles Sexual-Misconduct Lawsuit

BY VALERIE BAUERLEIN

Duke University has reached a settlement in a lawsuit filed by a former student who said he was wrongfully expelled for sexual misconduct.

The terms of the settlement between the private college in Durham, N.C., and Lewis McLeod are confidential, according to representatives from both sides. Mr. McLeod was the subject of a Page One article in The Wall Street Journal in 2015 on the challenges colleges face in balancing the rights of the accuser and the accused in sexual-misconduct cases.

He sued Duke in 2014.

Mr. McLeod, 27 years old,

completed a law degree in his native Australia while waiting for the case to be resolved, said Rachel Hitch, his lawyer. Mr. McLeod plans to apply to graduate school and hopes the settlement will make employers more willing to hire him, she said. "He is happy," she said. "It's been a heavy load for him to bear."

Duke spokesman Michael Schoenfeld declined to comment on whether the school would grant a diploma or whether there would be any monetary award. He said only, "the parties have settled their differences."

The case involves a November 2013 encounter between Mr. McLeod, then a senior, and a freshman. Mr. McLeod told

campus investigators in early 2014 that they met at a bar and later had consensual sex; the woman told campus investigators that she hadn't wanted to engage in sex.

A disciplinary panel found that it was "more likely than not" the woman didn't agree to sex and was too intoxicated to consent. Mr. McLeod claimed the panel of students and school employees erred, in part by relying on an anonymous statement and failing to let him question that person.

The woman hasn't been named in court documents.

She hasn't responded to emailed requests for comment.

Durham police investigated but didn't charge Mr. McLeod.

In the suit, Mr. McLeod said

Duke breached its contract with him by failing to follow its rules on impartial treatment. Duke said its procedures were followed correctly and the school had no contractual obligation to him.

Duke decided to expel Mr. McLeod days before graduation. Duke has said he was "not entitled to that honor."

Mr. McLeod was one of about 50 accused students suing their campuses when he sued, said Samantha Harris, vice president of policy research at the Foundation for Individual Rights in Education, a civil-liberties group.

Now there are more than 200 cases involving accused students saying they were denied due process, she said.

U.S. NEWS

Kushner Loses Top Security Clearance

By MICHAEL C. BENDER
AND REBECCA BALLHAUS

WASHINGTON—The White House downgraded the security clearance of senior adviser Jared Kushner last week as part of White House chief of staff John Kelly's push to tighten control of classified information inside the Trump administration, an administration official with knowledge of the situation said.

Mr. Kushner, who is President Donald Trump's son-in-law and the husband of Ivanka Trump, has played a central role in crafting White House policy regarding China, Mexico and Canada. He has also, until now, had access to the president's daily brief, a top-secret intelligence report.

"He's a valued member of the team and he will continue to do the important work that he's been doing since he started in the administration," White House press secretary Sarah Huckabee Sanders said.

The change comes at a time of mounting tensions between Mr. Kelly and the president's family in the White House. Mr. Kushner and Ms. Trump have chafed under the staff chief's initial reorganization of the West Wing that restricted their access to the president. Mr. Kelly's changes to the security-clearance process put him on a direct collision



White House adviser Jared Kushner, right, had his interim clearance downgraded after chief of staff John Kelly, left, tightened control.

course with Mr. Kushner.

Mr. Kushner was among several officials who had their interim clearances downgraded from Top Secret/SCI-level to Secret, the official

said. The officials received the memos informing them of the change on Friday, the official said. The memos were reported by Politico.

Mr. Kushner is also set to

lose his spokesman, Josh Raffel, who a White House official said will leave the West Wing in the next two months.

Mr. Kelly announced changes to the security clearance policy

after Mr. Trump expressed frustration with his staff chief over the handling of a former senior official who remained on staff with interim security clearance for more than a year

BRENDAN SMIALOWSKI/AGENCE FRANCE PRESSE/GETTY IMAGES

despite accusations of physical abuse from two former wives. The official, former White House staff secretary Rob Porter, resigned this month after the allegations, which he has denied, became public.

Mr. Kelly's policy curtailed the amount of time White House officials can hold an interim clearance and discontinued interim clearances for some officials whose background checks have been pending since June 2017 or before. More than a dozen top officials, including Mr. Kushner, have held interim clearances for more than a year.

A spokesman for Mr. Kushner's legal team said in a statement: "It is not uncommon for these clearance reviews to take this long in a new administration, and that the current backlog are now being addressed. No concerns were raised about Mr. Kushner's application."

Mr. Kelly said in a statement: "I have full confidence in his ability to continue performing his duties."

Mr. Kushner's White House role has come under increased scrutiny as special counsel Robert Mueller's probe into whether Trump associates colluded with Russia's efforts to interfere in the 2016 U.S. election focuses on a number of episodes during the campaign that involved Mr. Kushner. Mr. Trump has denied collusion by his campaign.

Watchdog Probes Warrants on Ex-Adviser to Trump

By DEL QUENTIN WILBER

Attorney General Jeff Sessions said Tuesday that the Justice Department's internal watchdog will investigate how the FBI and federal prosecutors obtained warrants from the nation's secret spy court to surveil a former Trump campaign adviser.

His statement came in response to a question at a news conference about whether his department would investigate allegations raised in a memo from Republican lawmakers early this month about alleged abuses by the Justice Department in obtaining the warrants from the Foreign Intelligence Surveillance Court.

"We believe the Department of Justice must adhere to the highest standards in the FISA court, and yes it will be investigated, and I think that's just the appropriate thing," Mr. Sessions said. "The inspector general will take that as one of

the matters he'll deal with."

A spokesman for the inspector general acknowledged receiving a referral from Mr. Sessions but declined to comment further.

The inspector general has been reviewing the Federal Bureau of Investigation's handling of its probe into Hillary Clinton's use of a private email server when she was secretary of state. It hasn't disclosed whether it is investigating aspects of the bureau and Justice Department's inquiries into Russia's meddling in the 2016 election and any potential links between Moscow and members of Donald Trump's campaign.

Russia has denied interfering in the U.S. election. President Trump has called probes of whether his team colluded with Russia to meddle in the election a "witch hunt."

A Republican memo released Feb. 2 by the House of Representatives alleged abuses

in how top law-enforcement officials sought in 2016 to monitor Carter Page, a one-time adviser to the Trump campaign, suggesting partisan motives were behind the investigation of possible ties between the president's associates and Russia.

A Democratic memo released Saturday aimed to rebut the Republican document, outlining an array of information it said formed the basis of the application for surveillance and rejecting any contention that agents had partisan motives.

The inspector general's investigation into the FISA process doesn't appear to be an offshoot of its Clinton probe but comes in response to a referral by Mr. Sessions shortly after the Republican memo was released. "I will forward to appropriate DOJ components all information I receive from Congress regarding this," Mr. Sessions said on Feb. 2.

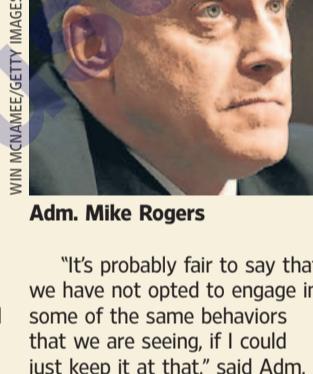
NSA Isn't Targeting Russian Networks

WASHINGTON—The head of the National Security Agency told lawmakers Tuesday that he hadn't been formally asked by President Donald Trump to take steps to disrupt Russian election hacking activity at its source.

Adm. Mike Rogers was asked by Sen. Jack Reed (D., R.I.) during testimony before the Senate Armed Services Committee hearing whether he had been directed by the president, through the secretary of defense, to strike "the origin of these attacks."

"No, I have not," he said.

Adm. Rogers said that while he has directed his agency to begin "some specific work" that he wouldn't specify in an unclassified setting, the agency hasn't pursued other work to counter Russian meddling.



Adm. Mike Rogers

"It's probably fair to say that we have not opted to engage in some of the same behaviors that we are seeing, if I could just keep it at that," said Adm. Rogers, who also serves as the head of U.S. Cyber Command.

The exchange before the Senate committee indicated that while the U.S. has taken defensive steps against Russia, it wasn't conducting offensive measures, such as attacking the networks behind the intrusions

in U.S. elections. Adm. Rogers and other intelligence officials say they don't expect the intrusions to stop.

"Is Russia attempting to achieve a strategic objective by influencing U.S. public opinion and elections?" Mr. Reed asked Adm. Rogers.

"Yes, sir. I believe they are attempting to undermine our institutions," Adm. Rogers said.

White House press secretary Sarah Huckabee Sanders said later Tuesday that the president "is open to looking at a number of different ways to make sure Russia doesn't meddle in our elections." Ms. Sanders said there could be action in the "coming weeks and months."

The U.S. intelligence community has concluded that Russia targeted the election systems of 21 states in 2016, but didn't alter vote tallies. Russia has denied meddling.

—Nancy A. Youssef

Republicans Sue Again to End ACA

By STEPHANIE ARMOUR

Twenty Republican state attorneys general are seeking to overturn the Affordable Care Act in a lawsuit that argues the law is unconstitutional now that Congress has repealed its tax-based penalty on individuals who don't have health insurance.

The lawsuit, filed this week in federal district court in the Northern District of Texas, focuses on the individual mandate, which is the ACA's requirement that most people have health coverage or pay a penalty.

Congressional Republicans late last year ended the penalty starting in 2019, but the requirement to have insurance technically remains. It is unenforceable without a penalty, however.

The Supreme Court ruled that the mandate was constitutional in its landmark 2012 ruling upholding the ACA, because the penalty fell within Congress's taxation powers. The removal of that penalty, the GOP state officials argue, renders the mandate unconstitutional and the broader law invalid.

"Once the heart of the ACA—the individual mandate—is declared unconstitutional, the remainder of the ACA must also fall," the lawsuit said.

Republicans have failed in the past to have the ACA overturned in the courts. In this case, the plaintiffs face a number of challenges, legal experts said. The states will have to prove they have standing, which means they have to show they have experienced or will experience harm, and that is difficult to demonstrate now that the penalty has been repealed.



Republicans say their repeal of the penalty in the individual mandate makes the health law invalid.

The litigation reflects a desire by many conservatives to press ahead with efforts to topple the law completely, going beyond recent efforts by the Trump administration to dismantle it piecemeal.

That quest is driving the lawsuit, as well as efforts by some House Republicans who are pushing for a repeal of an ACA requirement that many employers provide health coverage or pay a penalty.

At least one of the judges where the lawsuit was filed, Judge Reed O'Connor of Fort Worth, has taken action before against the ACA. In 2016, he issued a temporary injunction to block an Obama regulation that prevented discrimination in health care against people based on their gender

identity or history of abortion.

"It's basically a nuisance lawsuit, but they found this judge who may be receptive to it, so they may get to first base," said Timothy Jost, an emeritus professor at the Washington and Lee University School of Law.

The state attorneys general say it is clear that the repeal of the insurance coverage penalty means there is no remaining legitimate basis for the ACA. "Through our multistate lawsuit, we hope to effectively repeal Obamacare, which will then give President Trump and Congress an opportunity to replace that failed experiment with a plan that ensures Texans and all Americans have better choices for health coverage."

age," said Ken Paxton, the Texas attorney general.

The lawsuit was also filed by Alabama, Arkansas, Arizona, Florida, Georgia, Indiana, Kansas, Louisiana, Maine, Mississippi, Missouri, Nebraska, North Dakota, South Carolina, South Dakota, Tennessee, Utah, Wisconsin and West Virginia.

All those states are led by Republicans, with the exception of Louisiana, which has a Democratic governor and a Republican attorney general.

Georgia GOP Attacks Delta Over NRA Shift

By CAMERON MCWHIRTER

ATLANTA—Delta Air Lines Inc. has triggered a fight among Republicans in its home state of Georgia after it ended some discounted rates for National Rifle Association members following the deadly Florida school shooting this month.

Republican Lt. Gov. Casey Cagle, who heads the state Senate and is a leading candidate for governor this year, has threatened to block a GOP-sponsored bill that would provide tax breaks on jet fuel that benefit Delta, metro Atlanta's largest employer.

Mr. Cagle said Monday on Twitter that he would "kill any tax legislation that benefits" Delta unless the company changes its position on the discounts for NRA members, which were for travel to the group's annual meeting. "Corporations cannot attack conservatives and expect us not to fight back," he said.

In a statement last weekend, Delta said it supported the Second Amendment but decided to cut the discounts to reflect "the airline's neutral status in the current national debate over gun control amid recent school shootings."

Delta was one of several corporations including MetLife Inc. and United Continental Holdings Inc.'s United Airlines to cut ties with the NRA after a gunman opened fire at Marjory Stoneman Douglas High School in Parkland, Fla., killing 17 people.

Mr. Cagle's move follows criticism of Delta's decision from conservative Republican and tea-party groups, and calls to block the bill that includes the jet-fuel tax breaks, which is

backed by Republican Gov. Nathan Deal. It also has created an awkward situation for two politicians who often work together: Mr. Deal, who is term-limited, and Mr. Cagle, who is trying to assert himself as a social conservative in advance of the Republican primary in May.

Mr. Deal's chief of staff, Chris Riley, said in a message on Twitter that Mr. Deal assumed Delta's decision would include other political groups as well "to remain neutral."

A Delta spokeswoman didn't reply to a request to comment, though last weekend Delta said

The airline ended its discounted rates for group's members after latest school killings.

that it had taken similar actions in the past, and that it "will not support organizations on any side of any highly charged political issue that divides our nation."

In Georgia, the battle is the latest within the GOP between a pro-business faction of the party and a social conservative wing.

Democrats in Georgia were quick to jump on the GOP infighting and fights with Delta, which employs about 31,000 people in metro Atlanta.

Priyanka Mantha, spokeswoman for Stacey Abrams, a Democratic candidate for governor, said Mr. Cagle sacrificed jobs and endangered the state economy "just to satisfy his buddies at the NRA."

WORLD NEWS

Saudi King Shuffles Military Brass

Monarch's move comes as crown prince leads overhaul of armed forces

By MARGHERITA STANCATI

Saudi Arabia's monarch ordered a far-reaching shake-up of the armed forces to strengthen its military amid a drawn-out war in Yemen and efforts to contain Iran's influence in the Middle East.

In a string of decrees issued late Monday, King Salman launched a broad revamp of the Defense Ministry formulated by his powerful son and minister of defense, Crown Prince Mohammed bin Salman.

The king began the overhaul by replacing several top officers, including the chief of staff and the commanders of the land and air forces, with military officials from a younger generation.

The overhauls enhance the power of the 32-year-old prince, who has consolidated political authority and emerged as the most powerful decision maker his country has seen in decades. The defense plan stems from a new national security blueprint and maps changes in the ministry for the next 10 years or more.

Saudi Arabia is one of the world's biggest military spenders and boasts one of the Middle East's most advanced arsenals. But it has been limited in its ability to train troops and operate sophisticated equipment without help from its allies—weaknesses that became apparent in the Saudi-led coalition's war against Iran-aligned Houthi rebels in Yemen.

"There is general sense that compared with other militaries in the region, particularly rival Iran, Saudi Arabia doesn't have the same ground capacity," said Karen Young, a senior scholar at the Washington-based Arab Gulf States In-



Saudi air force cadets held copies of the Quran during a graduation ceremony this month in Riyadh.

stitute. "That is also driving this reorganization: The sense of rivalry and evaluation that they are not quite ready."

Prince Mohammed is set to travel next week to the U.K., one of the kingdom's closest Western allies and a partner in the coalition.

The main goals of the Defense Ministry overhaul, a Saudi official said, are "improve the capabilities of the ministry of defense, reduce waste, fraud and corruption and to increase local production in the procurement chain."

The Saudi-led coalition's experience in Yemen has significantly informed that strategy, the official added. "Lessons learned from the operation in Yemen have certainly been incorporated," he said.

New entities include a joint operations command to coordinate activity across combat units, according to the official.

The Defense Ministry shake-up is ultimately aimed

Marching Orders

Saudi Arabia has launched a broad military revamp that features an effort to reduce waste and procure locally.

15 countries with the highest military expenditure, 2016



*Estimate †2014 data

Source: Stockholm International Peace Research Institute THE WALL STREET JOURNAL.

at creating a more professional and efficient fighting force, but also enhances the crown prince's authority, said Becca Wasser, a policy analyst specializing in Gulf security at Rand Corp.

"In ridding the military of top-level leaders resistant to change, MbS has installed a younger generation of military officers loyal to him, effectively consolidating his control over the military," Ms. Wasser

said.

The Saudi official said the officers were promoted on the basis of merit and seniority.

This week's shake-up is the latest in several changes to the security apparatus. Last year, the government established a new entity in charge of national security that reports directly to the king, stripping the ministry of interior of much of its powers.

The dismissal of top commanders comes as Saudi Arabia is bogged down in Yemen, three years after the coalition intervened against the Houthis, who Saudi Arabia says are backed by Iran—which Tehran denies. The coalition has drawn criticism for civilian casualties through an air bombing campaign that has hit market areas, funerals and hospitals.

Saudi Arabia's decision to intervene was an early indication of its willingness to aggressively pursue a more independent foreign policy under King Salman, who had assumed the throne months earlier.

Riyadh is also pushing to develop an indigenous defense industry as it seeks to become less reliant on the U.S. and other Western allies for its own security, in training and weapons.

The government has said the goal is to increase the amount of money the government spends on military equipment at home from around 2% in 2016 to 50% by 2030.

"Military development and defense is a core priority for the government of Saudi Arabia," particularly in light of reduced U.S. involvement in the region, said Mohammed Al-yahya, a Saudi political analyst and nonresident fellow with the Atlantic Council.

"There are failed states all around Saudi Arabia. The U.S. withdrawal came relatively suddenly and there is a real need to have an effective and capable military."

Syria, Russia Step Up Attacks

By NOUR ALAKRAA AND THOMAS GROVE

Syrian regime forces and their Russian allies conducted airstrikes Tuesday on an area on the outskirts of Damascus despite Moscow's promise of a "humanitarian pause" in the fighting, according to residents.

Though it voted in favor of a U.N. resolution for a 30-day cease-fire over the weekend, Moscow has declined to implement it, saying instead it is working with Syrian forces to organize daily five-hour truces to allow civilians and the sick and wounded to evacuate Eastern Ghouta through a "humanitarian corridor."

Residents said they were skeptical of the plan, and the U.N. said fighting continued despite Moscow's order of a daily suspension of hostilities from 9 a.m. until 2 p.m. Residents said no civilians fled through an evacuation route devised under the plan.

"It is 11:30 a.m. and the Russian truce should have started, but all kinds of bombs are still falling on us," said resident and activist Bilal Saleh.

Russia, which denied that it carried out any hostilities during the pause, blamed rebel strikes for preventing civilians from evacuating. "Currently there is intensive fire from the militants and not a single civilian has left," Gen. Viktor Pankov told Russian agency Interfax.

Eastern Ghouta, an area of 400,000 people, has been under military siege by the Syrian regime forces for nearly five years, but the bombardment has intensified in the past week.

The U.N. resolution demands an immediate lifting of the siege and to allow medical evacuations and aid deliveries.

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WORLD NEWS

A Russian Fighter's Unsung Death

By JAMES MARSON

ASBEST, Russia—Igor Kosoturov died as he fought: in the shadows.

Word of the 45-year-old's death on a distant Syrian battlefield this month reached his hometown here on the slopes of Russia's Ural mountains by a circuitous—and informal—route.

There was no official notification, no thanks from a grateful nation. Instead, there was a message from a comrade-in-arms, relayed via fighters in Ukraine, that Mr. Kosoturov was killed in a U.S. airstrike.

A former special-forces soldier in the Russian military who later fought in eastern Ukraine, Mr. Kosoturov was in Syria as a member of a private military company known as the Wagner group, his friends say. According to two Russian officials and a former member, the Wagner group was sent there by Yevgeny Prigozhin, a close ally of President Vladimir Putin and the most prominent of the 13 Russians indicted this month for interfering in the U.S. presidential election.

Russian law bars private fighters and the funding of their activities. A spokesman for Mr. Prigozhin has previously said Mr. Prigozhin has no ties to the Wagner group.



An undated photo of Igor Kosoturov, taken from a Russian social-media site, shows him as part of a Russia-backed unit in Ukraine.

Russian former fighters active in both Ukraine and Syria say they fought with such units, which further the Kremlin's interests but don't wear Russian uniforms. Their murky status gives the Russian government a measure of deniability over foreign interventions. Critics of the Kremlin say the use of such groups also aims to head off public discontent over dead soldiers.

"The government has washed its hands of them," said a friend of Mr. Kosoturov

who is seeking his remains.

Mr. Kosoturov was an army special-forces soldier in Chechnya in the late 1990s and early 2000s before moving out of his last base to nearby Asbest, about 900 miles east of Moscow. The dreary town of around 60,000 residents sits on the edge of a 10-square-mile open-pit mine for asbestos.

Like many other hard-scrabble Russian towns, Asbest has had another export in recent years: men like Mr. Kosoturov who set off for conflict zones, fueled by a mix of patriotism, camaraderie and a search for financial rewards. Natalya Krylova, a friend of Mr. Kosoturov and a municipal lawmaker who opposes Mr. Putin, says a second man from Asbest was also killed in the Feb. 7 U.S. airstrike, and at least two were killed fighting in eastern Ukraine.

"Our Asbest guys are bargaining chips for Putin's ambitions," she said.

In 2015, Mr. Kosoturov headed to eastern Ukraine to deliver food and medicines, and stayed to fight on the side of antigovernment insurgents backed by the Kremlin. Some friends say he wanted to earn money, in part to put his daughter through college; others stress his sense of duty and the fellowship he felt from

army service.

Mr. Kosoturov went to Syria with his unit last year, where it was assigned to guard an oil refinery in the eastern province of Deir Ezzour. On Feb. 7 it set out to seize control of another refinery, according to a person familiar with the operation, and was decimated by a U.S. airstrike.

As news of deaths trickled out in the following days via social media, the Kremlin said it knew nothing about them. The Foreign Ministry later suggested five Russians had been killed and others wounded.

The news that reached Asbest via fighters in eastern Ukraine was that about 30 men had been killed in the airstrike. Later a person who had helped collect the remains in Syria described the scene to one of Mr. Kosoturov's former comrades with an expletive and the words "lumps of flesh," according to a person familiar with the conversation.

The Russian Foreign Ministry last week again said the clash didn't involve the Russian military. "There are Russian citizens in Syria who went there of their own will and with various goals," it said in a statement, adding dozens of injured had been brought to Russia for treatment. It made no mention of the dead.

Top U.S. Envoy for Pyongyang To Depart

The sudden departure of the top U.S. diplomat on North Korea issues underscores persistent divisions in the Trump administration over the value of diplomacy with North Korea.

By Felicia Schwartz and Michael Gordon in Washington and Andrew Jeong in Seoul

Joseph Yun, the State Department's special representative on North Korea policy, confirmed in an email that he is leaving the post but didn't elaborate on his reasons.

Current and former officials suggested the longtime diplomat would retire in part because he feels he has taken his efforts as far as they can go and lacks the high-profile support



Joseph Yun's departure comes at a critical time in U.S. relations with North Korea.

from the Trump administration needed to further his diplomacy.

Mr. Yun's departure, expected on Friday, comes at a critical moment, with North Korea indicating it is willing to talk with Washington and South Korea encouraging the Trump administration to find a way to open a dialogue with Kim Jong Un's regime.

Mr. Yun and others at the State Department have wanted to enter preliminary discussions with Pyongyang—often called “talks about talks”—as South Korea's President Moon Jae-in has urged Washington to do.

White House officials, however, want to see meaningful indications that North Korea is prepared to roll back its nuclear arsenal before beginning negotiations and suspects that Pyongyang is still trying to drive a wedge between Washington and Seoul, officials said.

“We want to talk only under the right conditions,” President Donald Trump said at the White House on Monday.

Heather Nauert, the State Department press secretary, attributed Mr. Yun's departure to “personal reasons.”

“We are fully confident that we have terrific, qualified, experienced people who will take this on and continue our maximum-pressure campaign. Our policy has not changed,” she said. There are no immediate plans for a new special representative to succeed Mr. Yun but officials will search for his replacement once he leaves, she said.



Children were treated after a gas attack on al-Shifuneh village in Eastern Ghouta, Syria, on Sunday.

U.N. reports.

The latest details of the North Korean-Syrian military venture reflect decadeslong ties between Pyongyang and Damascus, dating to their shared Cold War patronage under the Soviet Union. Pyongyang helped build the Syrian nuclear reactor that was destroyed by Israeli midnight strikes in September 2007. That facility was thought to be a near duplicate of North Korea's Yongbyon reactor.

In their confidential report, U.N. investigators identified more than 40 shipments of material for use in arms production and other banned weapon programs from North Korea to Syria's unconven-

tional-weapons group. The last one was sent just a few weeks ago, the investigators wrote.

North Korean technicians with specialized knowledge of chemical and ballistic-missile technology have repeatedly visited Syria over the past two years, according to intelligence reports provided to the U.N. In August 2016, a North Korean technical delegation to Syria discussed the procurement of special valves and thermometers known to be used in chemical-weapons programs, according to those reports.

A range of technicians with expertise in long-range radar, missiles, tanks and other military equipment also have been found operating

over the past two years in Sudan, Mozambique, Uganda and Myanmar.

Syria told U.N. investigators there were no North Korea technicians in the country.

Mr. Niksch says North Korea is likely also selling Iran the technical data from its recent missile tests.

Given North Korea's advances in weapons technology, many question whether the Trump administration's pressure campaign can succeed.

“The bar is now so much higher to convince North Korea to roll things back,” said Anthony Ruggiero, a former U.S. Treasury official now at the Washington-based Foundation for Defense of Democracies.

KOREA

Continued from Page One
the confidential report, which was reviewed by The Wall Street Journal.

One of those firms works for an SSRC-controlled entity that the U.S. Treasury says has been used to buy missile and rocket propellants and parts for Syria's SCUD missile program.

China told the U.N. investigators it had no evidence that one of its companies was doing business with North Korea's primary arms dealer. It didn't deny the sales to Syria in the U.N. report, however, and said it was open to investigating those alleged connections to North Korea if investigators provided more evidence.

Pyongyang, which has resorted to a range of sanctions-evasion strategies, likely makes the largest chunk of its illicit money from proliferation, said Bruce Bechtol, a former senior Defense Intelligence Agency officer specializing in northeast Asia. Sales have long been concentrated in the Middle East, especially Iran and Syria, and Africa, he said.

While Washington has secured more stringent policing of North Korea's sanctions evasion in many areas of the world, including China, it has struggled to shut down North Korea's proliferation of weapons.

Larry Niksch, a former U.S.

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WORLD NEWS

The Real Italian Job: Rev Up Productivity

State dysfunction and entrenched habits hold back businesses, researchers say

By MARCUS WALKER
AND GIOVANNI LEGORANO

ROME—The campaign leading up to Italy's national elections on March 4 has featured populist promises of largess but neglected what economists have long said is the real Italian disease: The country has forgotten how to grow.

Take Gianni Angelilli's pizzeria in downtown Rome. He uses an innovative dough mix and flexible cooking methods, drawing long lines and rave reviews. But Italy is too bureaucratic, the locals have no money and his ambition isn't what it used to be, Mr. Angelilli said. If he opens more outlets, they will be abroad.

"Now, foreigners have more desire to eat well than Italians," he said. "Italy is dead. Italy is finito."

Italy prides itself on its creativity, but its economy is recovering from the upheaval of recent years at a slower pace than the rest of Europe. The core of the problem is a lack of growth in productivity, which means the country has steadily lost touch with a rapidly changing world over the past quarter-century.

Surging postwar productivity turned Italy from a largely poor and agrarian country into one of the world's leading industrial powerhouses. Then, in the early 1990s, the motor stalled and Italy became steadily less efficient at deploying capital and labor, productivity data show.

The Italian economy contracted deeply in Europe's debt crisis earlier this decade. A belated recovery now underway yielded 1.5% growth in 2017—a full percentage point less than the eurozone as a whole and not enough to dispel Italians' pervasive sense of national decline. Many European policy makers view It-



Gianni Angelilli's Pinsere pizzeria in Rome has drawn rave reviews, but he says Italian regulations make him feel 'psychologically violated.'

aly's stasis as the likeliest cause of a future eurozone crisis, even though the common currency looks secure for now.

Italy's productivity problem is due partly to dysfunctional government and partly to entrenched business habits, said researchers at the Einaudi Institute for Economics and Finance, a Rome think tank funded by Italy's central bank.

Italian politics have become measurably more chaotic since the country's old party system—largely frozen during the Cold War—collapsed amid corruption scandals in the early 1990s. Data collected by Einaudi economist Luigi Guiso and others show that since 1992, coalitions have become more likely to crumble, lawmakers to defect and governments to need confidence votes in parliament. Politicians jostling for attention push

more frequent, longer and more-complicated legislation.

"An excess has cluttered the bureaucratic machine," says Mr. Guiso. "The country has become cumbersome."

Yet the weakness of transient politicians has paradoxically made the public adminis-

servants decided a tender offer inviting U.S. organizations to participate could be published in Italian only. After much persuasion, the civil servants agreed to publish the tender in English, too—but insisted all applications must be in Italian, Mr. Guiso said. He said political

comply with European, national and regional laws, ran afoul of new city rules.

Government isn't the only problem, said Fabiano Schiavardi, another economist at the Einaudi Institute who has researched what is driving the productivity data. The mom-

vardi said—but now they are holding the country back.

"Professional management, information technology, highly educated human capital—all are lacking," he said. "A change of culture is needed."

Some families are breaking with old habits. At Pasubio SpA, a maker of leather interior trim for luxury cars based in Vicenza, four sibling owners were deadlocked over strategy. Last year they sold a majority stake to private-equity firm CVC Capital Partners, while only one brother, Luca Pretto, remained in charge.

"Emotions were getting in the way of business logic," Mr. Pretto said. "We understood that we needed outside investment, and top managers from outside the family, to globalize." The company is reorganizing and growing rapidly.

"It's not usual in Italy to do this. The mentality in Italy is to see the company as part of the family," he said. "This is the enemy of developing the business."

*'An excess has cluttered the bureaucratic machine.
The country has become cumbersome.'*

Einaudi economist Luigi Guiso, discussing the shift in Italian politics since the early 1990s

tration more powerful, at the same time as constant legal changes immobilize it, he says.

Mr. Guiso has practical experience. He is helping to set up a government-supported program to send young Italians to learn about entrepreneurship in Silicon Valley and at U.S. business schools, and he said Italian civil

friends apologized, saying there was nothing they could do.

Mr. Angelilli said his encounters with Italian bureaucracy while running his Pinsere pizzeria have left him feeling "psychologically violated."

He said he had to pay a fine recently because his oven's air extraction, made to

and-pop businesses that make up the backbone of Italy's economy are too often run by risk-averse founders, he said.

Legions of small companies with artisanal manufacturing skills were a national asset when Italy was catching up with other countries in the postwar decades, Mr. Schiavardi said. Now they are holding the country back.

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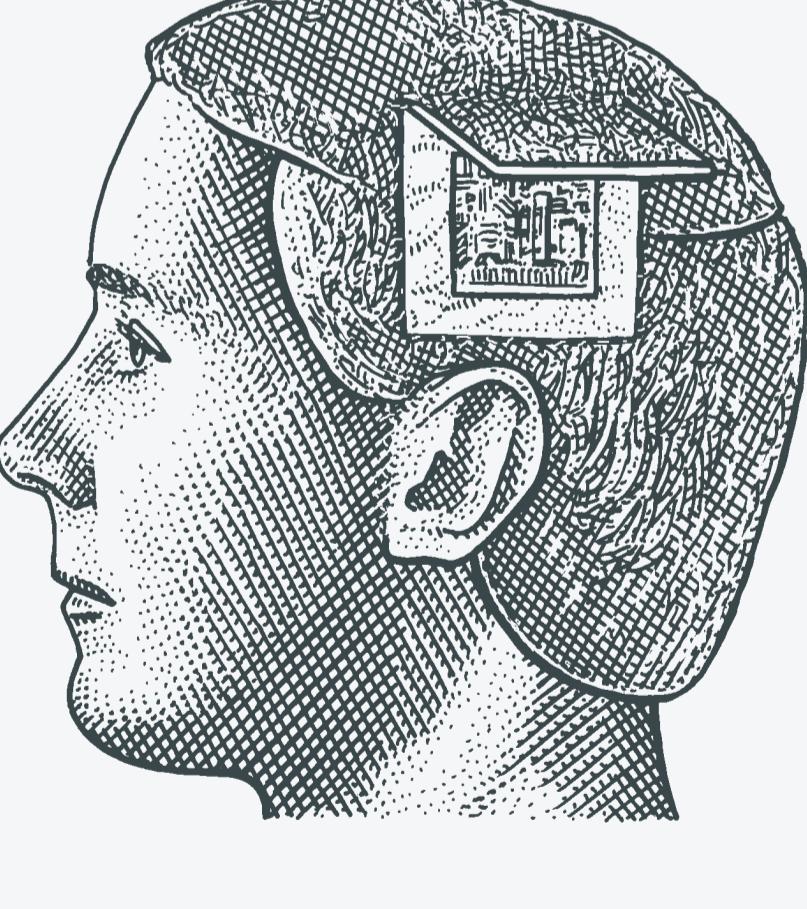
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WORLD NEWS

Kidnapping Pressure Nigeria President

Boko Haram's latest seizure of schoolgirls sparks calls urging Buhari to not run again

BY JOE PARKINSON
AND GBENGA AKINGBULE

Boko Haram's abduction of more than 100 Nigerian schoolgirls last week is sending political shock waves through a key U.S. counterterrorism ally in Africa as President Muhammadu Buhari weighs whether to seek re-election.

Mr. Buhari, a 75-year-old former military junta leader, won 2015 elections on a campaign to defeat the Islamist insurgency and liberate more than 200 Chibok schoolgirls, whose 2014 abduction prompted a global outcry.

For months—grappling with illness and Nigeria's worst recession in four decades—Mr. Buhari has faced calls to quit ahead of next year's elections. His poll ratings have plummeted and his governing party is beset with internal rifts.

The kidnapping of 110 girls from the Dapchi Government Girls Science and Technical College in northeastern Yobe state has emboldened his critics, who draw parallels to the Chibok abductions and the potential political fallout in Africa's most populous nation and biggest economy.

None of the Dapchi girls has been found. Nigeria's government on Tuesday said it had set up a probe led by senior security officials to investigate the abductions. The U.S. State Department last week condemned the attack and emphasized its



Police have boosted security at schools like one in Damaturu, above, as abductions raise the heat on President Muhammadu Buhari.

support for Nigeria's efforts to counter terror groups.

"Security issues will define Buhari's re-election chances," said Malte Liewerscheidt, vice president at Teneo Intelligence, a risk consultancy. "The abduction could have an equally detrimental effect on Buhari's electoral fortunes as Chibok had on his predecessor."

Mr. Buhari has struggled to ease public anger and dispel comparisons to Chibok. He has dispatched senior ministers, scrambled reconnaissance jets and bolstered security at schools across the country's battle-scarred northeast.

But revelations after the abductions that the government recently withdrew security forces stationed to protect the town, saying they were needed elsewhere, has deepened anger in Dapchi. Nigeria's main opposition PDP party on Sunday accused Mr. Buhari's government of a coverup and demanded an explanation for the security breach.

On Monday, Mr. Buhari invited television cameras to his presidential villa in the capital, Abuja, as he met dozens of women who had survived abduction in two separate incidents last year in Borno state,

where Boko Haram is most active.

"We will go to any length to ensure that no one is left behind in the hands of the terrorists," he said on his official Twitter account on Monday. On Tuesday, Nigeria's military said they had rescued 1,100 Boko Haram captives who had been held near the Cameroon border.

On nearby streets, some residents questioned whether Boko Haram's recent incursions were denting the general's security credentials.

"The security situation is in a shambles—Boko Haram are calling the shots," said Maria

Urgbashi, who runs a food stall close to the Hilton hotel. Another trader, Umar Danjuma, agreed: "Buhari has done his best, but I don't think his best is good enough to take Nigeria out this present hardship."

Despite the disquiet, many analysts and commentators say Mr. Buhari remains the front-runner if he is healthy and popular enough to secure his governing APC party's nomination.

The APC—which on Monday opened its annual congress—is deeply divided, as is the opposition PDP, which has yet to find a credible candidate.



"Anyone living in Nigeria is a witness to the infrastructure revolution unleashed by President Buhari. Look at the war against corruption. Do you Nigerians want all of that to be jettisoned?" a government spokesman said Tuesday.

The growing Dapchi backlash has clouded Mr. Buhari's fortunes. In recent weeks, two former presidents have urged him not to seek re-election.

"Buhari has governed more like a king than a leader at the center of a sophisticated political structure," said Matthew T. Page, a former State Department official now with the Carnegie Endowment. "That may come back to haunt him at the election."

Anger swelled in Dapchi on Tuesday. Parents of the missing girls gathered outside the residence of the local chief who had called for a fast to petition God for their daughters' safe return.

"We are just praying for the safe return of our daughters," said Garba Sule, whose daughter Zara is missing. "The president should bring back our daughters."

China Refines Its Dragnet in Xinjiang

BY JOSH CHIN

Authorities in China's troubled, heavily surveilled region of Xinjiang are deploying a platform that marshals the troves of data being collected to identify and pre-emptively detain potential troublemakers, according to a rights group.

Human Rights Watch said Tuesday the "predictive policing" platform combines feeds from surveillance cameras with other personal data such as phone use, travel records and religious orientation, and then analyzes the information to identify suspicious individuals.

China's government has turned Xinjiang, a vast region on the border with Central Asia that thrums with ethnic tension, into a laboratory for cutting-edge surveillance and social control. High-definition cameras, security checkpoints equipped with facial recognition and police patrols armed with hand-held smartphone scanners blanket the region's cities and villages.

The policing platform, which government procurement documents and official media refer to as the "Integrated Joint Operations Platform," is key to collating that information. Human Rights Watch said the technology is supplied by a subsidiary of state-owned military contractors China Electronics Technology Group Corp., or CETC.

It spoke with people in Xinjiang who observed local officials use the platform to generate lists of individuals for police to investigate.

The Xinjiang government didn't respond to a request to comment. Repeated phone calls to CETC press representatives weren't answered.

China's government and police have deemed surveillance necessary to detect extremist beliefs among Muslims, some of whom have been linked to terrorist attacks inside and outside of Xinjiang.

Maya Wang, China researcher at Human Rights Watch, said the breadth of the collected data suggests the effort goes beyond authorities' stated aims. "The concern over terrorism is there, but it's encompassed in a much broader campaign to root out nonconformity," she said.

Slain Slovak Reporter Was Investigating Graft

BY DREW HINSHAW

A Slovak reporter was investigating alleged ties between the country's prime minister's office and an Italian mafia network when he was killed this week, his colleagues and friends said Tuesday, as Europe's latest murder of an organized crime reporter roiled this small nation.

Jan Kuciak, a 27-year-old investigative journalist, was set to publish a report alleging that Italy's 'Ndrangheta mafia had fraudulently received European Union funds designated for Slovakia before he and his fiancée were found dead Sunday, the friends and colleagues said. The 'Ndrangheta, based in the southern Italian region of Calabria, is one of the world's wealthiest and best-connected crime groups, with branches throughout Europe.

Mr. Kuciak's reporting touched on the group's alleged ties to Slovakia's head of government, Prime Minister Robert Fico. The prime minister's principal state adviser formed a company with a man wanted in Italy for transporting goods for the 'Ndrangheta, according to Mr. Kuciak's reporting published Tuesday in the Slovak news outlets Aktuality, for which he worked, and SME.

Police said Monday the killings appeared to be connected to Mr. Kuciak's work. He was found shot in the chest and his fiancée shot in the head in the



Jan Kuciak, who was probing alleged government ties to the mafia, and his fiancée were killed Sunday.

home they shared east of the capital, Bratislava.

"This seems like the most sensitive story he was working on," said Beata Balogova, editor in chief of Slovak news outlet SME, who had delegated one of her journalists to co-report on the 'Ndrangheta with Mr. Kuciak. The two outlets had agreed to publish their shared findings separately, around the same time.

If the intent was to keep the investigation from the light of day, it has backfired as Slovaks consumed news of the

killing of the pair, who planned to marry in May.

Mr. Kuciak's apparent murder feeds into broader concerns that organized crime networks are rendering investigative work deadly for reporters in parts of Europe. In October, a car bomb in Malta killed journalist Daphne Galizia, in what police said was blowback for her work on mafia-corrupted politicians.

In Slovakia, Mr. Kuciak's death has underscored what has become the major political accusation facing Mr. Fico: that his

government is lax on corruption.

At a press conference Tuesday, Mr. Fico, his police chief, and his interior minister stacked bundles of cash totaling what they said was €1 million (\$1.23 million) on a table and said it was a prize for whomever gives information leading to the arrest of the killer or killers.

The prime minister defended his decision to hire Maria Troskova as his principal state adviser, who Mr. Kuciak had reported once co-owned a company with the alleged 'Ndrangheta transporter.

"Don't link people who just happened to meet other people in the past, crisscrossing in their life, with a murder without any proof," Mr. Fico said, speaking to reporters. The prime minister's office declined to make the aide herself available for questions.

According to Mr. Kuciak's reporting, published Tuesday by Aktuality and SME, Ms. Troskova founded a management company with an Italian citizen living in Slovakia. Mr. Kuciak reported the man was once sought under an Italian arrest warrant under suspicion of helping the 'Ndrangheta.

Another co-owner of that management business co-owns a second business with one of the prime minister's top security advisers, Viliam Jasán.

Neither Mr. Jasán nor Ms. Troskova could be reached to comment. Mr. Fico dismissed the allegations against them as spurious. "Last night you suggested one person was guilty, today a second one, tomorrow maybe a third one," the prime minister told reporters.

Slovakia's opposition is demanding Mr. Fico explain how Ms. Troskova and Mr. Jasán were able to obtain security clearances to work in such high levels of European politics, given their alleged ties to organized crime. Ms. Troskova has regularly accompanied Mr. Fico to meetings with fellow European heads of government.

WORLD WATCH

CAMBODIA

U.S. to Discontinue \$8.3 Million in Aid

The U.S. said it would cut off \$8.3 million in financial aid for Phnom Penh after "recent setbacks to democracy" in the country, including a round of Senate elections on Sunday in which the ruling party claimed victory in all 58 races.

Financial support will be curtailed for the Cambodian military, the tax department and certain local governments, White House press secretary Sarah Huckabee Sanders said Tuesday.

The changes were made "to ensure that American taxpayer funds are not being used to support anti-democratic behavior," she said.

The Cambodian People's Party, the ruling political party, announced Sunday that it had won all 58 Senate seats up for grabs after thousands of opposition lawmakers and local council leaders were stripped of their

right to vote.

—Michael C. Bender

SOUTH KOREA

Sentence of 30 Years Sought for Ex-Leader

Prosecutors sought a 30-year prison sentence and a \$110 million fine for former President Park Geun-hye for her involvement in a corruption scandal that brought down her administration and led to the jailing of high-ranking government officials and business leaders.

The conservative former president is accused of colluding with her longtime confidante, Choi Soon-sil, to extract money from family-run conglomerates, known as chaebols, in return for government favors.

Ms. Park wasn't present in the courtroom in Seoul on Tuesday and couldn't be reached to comment. Ms. Choi was convicted last month. Ms. Park and Ms. Choi have denied wrongdoing.

—Eun-Young Jeong



DAY FOR DYE: A student is stained with traditional colored powder at the Holi festival in Jammu, in India-controlled Kashmir.

CHINA

Manufacturing Fell Sharply in February

China's manufacturing activity fell sharply in February as plants

closed for the Lunar New Year and as demand for Chinese exports waned.

The official manufacturing purchasing managers index, a gauge of China's factory activity, dropped to its lowest level in 19

months at 50.3 in February from 51.3 in January, the National Bureau of Statistics said Wednesday. That was well short of a forecast for a 51.2 reading by economists polled by The Wall Street Journal, though it stayed above the 50 mark that separates expansion from contraction.

—Grace Zhu and Liyan Qi

MEXICO

Trade Deficit Widened in January

The country ran up a \$4.41 billion trade deficit in January, wider than the \$3.47 billion gap a year earlier as import growth outpaced that of exports.

Exports increased 12.5% from the year-earlier month to \$30.73 billion, and imports were 14.1% higher at \$35.14 billion, the National Statistics Institute said.

Petroleum trade accounted for \$1.55 billion of last month's deficit. The shortfall in nonpetroleum goods trade came to \$2.86 billion.

—Anthony Harrup

WORLD NEWS

Canada Pushes Back on Corporate Tax Cuts

By PAUL VIEIRA

OTTAWA—In response to calls from Canadian businesses for U.S.-style tax cuts, Canadian Finance Minister Bill Morneau said that evidence, not emotion, would determine how Canada acts, as he delivered the government's budget plan for the coming fiscal year.

Mr. Morneau proposed to reduce spending now that the economy is on firmer ground. He also outlined a series of policy measures aimed at breaking down barriers to women entering the workforce and earning as much as their male counterparts.

The budget plan, presented Tuesday in the Canadian legislature, was light on measures to bolster Canada's competitiveness. Business leaders warn investment in Canada is under threat following a sweeping tax overhaul the White House signed into law last year, and some called for immediate corporate tax relief in response. Mr. Morneau and the Liberal government sig-

naled they aren't ready to meet corporate Canada's demands.

In a speech to lawmakers, Mr. Morneau said the government was aware of the near-term headwinds the economy faces, led by the uncertain nature of negotiations to rewrite the North American Free Trade Agreement, and tax changes signed into law late last year that put American corporate-income tax rates below those in Canada.

"We will be vigilant in making sure Canada remains the best place to invest, create jobs and do business—and we will do this in a responsible and careful way, letting evidence, and not emotion, guide our decisions," Mr. Morneau said.

Business groups, some economists and some political analysts said the dearth of measures aimed at reducing companies' tax and regulatory burdens was a setback.

"This budget fails to recognize there's been a tectonic shift in public policy in North



Finance Minister Morneau, left, says Ottawa will act on evidence.

America," said James Moore, a Canadian cabinet minister in the former Conservative government and now an adviser at Dentons, the global law firm. "For the business and investment community, a clear point of insecurity is coming about Canada as an investment market, certainly relative to the U.S."

It wasn't long ago that Ca-

nadian officials crowded about the country's corporate tax advantage. They would point to the 2009 decision by the Canadian coffee chain Tim Hortons Inc. to return its headquarters to Canada from Delaware largely because Canada offered a more favorable tax environment. Burger King Worldwide Inc. acquired Tim Hortons in 2014.

Undercut

The new U.S. corporate tax rate is lower than Canada's.

Combined tax rate*

U.S. before tax overhaul	38.9%
U.S. after	24.9%
Canada	26.7%
OECD average	23.8%

*Combined tax rate reflects the average combined federal-provincial rate in Canada; average combined federal-state rate in U.S.; average federal-subnational rate among OECD countries

Source: TD Bank Economics

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members of the Organization for Economic Cooperation and Development, to which Canada and the U.S. belong.

At a news conference before his budget speech, Mr. Morneau said he believed Canada's corporate tax regime was already "clearly competitive" with the U.S. and other developed-world economies.

"What we are going to do is make sure we are able to stay competitive over the long term," he said, adding more research and analysis is required.

The biggest thrust of the budget was its focus on gender equality, including steps to encourage more women in the workforce. One of the biggest initiatives is legislation that would mandate pay equity in sectors that are regulated under federal law. That includes banks, telecommunications providers, airlines, and railroads, among others. The government said this would affect 1.2 million employees.

—Kim Mackrael contributed to this article.

FROM PAGE ONE

DEAL

Continued from Page One
offer yet. Comcast's initial move was a preliminary proposal under U.K. regulations; a formal bid would follow. "A further statement will be made if appropriate," Fox said.

A Disney spokesman had no comment.

Sky said in a statement that its independent directors were "mindful of their fiduciary duties," adding that a further announcement would be made as and when appropriate.

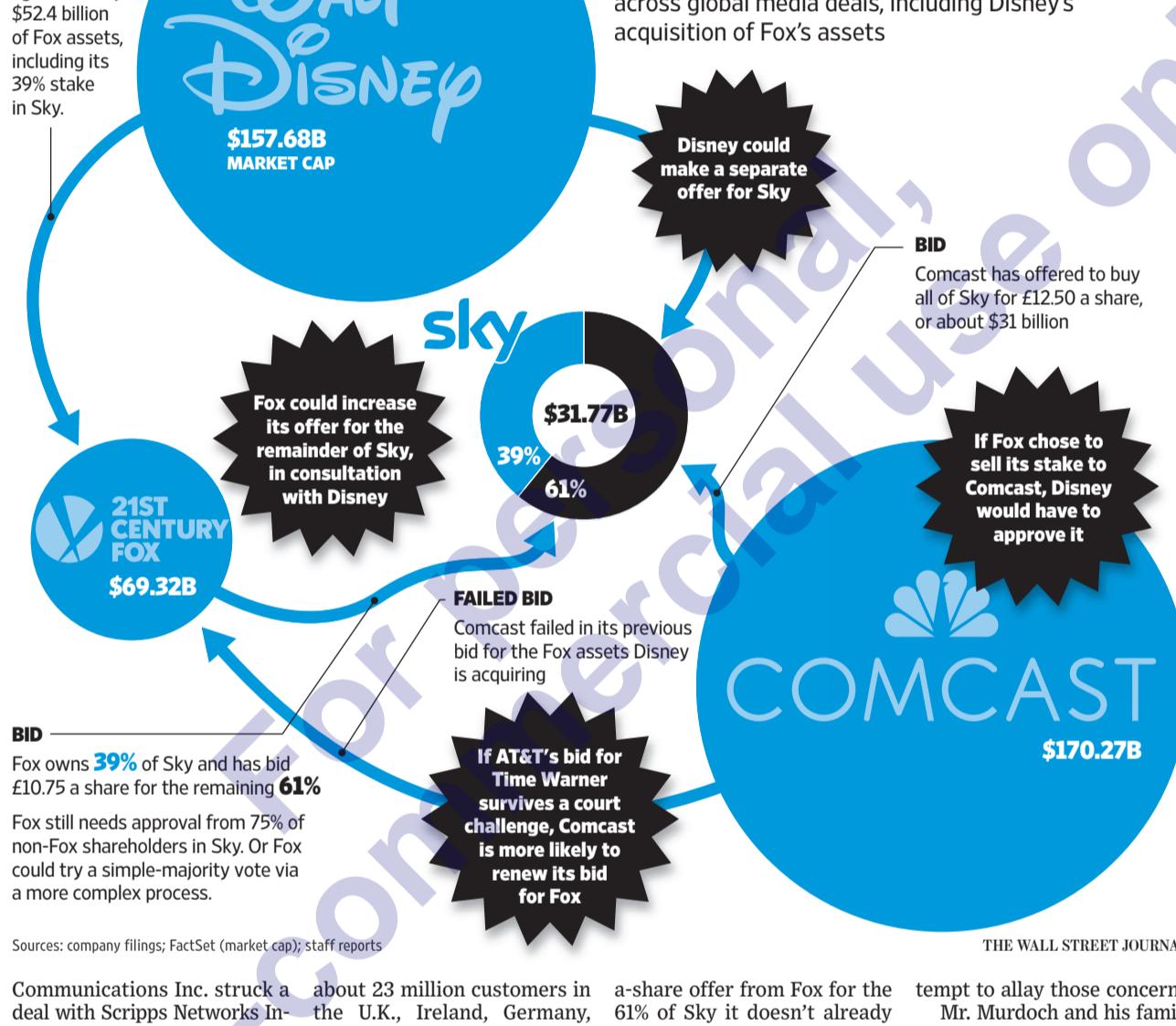
Sky's shares rose more than 20% in London Tuesday, above Comcast's offer, as investors bet on a potential bidding war. Comcast shares dropped 7.4% in New York, while Fox and Disney shares fell 3% and 4.5%, respectively.

Meanwhile, Comcast may not be done making noise: It was in the running for the Fox assets Disney agreed to purchase, which also included the Twentieth Century Fox studio and various U.S. cable networks, but lost out despite a bid that was at least 15% higher, The Wall Street Journal reported.

Comcast hasn't taken off the table the option of reviving its pursuit of additional Fox assets, depending on a number of factors, people familiar with the situation said, though at the moment its prime focus is on completing a Sky deal. Mr. Roberts said on a conference call Tuesday he hadn't spoken with the Murdoch family since they broke off talks two months ago.

Mr. Roberts's efforts are disrupting plans for two companies that have each spurned his overtures in the past. Disney in 2004 rebuffed a hostile takeover by Comcast.

Comcast's push for Sky adds to a frenzied pace of deal-making in media, as companies try to bulk up and adapt to fundamental changes in media-consumption habits, from the rise of smartphones and social-media to cable TV cord-cutting. In addition to the Disney-Fox pact, Discovery



BID

Disney has agreed to buy \$52.4 billion of Fox assets, including its 39% stake in Sky.

Comcast has offered to buy all of Sky for £12.50 a share, or about \$31 billion

If Fox chose to sell its stake to Comcast, Disney would have to approve it

Surprise Bid Means Payday for Funds

Hedge funds that amassed stakes in Sky PLC over recent months are enjoying a bumper payday following Comcast Corp.'s surprise move Tuesday for the U.K. broadcaster.

Among funds that benefited from a 21% surge in Sky's shares are Seth Klarman's Baupost Group LLC, which owns 4.6% in the company; Elliott Management Corp., which holds 2.49%; and D.E. Shaw & Co., with 1.06%. Tuesday's share-price jump means a profit of more than £180 million (\$250 million) on Tuesday for Baupost, and a gain of around £100 million for Elliott, according to calculations by The Wall Street Journal.

While some funds have been long-term shareholders, others have taken or increased positions in the wake of Walt Disney Co.'s deal in December to buy most of 21st Century Fox Inc. That deal was perceived to reduce the political risk that Fox's bid for the remainder of Sky would be blocked.

21st Century Fox and Wall Street Journal-parent News Corp share common ownership.

—Laurence Fletcher

regulators have said they would consider.

Fox's Sky bid requires approval of 75% of non-Fox shareholders in Sky, a high hurdle that Comcast feels it can prevent Fox from reaching, one of the people familiar with the matter said. Fox could switch to a bid that requires approval from a simple majority of non-Fox shareholders, but that could further lengthen the acquisition process.

Big investors, including U.S. hedge-fund manager Paul Singer's Elliott Management Corp., have recently poured money into Sky shares, betting on a higher bid.

about 23 million customers in the U.K., Ireland, Germany, Austria and Italy. Among its most valuable content is rights to air English Premier League soccer matches. Mr. Roberts said the lower-than-expected price Sky paid to renew those rights recently factored into its thinking on a takeover.

Comcast also views Sky's expertise in direct-to-consumer offerings—including its Now TV streaming service—as a major asset as it formulates plans to challenge Netflix Inc. globally, according to people familiar with the situation.

Comcast is offering £12.50 a share for all of Sky, significantly higher than the £10.75-

a-share offer from Fox for the 61% of Sky it doesn't already own. Mr. Roberts said Tuesday that Comcast preferred to buy 100% of Sky, but would settle for a majority stake.

Comcast is betting that it will have a far easier time winning over regulators than Fox, whose proposed Sky transaction has run into a lengthy review in Britain. Regulators have raised concerns that full Fox ownership of Sky, which operates a British news operation, would give Mr. Murdoch's media holdings, including newspapers, too much sway in the country. Sky has proposed giving the news channel independent governance in an attempt to allay those concerns.

Mr. Murdoch and his family have 39% voting stakes in both Fox and News Corp., which owns three major British newspapers. News Corp also owns The Wall Street Journal. Fox has said there are sufficient news outlets in the country—including new, online ones—that media control wouldn't be concentrated with the deal.

Britain's antitrust regulator has said it would make a final recommendation on the deal this year. The British government has final say.

Fox has proposed ring-fencing Sky's news division with an independent board, a move that

of politicians and celebrities, as well as that of murdered teenager Milly Dowler. Mr. Murdoch apologized for the hacking and closed the newspaper.

British antitrust authorities are currently reviewing whether full ownership of Sky would give Mr. Murdoch and his family too much influence in British media. Fox has said the emergence of social media and other online outlets have diluted the Murdoch family's sway.

Mr. Murdoch and his family are major shareholders in both Fox and News Corp., which publishes three major U.K. newspapers as well as The Wall Street Journal. Regulators are scheduled to deliver final recommendations in May. Then the U.K. government would decide whether to approve the deal, approve it with conditions or reject it.

Sky's European Programming Draws American Suitors

By STU WOO

What is so special about Sky PLC?

With three different American suitors, the British pay-TV firm has become the belle of the ball in a deals dance that could reshape the media industry.

Comcast Corp. Chief Executive Brian Roberts explained why on Tuesday, after his company disclosed it was toppling 21st Century Fox Inc.'s bid to acquire full ownership of Sky.

"There's nothing as great in the United States," he said in a conference call.

Sky is both a telecom operator—selling TV, internet and phone services—and a media company with its own original news, sports and entertainment programming. And Sky has reach beyond the U.K. market. It is a pan-European

operation, with businesses in Britain, Ireland, Germany, Austria, Italy, Spain and Switzerland.

In many ways, Sky is a smaller, European version of what many of the biggest media companies in the U.S. are trying to become: an integrated distribution platform that produces its own content. Many telecom companies, which own TV and internet "pipes," now want to also own the programming that flows through that plumbing. They say they can bundle, for example, a smartphone data plan with discounted access to TV shows and sports broadcasts.

That is what AT&T Inc. is trying to build in its pursuit of Time Warner Inc. It's what Comcast has already built to some extent, though without the international footprint.

Sky has also been especially

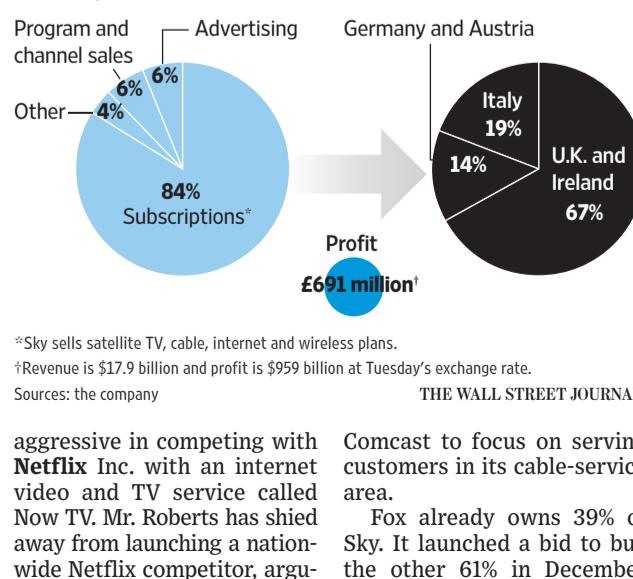
aggressive in competing with Netflix Inc. with an internet video and TV service called Now TV. Mr. Roberts has shied away from launching a nationwide Netflix competitor, arguing it made more sense for

Comcast to focus on serving customers in its cable-service area.

Fox already owns 39% of Sky. It launched a bid to buy the other 61% in December 2016, but is still awaiting regulatory and shareholder approval. Meanwhile, Walt Disney Co. in December agreed to buy the majority of Fox's assets, including the Sky stake, for \$52 billion. But Comcast entered the fray Tuesday, launching a \$31 billion bid for all of Sky.

Sky was created in 1990 when Rupert Murdoch's Sky Television, then a year old, merged with British Satellite Broadcasting to create the U.K.'s biggest digital pay-TV provider. It was called British Sky Broadcasting before changing its name in 2015 to simply Sky to reflect its growing European footprint.

Mr. Murdoch first tried to consolidate ownership of Sky at the beginning of this decade, but ended his attempt in 2011 after political and public backlash over employees at his now-defunct News of the World hacking into the phones



*Sky sells satellite TV, cable, internet and wireless plans.

†Revenue is \$17.9 billion and profit is \$959 billion at Tuesday's exchange rate.

Sources: the company

THE WALL STREET JOURNAL.

IN DEPTH

MARCUS

Continued from Page One

with the plans.

Goldman is scooping up financial-technology startups and pitching its bank accounts to Fortune 500 companies as an employee perk, much as they offer gym memberships or health insurance. Seeking customers, Goldman—so secretive its name doesn't appear on its headquarters—sent out 178 million pieces of direct mail last year and bought television ads during the NFL playoffs, a first for the firm.

In October, it rented a Manhattan lounge and hired an improv-comedy troupe to riff on consumer debt. Guests ate truffle "macaroni and fees" and artisanal doughnuts and took home scented candles bearing Goldman's logo.

The consumer-banking push is a high-stakes bet for Lloyd Blankfein, Goldman's CEO since 2006. A former metals salesman, he rose to power before the financial crisis by pushing Goldman's traders into ever-riskier territory. During the crisis, the firm's reputation took a hit when it was cast as a central villain behind the mortgage meltdown. Today, as trading profits dwindle under new regulations and market shifts, Mr. Blankfein's legacy hinges on the firm's ability to make money in more mundane ways.

Last year, he called a few Marcus borrowers to thank them personally for their business. He wades weekly through customer complaints that find their way to his email inbox, forwarding the thorniest to Stephen Scherr, a former investment banker who oversees the consumer push.

'We don't take them lightly,' says a Marcus rival. 'But we're not tossing and turning.'

'Project Cookie'

Marcus has lent \$2.5 billion so far and has 350,000 customers across loans and savings accounts. It employs about 700 people in New York, Salt Lake and Dallas reporting to Harit Talwar, who joined in 2015 from Discover Financial Services.

"Yes, we have ambitions," Mr. Talwar said in an interview on the 26th floor of Goldman's Manhattan headquarters, where a popcorn machine sits in the corner and borrower testimonials hang on the walls. He was sporting Allbirds, a knit woolen sneaker popular in Silicon Valley—the footwear equivalent of a hoodie. A sign on the conference-room door marked it as the meeting spot for "Project Cookie," one of several code-named initiatives the Marcus team is pursuing.

"The consumer is at the center of everything we do," Mr. Talwar said. "If we can ease pain-points in a way that is profitable for the firm, then we will consider it."

The epicenter is Salt Lake City. Two blocks from the temple of the Mormon Church, which happens to be the bank's landlord, headset-clad customer-service representatives answer questions from small-



BRIANA SCROGGINS FOR THE WALL STREET JOURNAL

'This is new territory,' says Darin Cline, standing, a former Navy pilot who runs Goldman Sachs's Marcus operations in Salt Lake City.

time borrowers.

On the firm's New York trading desks, new employees dream of being named a Goldman partner. On Main Street in Salt Lake City, they vie for "Big Bird" status, a top title on the floor earned through positive customer feedback.

Banking giants such as Bank of America Corp. and JPMorgan Chase & Co. have balance sheets and customer rolls that Goldman can't match. Online startups face less regulation. Amazon.com Inc. and Alphabet Inc.'s Google have an edge in recruiting top talent and leeway from investors to enter new businesses at will.

"We don't take them lightly," Discover CFO Mark Graf said of Goldman at a recent industry conference. "But we're not tossing and turning in our beds at night."

Retail banking may be a simple corner of financial services, but it has tripped up firms with longer track records than Goldman. Plus, the bank is getting into consumer credit at a time when loan losses are on the rise at competitors.

Goldman has sunk \$500 million into the consumer business as it slashes costs elsewhere and struggles to boost profitability. And even if Marcus works, it will be a blip on the bottom line for years: The company projects the business will generate about \$450 million in pretax income over the next three years, just 1% of what analysts expect from the firm overall.

Still, consumer lending is more profitable than many of Goldman's other activities, particularly trading, which can no longer rely on vast borrowings to boost returns. Goldman estimates Marcus loans will produce a return on equity in the high teens, compared with Goldman's firmwide figure of 9.2% over the past three years. And retail deposits give Goldman more-stable funding at a lower cost than relying on loans secured by its holdings of securities.

Goldman must learn softer skills as it works to cover crisis-era reputational bruises and put on a friendly face, or at least a friendly voice on the phone. "This is new territory," said Darin Cline, a former Navy pilot who runs operations in Salt Lake City.

Walking the floor in Western

boots and helicopter cuff links, he ensures that calls are answered by a live person within 30 seconds. "We know we have to get this right," he said.

The consumer business was born in the summer of 2014 in the Hamptons, according to people who were there, when a half-dozen executives gathered for a strategy session at the weekend home of Gary Cohn, Goldman's then-No. 2 executive who later left the firm to join the Trump administration. Goldman's revenues had been flat.

At a picnic table in the yard, the group asked: Where could Goldman grow? They landed on consumer lending.

Goldman dominated the institutional end of finance, as an adviser to corporate CEOs and trading partner to hedge-fund managers. It ignored retail banking, which executives deemed small-time. Longtime finance chief David Viniar for years kept a toaster in his office as a reminder of Main Street gimmicks to avoid.

But without expensive branch networks and legacy systems, Goldman executives believed they could outmaneuver large commercial banks. Meanwhile, the firm's \$900 billion balance sheet would be an advantage over thinly capitalized online-lending startups.

Marcus launched in 2016, offering personal loans of a few thousand dollars, primarily to refinance credit-card debt. Goldman considered names including eQuip and Clarifi, trading

Wallet Share

Goldman expects its new consumer-banking business to make \$1 billion a year in revenue by 2020. Here's how that would compare with its existing businesses:



Note: Doesn't add to 100% due to rounding

Sources: the company; FactSet

THE WALL STREET JOURNAL

ers to offer Marcus loans, which charge on average about 5 percentage points less than plastic.

In October, the firm hired Citigroup Inc.'s head of store credit cards. He was given the task of finding similar partnerships for Goldman.

The bank is in talks with Apple Inc. to finance iPhone sales, The Wall Street Journal reported this month. It has reached out to large retailers including Amazon about extending credit for consumer purchases, and is looking for ways to lend for vacations, home furnishings and elective medical procedures, according to people familiar with the discussions.

Goldman has also explored a mass home-mortgage business and auto lending, though it remains wary of the potential public-relations pitfalls in both markets, the people said.

In perhaps its most dramatic foray, Goldman is building a digital wealth-management platform that it plans to roll out this year, the people familiar with the matter said. Known as robo advisers, these tools use computer algorithms to buy and sell stocks and bonds for ultralow fees, though Goldman is likely to supplement its digital advice with human brokers, the people said.

On the other side of the ledger, Goldman is expanding an online savings-account business it acquired from General Electric Co. in 2016. Paying some of the highest interest rates available, it has added \$8 billion to the roughly \$9 billion in deposits that came over from GE.



A Marcus credit analyst discusses an account with a fraud specialist.

Goldman has said the business will begin offering savings accounts in the U.K. this year.

Building products is one thing. Finding customers is another. Goldman sent out about as many pieces of direct mail in 2017 as Bank of America, according to Mintel Comperemedia, a research firm. It has joined with Fidelity Investments and Intuit Inc., a maker of tax-preparation and accounting software for small-business owners, to pitch loans to their users.

Ayco, a financial-planning service Goldman acquired in 2003, since last fall has built websites for 70 companies including International Business Machines Corp. and General Motors Co. that help rank-and-file employees understand and manage their finances, executives said. The goal is eventually to plug in Goldman's wealth-management services, 401(k) offerings and other Marcus offerings, pitching them to hundreds of thousands of potential customers.

To build these new products, Goldman has made a flood of outside hires, many of whom don't fit the mold of its blue-blooded bankers and traders. Marcus's head of marketing, Dustin Cohn, spent a decade at PepsiCo Inc.'s Gatorade division and underwear retailer Jockey International Inc. The division's chief systems architect, ex-PayPal Holdings Inc. executive Greg Berry, has a nose ring. When advised to wear a suit to a Goldman orientation session, he showed up in a purple jacket, silver bow tie and Converse tennis shoes.

Shopping spree

Goldman is on a shopping spree in Silicon Valley, breaking with its longstanding aversion to acquisitions. It spent around \$20 million to acquire Honest Dollar, a nine-month-old 401(k) startup, in 2016, according people familiar with the deal. It is in talks to acquire Clarity Money, a personal-budgeting app, for a price in the high eight figures, according to people familiar with the matter—an eyebrow-raising valuation for a startup that had 500,000 users as of September.

Some engineering hires have privately grumbled about Goldman's stuffy culture and technology limitations. When coders hired last year from a lending startup asked to use Slack, a group-messaging app popular in Silicon Valley, Goldman's compliance team rejected the request, pointing them to a stodger alternative, Microsoft Corp.'s Lync. Honest Dollar's founder left last year.

Meanwhile, some of Goldman's investment banking clients in Silicon Valley are bristling as a trusted adviser turns into a rival. The then-CEO of LendingClub Corp. phoned Mr. Cohn—Goldman's then-No. 2—to complain after he learned about Marcus, according to people familiar with the episode. His gripe: Goldman had taken LendingClub public—a plum assignment that gave it access to the lender's strategies—without mentioning it was building a competitor.

A few months after that phone call, to help build Marcus from scratch, Goldman hired a top LendingClub operations executive: Mr. Cohn.

the bandstand.

Giacomo Oreglia, an Italian student at a Beijing university, had to ask where the stage was on a recent Sunday night. He wasn't sure his date would be able to find the way. "I hope he kind of figures it out."

When construction workers bricked up the entrance to Zhang Chuanxing's restaurant in a residential building, he hung up a lightbulb and a piece of scrap wood outside with "eateries" scribbled on it by the old doorway.

He hoped guests would be alert enough to turn into his courtyard and find the back door next to the restaurant's kitchen. "It's harder to find us but we have no choice," he says. "This is the country's policy."

One night, frequent patron Peng Longjie couldn't find the new entry after the main entrance got bricked in. He called a friend for directions. "No door?" he says. "I was super surprised."

Beijing's anti-door drive is part of a plan to reduce overcrowding, rehabilitate neighborhoods and remodel the city into a modern capital worthy of China's new global power. To get closer, a spiral staircase leads down to tables next to

Jenne, a historian and Beijing tour guide, "does not necessarily include funky cosmopolitan mixed-used space."

Notices from one government office involved in the urban-renewal campaign and plastered around the city last year urged locals to "beautify every corner of the capital." It listed 10 forbidden activities, including operating illegal businesses and "opening holes in walls"—an allusion to unauthorized entrances.

"Beijing is a respectable capital and we should protect its real identity!" ran the notices

from the Office of the Committee for the Capital's Spiritual Civilization Construction. (The Beijing government didn't respond to a request for comment.)

"I think they want to give the hutongs a high-level feel," says cafe owner Ning Zhu of the changes in her traditional courtyard neighborhood. Authorities removed a small porch outside her entrance in 2016, she says, then sealed up the front door last October.

"This is just the beginning. They'll go step by step."

Many of the affected busi-

nesses sprouted during the rapid growth in the millennium's first decade, when officials seemed eager for private entrepreneurship.

Some local business operators say officials won't provide a clear explanations for the policy change. That is where countermeasures come in.

Improvised signs have sprung up to show businesses holding on: "Vegetables Here," "Open for Business," "Side Door" or, more simply, an arrow indicating the way to the back door.

A hair-salon owner plastered more than two dozen sheets of paper along her alley's brick walls, directing foot traffic into the courtyard home with instructions: "Professional Haircuts / Enter the Yard / Walk to the end / Turn right / Enter the red door."

Neighborhood officials are on the watch, patrolling to collect evidence of businesses with too many signs.

A disgruntled tailor says he took all his signs indoors when officials came to do inspections last spring. The posters lie tossed in one corner of his shack, just large enough for a single bed and sewing-machine table.

Outside his window, to show customers he is open for business, he secured spools covered in bright orange and blue cotton thread.

The front entrance to one of Shi Xinzong's popular dumpling restaurants in a residential area has been bricked over. Hanging on a side door is a board on which he has lightly scribbled "business closed." Which isn't true. Through that door, he pushed aside a thick curtain to show guests eating.

State-run Beijing Television ran a report about a police officer making friendly rounds in the neighborhood. Video showed him shaking Mr. Shi's hand when the restaurant got bricked up. It reported that the officer helped Mr. Shi understand the government's cleanup.

The report irked Mr. Shi, who says it wrongly said he created an illegal front door years ago. "What nonsense!" he says. "There was a door when I came."

Mr. Shi says he has been forced to close down three street-level dumpling joints and is trying to hang onto the remaining three. He recently opened a new outlet—his first in a shopping mall.



Construction workers blocking an entrance in 2017. Beijing is bricking up small businesses operating illicitly out of residential buildings.

GREATER NEW YORK

New Jersey Considers New Gun Laws

Florida shooting spurs Democrats to propose firearm restrictions; 'knee-jerk reaction'

BY KATE KING

Democrats in New Jersey are moving forward with several bills to further tighten the state's gun laws, which are already among the strictest in the nation, making the Garden State the latest to take up the issue after the Florida school shooting that killed 17.

Lawmakers on the Judiciary Committee in the state Assembly will hold a public hearing Wednesday on seven proposed measures, including legislation that would allow law enforce-

ment to seize firearms from people identified by mental-health professionals as serious threats to themselves or others.

"We're going to have a respectful discussion about gun safety focused on common sense solutions that respect the rights of law-abiding citizens," Assemblywoman Annette Quijano, a Democrat who heads the committee, said in a statement.

Democrats are eager to move forward with new firearm laws after former Republican Gov. Chris Christie vetoed several gun-control measures passed by the Democratic-controlled Legislature during his tenure. Mr. Christie did, however, sign legislation shortly before leaving office that banned the semi-automatic firearm accessories known as "bump stocks."

New Jersey's new governor, Democrat Phil Murphy, who took office in January, campaigned on a strict gun-control platform. Last week, Mr. Murphy and the governors of New York, Connecticut and Rhode Island said they would work together to restrict the movement of illegal guns between their states and share information about residents who are banned from owning guns.

A spokesman for Mr. Murphy declined to comment on the legislation that will be discussed Wednesday. New Jersey has the country's third-strictest gun control laws after California and Connecticut, according to the Giffords Law Center to Prevent Gun Violence, a gun-control group.

Assemblyman Parker Space,

a Republican, said he most likely won't support the proposed bills, which he described as a "knee-jerk reaction" by Democrats to the shooting at Marjory Stoneman Douglas High School in Parkland, Fla.

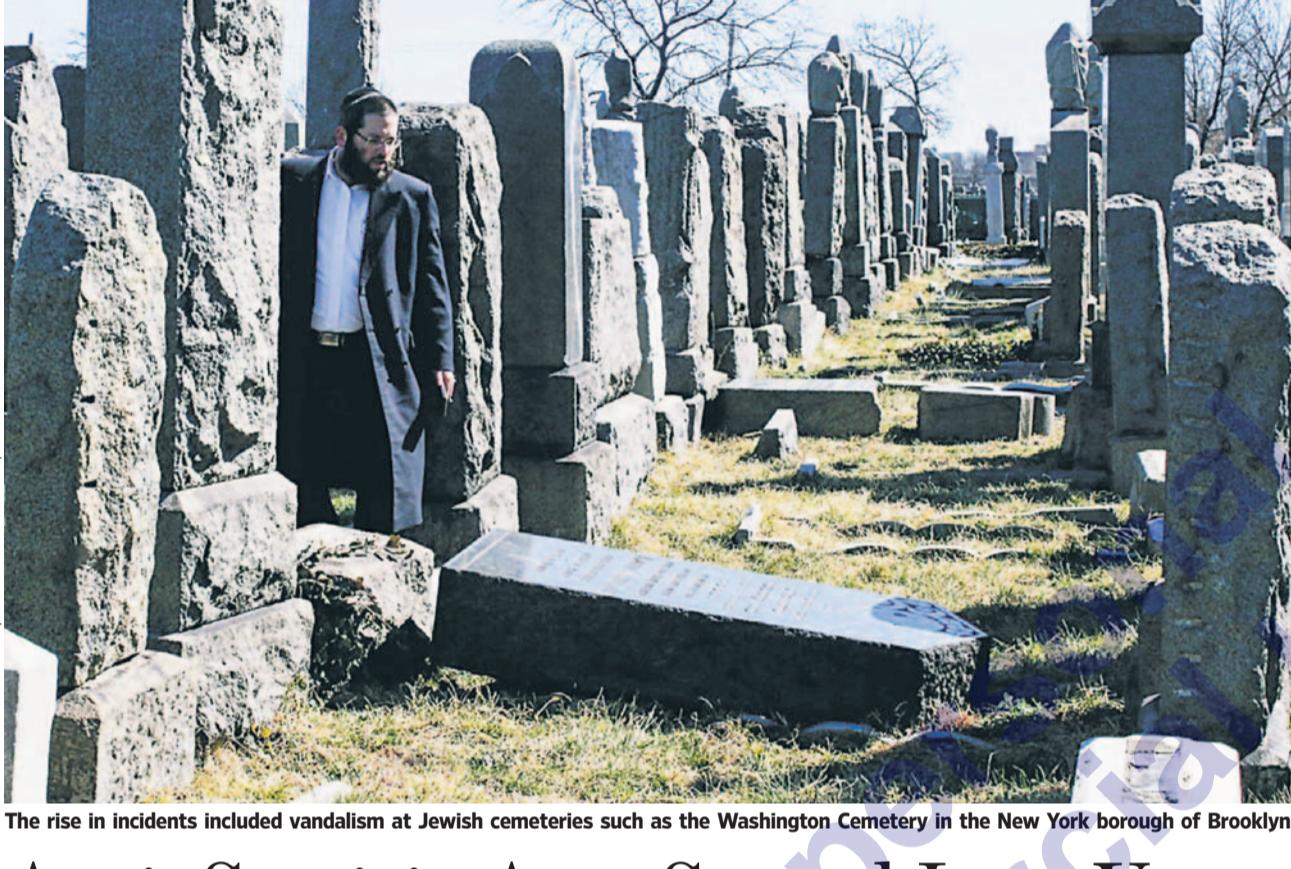
"They're just so far out of touch and out of reality on the real logistics on gun ownership in New Jersey," Mr. Space said. "Law-abiding citizens are going to follow the laws, the people who have intention to hurt people are not going to follow the laws."

In the state Senate, Majority Leader Loretta Weinberg said she has received some pushback from opponents of new gun restrictions. But Ms. Weinberg, a Democrat, said she is confident New Jersey will adopt stricter gun-control measures.

Targeting Violence

The proposed measures would:

- ◆ Require all sales or transfers of handguns, rifles or shotguns, to be conducted through a licensed retail dealer, with certain exceptions. Retailers would be required to complete background checks for all sales.
- ◆ Require a justifiable need, defined as the "urgent necessity for protection from a specific threat to one's life," for a permit to carry a handgun.
- ◆ Ban handgun ammunition that has the capacity to penetrate body armor.
- ◆ Ban firearm magazines that hold more than 10 rounds of ammunition.



The rise in incidents included vandalism at Jewish cemeteries such as the Washington Cemetery in the New York borough of Brooklyn.

Anti-Semitic Acts Surged Last Year

BY ZOLAN KANNO-YOUNGS

Anti-Semitic incidents in New York City increased 92% in 2017, according to a new Anti-Defamation League report, which also found that more than half of all anti-Semitic assaults in the country occurred in New York state.

The Jewish advocacy organization recorded 234 incidents in the city, up from 122 in the prior year, according to the report released Tuesday. The data include criminal complaints, as well as reports made directly to the organization, of harassment, assaults, school incidents or vandalism.

New York state recorded 380 incidents last year, a 90% increase from the 200 in 2016 and the most incidents overall since 2008. In New Jersey, anti-Semitic incidents rose 32% in 2017.

"This has been something different," said Evan Bern-

Sharp Increase



stein, ADL New York regional director. "It's been a real challenge for us."

In Mr. Bernstein's opinion, the uptick in the attacks has accelerated since the election season because groups with anti-Semitic views were emboldened. The early months of

2017 brought waves of called-in bomb threats against Jewish community centers across the country. President Donald Trump's administration condemned the threats.

A St. Louis man, Juan Thompson, was sentenced in Manhattan to five years in federal prison in December of 2017 for making the hoax bomb threats, as well as cyberstalking. Prosecutors said Mr. Thompson made the threats in part to harass an ex-girlfriend—he allegedly made some of the calls against the institutions in her name. Jewish graveyards across the country, including in Philadelphia and Missouri, were also vandalized last year.

NYPD Chief of Detectives Robert Boyce said at a crime statistics briefing in December of 2017 that most of the anti-Semitic criminal complaints occurred toward the end of

2016 and the start of 2017 and "leveled off significantly" toward the end of the year.

Mr. Bernstein said most attacks in New York City typically occur in Brooklyn because of the large Orthodox community there. But last year Manhattan had the most anti-Semitic incidents of all boroughs, 99, including swastikas being sprayed on a synagogue and subways. Brooklyn recorded 80 incidents last year. According to the report, elementary and high schools have also seen an uptick. The organization recorded 36 anti-Semitic acts in schools in 2017, twice as much as in 2016.

"I think a lot of people that felt very safe and comfortable are now beginning to see anti-Semitism in a different way," said Mr. Bernstein. "I think they thought these forms of anti-Semitism were dead and buried."

Advocates Push Transit Advances

BY PAUL BERGER

Imagine that you're about to enter the New York City subway, when an app warns that the nearest train platform is overcrowded. Then it notes that there is a bus five minutes away headed in the right direction.

Or imagine boarding a city bus through the rear door, tapping your smartwatch to pay. And the ride turns out to be free because you've already reached your maximum commuter payments for that month.

Transit advocates are calling on the Metropolitan Transportation Authority to start discussing these type of features now, as it begins phasing in a new fare-payment system next year.

In a letter and report sent to MTA board members Wednesday, advocates said the technology the MTA is installing would let it adopt new payment and bus-boarding policies. It could also make better use of data on bus and subway crowding.

"We are afraid that if we don't even call for basic things, that given the experience of the MetroCard they're not going to do it," said Colin Wright, a co-author of the report who

works for TransitCenter, a public-transportation think tank.

When the MTA put the MetroCard into use almost 25 years ago, it took years to add basic functionality such as unlimited rides and free transfers between the subway and bus.

A spokesman for the MTA, Jon Weinstein, said the agency looks forward to reviewing the recommendations. "We are excited to introduce 21st century fare payment technology to the MTA which is a critical step towards truly modernizing our system," he said.

The new payment system will allow riders to tap and pay with a contactless debit or credit card, a smartphone or an MTA-issued smart card.

The improvements would give riders more choice as well as more information about the system. Instead of riders having to decide whether to prepay for a 30-day MetroCard, advocates say the new technology would allow the MTA to charge per ride and cap fares at a weekly or monthly limit. Once a balance reaches a ceiling, additional rides would be free.

Advocates also call for all-door boarding on city buses, saying it will speed up routes.

Construction Worker Rescued



SAVED: Firefighters pulled out a man who was trapped in the basement of a Brooklyn building that collapsed on Tuesday.

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GREATER NEW YORK

Corruption Trial Wrap-Up Begins

BY MIKE VILENSKY

A former top aide to Gov. Andrew Cuomo sold his power for "ziti," or bribes, and then tried to cover it up, prosecutors told jurors in a closing summation of a corruption case that has painted a transactional picture of New York politics.

After a six-week trial that included the arrest of the government's star witness, federal prosecutor David Zhou told jurors on Tuesday that "common sense" should lead them to convict Joseph Percoco, the former Cuomo aide.

Mr. Zhou began his arguments by quoting from one of the emails Mr. Percoco sent an alleged co-conspirator in the bribery scheme: "Where the hell is the ziti?"

Prosecutors have said "ziti" was Mr. Percoco's code for cash.

"This was his most valuable asset: his position as Cuomo's right hand man," Mr. Zhou said. "He took that power entrusted into him and he corrupted it."

Mr. Percoco and three private executives are on trial for allegedly exchanging more than

\$300,000 in payments for government favors. All four men have denied any wrongdoing. Mr. Cuomo, who is seeking re-election, hasn't been accused of wrongdoing.

Mr. Zhou warned jurors that the defense team would try to distract them by highlighting the drama around the arrest midway through the trial of witness Todd Howe. The one-time lobbyist admitted in testimony to lying to his credit-card company after he had signed an agreement with the government that required him to avoid committing future crimes. Mr. Howe had pleaded guilty to eight felonies as part of his deal.

The defense has sought to paint him as untrustworthy and suggest his incentive is to get a reduced sentence.

"The government didn't choose Todd as a witness, the defendants did when they conspired with him," Mr. Zhou said. "Who else would do such a sleazy job?"

Mr. Percoco's attorney is expected to give his closing argument later this week before jury deliberations begin.

METRO MONEY | By Anne Kadet

Turn Used Sneakers Into Cash



Last week, I tried to pawn my old sneakers. While my Adidas are worn down, they are still a nice shade of blue, and the style is one respected by sneakerheads. I was curious how much I could get.

Yes, you can pawn your used kicks, or even sell them for cash. While consignment stores including Flight Club and Stadium Goods have long ruled the secondary market for unworn, collectible sneakers, recent years have seen the emergence of stores all over New York City trading in used Nikes, Adidas and other popular brands.

Troi Reed, who runs Sneaker Pawn USA on West 14th Street in Manhattan with his son Chase, said the two got the idea for the business when Chase asked to borrow \$50 for a night out. The father took his son's shoes as collateral. "It was like he was pawning his sneakers," said Mr. Reed. "A lightbulb went off."

He might offer a \$200 loan to a person looking to pawn a pair of used Jordans that would sell in the store for \$1,000, said Mr. Reed.

If the person wanted to sell that same pair rather than pawn them, Mr. Reed would offer roughly \$600 cash. He also offers 85% of the retail price on consignment deals.

Folks unloading shoes include pro athletes, hedge-fund managers and new dads converting their sneaker rooms to baby rooms, said Mr. Reed.

"People have sneaker rooms?" I asked.

"Most people do!" he said. "Most people have sneaker rooms and outside storage. Their sneaker room looks better than their bedroom."



Used sneakers can range in price from \$100 to \$250 at Soled Out JC, a shop in Jersey City, N.J.

I produced my Adidas. To my surprise, Mr. Reed didn't throw them out the window. "This is a current, good sneaker," he said.

Alas, they were too worn down. "I have to give these back to you," he said.

Next stop: Soled Out JC, a shop in Jersey City, N.J.

"We buy a lot of stuff that other people won't touch," said co-owner Tony Chen. "There's a market for everything."

But he shook his head at my Adidas: "This is something we'd probably pass on."

While used sneakers can sell for thousands, most of Mr. Chen's shoes cost between \$100 and \$250—an affordable range for the teens who frequent his shop.

Some customers buy used sneakers and wear them for just a week before trading them in for another pair.

"Depending on the shoe, they might lose \$50 to \$100," said Mr. Chen. "Insta-

gram plays a big part. People love to flaunt their new pickups."

The market moves fast. To keep up, Mr. Chen looks to sneaker data sites like StockX, which displays the most recent bid, ask, 12-month trade range and price volatility for many sneaker

pairs from his sizable collection to subsidize the purchase of a \$500 pair of Pharrell Williams "Human Race" Adidas.

Few in his hometown appreciate his sneakers, he said. "But sometimes in the mall, someone will say, 'Cool, man. How much did they cost you?'"

My final attempt involved a long train ride out to Richmond Hill, Queens, to We Buy Goods, a pawnshop that specializes in sneakers along with gold, watches and electronics.

I didn't even get my running shoes all the way out of my bag.

"Used, no!" said the clerk.

Her associate chimed in: "We throw out everything like that."

I suppose I'll take the suggestion of Mr. Reed, who seems to see the upside in every situation: "You can still run in them!"

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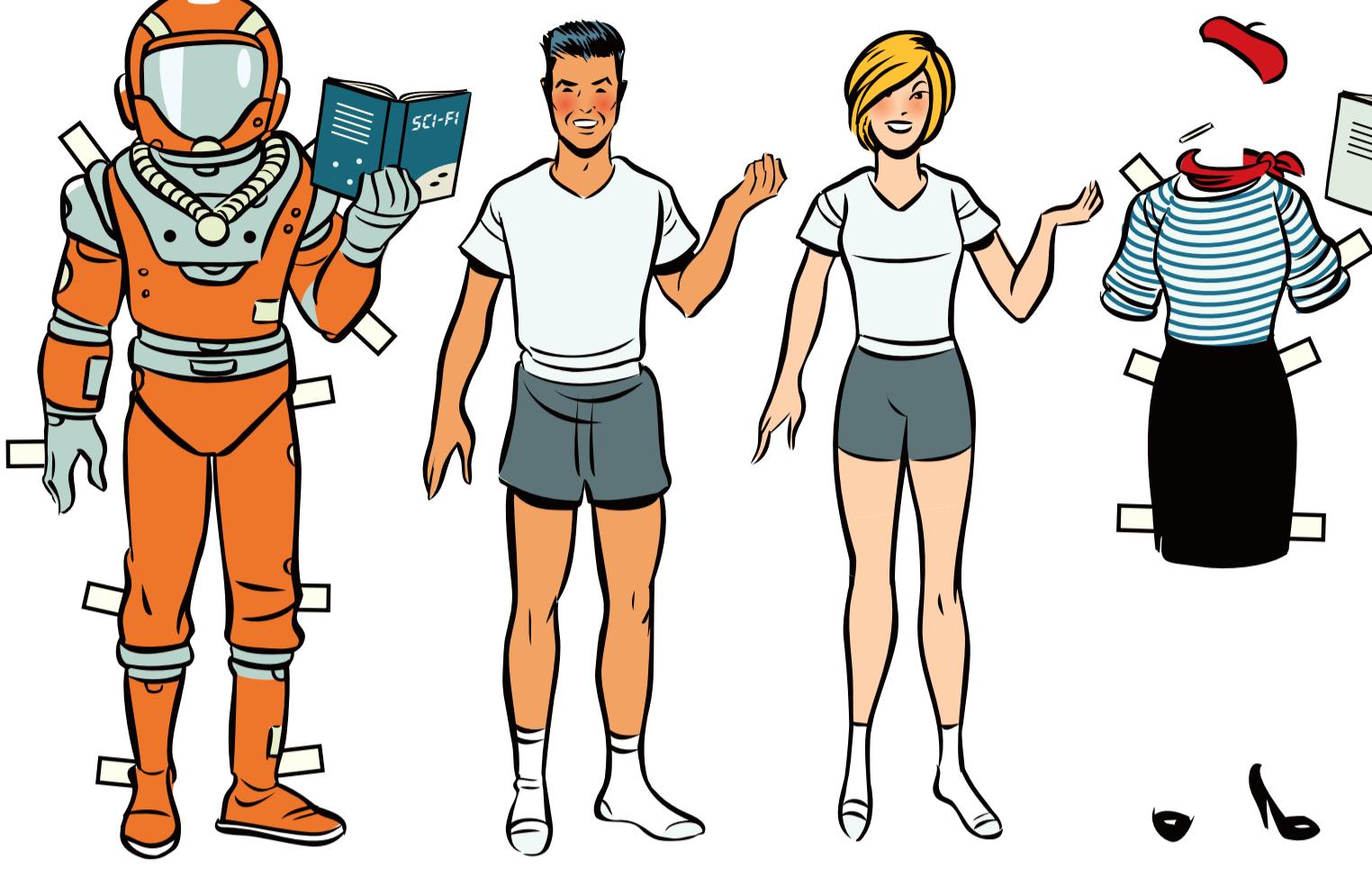
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LIFE & ARTS



Venturing Outside Your Book Nook

If you want to experiment with different genres, the New York Public Library's Gwen Glazer suggests these starter books—a selection she says will appeal to those who think they like only one genre. The books all share that must-have quality, she says: "strong writing!"

Mystery: "Arrowood," by Laura McHugh; "Case Histories," by Kate Atkinson

Science fiction: "The Galaxy Game," by Karen Lord; "The Regional Office Is Under Attack," by Manuel Gonzales

Romance: "The Night Watch," by Sarah Waters; "The Music Shop," by Rachel Joyce

Essays: "This Will Be My Undoing," by Morgan Jerkins; "Difficult Women," by Roxane Gay

Fantasy: "The Bees," by Laline Paull; "The Fifth Season," by N.K. Jemisin

Poetry: "Ordinary Beast," by Nicole Sealey; "When I Grow Up I Want to Be a List of Further Possibilities," by Chen Chen

Horror: "Version Control," by Dexter Palmer; "Security," by Gina Wohlsdorf

BOOKS

Stuck in a Reading Rut? Try On a New Book Genre

Breaking out of one's literary comfort zone can be intimidating. Booksellers, librarians and educators offer their top tips on the best ways to expand your reading horizons.

BY ERIN GEIGER SMITH

EVEN THE MOST accomplished readers get stuck in a rut, defaulting to books in a genre they know they'll enjoy instead of taking a chance on something different.

But publishing professionals and readers who regularly flick between genres say you can find a new groove by looking to reliable sources and closely examining your literary habits.

Not knowing where to start in a new genre is "a classic challenge," says Elizabeth Khuri Chandler, co-founder and editor in chief of Goodreads, a website where members record what they're reading and rate and discuss books. Goodreads compiles lists of top books by genre by considering both a book's average site rating and the number of members who have read it.

Lists like those are a good place to start if you're looking for something new, says Ms. Khuri Chandler. But she cautions readers to make sure a book that is highly rated overall doesn't also have multiple one-star ratings. "You want something that has a universal appeal for your first outing in a new genre," she says.

Recommendations shouldn't just come from online communities or best-of lists. Friends and

family whose taste you trust can help push you into unexpected corners of the book world.

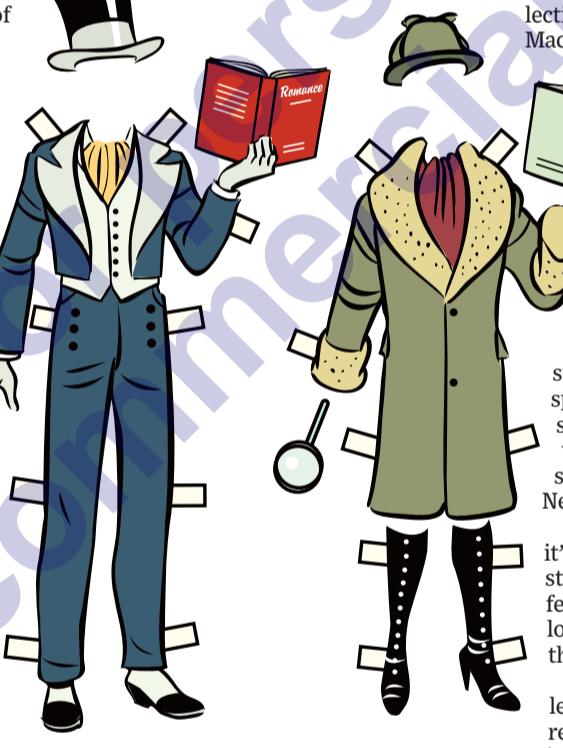
Ms. Khuri Chandler picked up a genre she usually avoids after accepting her husband's challenge to tackle Frank Herbert's science-fiction classic "Dune." He, in exchange, read her pick: "Pride and Prejudice." While he plowed through Jane Austen's love story in a day, she admits she struggled a bit. Still, she says, the experience was positive.

"It does give you insight into other people if you've read a book that is one they count as one of their all-time favorite reads, or is something that has really affected them," she says.

"Scream Queens" actress Emma Roberts and good friend Karah Preiss last year turned their history of recommending

books to one another into an online community called Belletrist. The platform features a monthly book suggestion, chosen by Ms. Roberts and Ms. Preiss.

What's been most rewarding



about making the recommendations, Ms. Preiss says, is finding that readers place enough confidence in the pair to give their suggestions a try—even when the book falls into a more niche genre.

Last December, the two selected "Her Body and Other Parties," a collection of stories by Carmen Maria Machado that includes science fiction and fantasy.

"The same people who are reading [September pick] 'The Light We Lost,' which is romantic fiction, are loving 'Her Body and Other Parties' and saying, 'I would have never picked this book up,'" says Ms. Preiss.

Readers who want to make sure a book in a new genre speaks to their personal tastes should carefully consider why they love the books they do, says Gwen Glazer, a librarian at New York Public Library.

"For people who read romance, it's not that they only like love stories, it's how it makes them feel," Ms. Glazer says. "There are lots of books outside that genre that will make you feel that way."

Ms. Glazer, who trains her colleagues on improving their book recommendations, says she gets into a reader's mind-set by using the "librarian party trick" of listening to whether a person focuses on language, story, character or setting when describing a favorite book.

If someone begins their description of a novel with its location—"I

felt like I was in Alaska in 1952!"—Ms. Glazer says setting might be most important to them. But if someone describing, for instance, Brit Bennett's "The Mothers" says they appreciate reading about struggles through an unexpected pregnancy and familial loss, that person is likely to care most about story.

Good recommenders can then give suggestions in a new genre based on those clues, she says.

Bill Powers, a law professor and the former president of the University of Texas at Austin, is an avid reader of literary classics. He enjoys the sweeping plots and characters who explore their neurosis or have unique ways of looking at the world.

When he picks up nonfiction, Mr. Powers says, he finds that the books he most enjoys share those same characteristics. Erica Benner's "Be Like the Fox," for instance, deep dives into Machiavelli's life, but much of the biography feels like a novel, he says.

For some, love of a city or travel to a new one can lead to inspired finds. Michael Bennet, a Democratic senator from Colorado, spends his near-weekly flights between Washington and Denver unwinding by reading, mostly nonfiction. But when he's traveling further afield, he finds himself exploring literarily, too. In anticipation of a trip to Africa last year, Mr. Bennet read V.S. Naipaul's 1979 novel "A Bend in the River"—a book he says he would have been unlikely to discover otherwise.

Even pop culture can prompt discoveries. New York-based music business attorney Kristen Surya is a voracious consumer of literary fiction and doesn't shy away from sci-fi or fantasies. But she drew the line at romance until the buzz surrounding the film "Call Me by Your Name" made her curious enough to pick up the book on which it's based. She's thrilled she did. "This is the first romance novel I've ever been gaga about," Ms. Surya says.

ANATOMY OF A SONG | By Marc Myers

'BEING BORING': PATH TO A '90S POP ELEGY

THE PET SHOP BOYS' "Being Boring" was released in November 1990 but never became a Billboard pop hit in the U.S. Yet the song had a significant influence on electronic dance music and today is considered a cult classic.

Recently, the song's co-writer, Pet Shop Boys' lead singer Neil Tennant, and the song's producer-arranger Harold Faltermeyer discussed its evolution.

Three of the band's remastered albums—"Please," "Actually" and "Introspective" (Parlophone)—will be reissued on Friday. Edited from interviews.

Neil Tennant: My feelings weren't hurt. After [Pet Shop Boys co-founder] Chris Lowe and I performed at Tokyo's Budokan arena in early July 1989, a Japanese reviewer wrote, "The Pet Shop Boys are often accused of being boring."

The words "being boring" took me back to the early '70s and an invitation I had received to the Great Urban Dionysia Party in

Newcastle, England, where I grew up.

On the invitation was this adaptation of a 1922 Zelda Fitzgerald quote about a flapper friend who had died: "She was never bored because she was never boring."

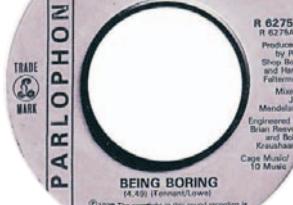
Thinking of the invitation and quotation reminded me of a close friend who had died of AIDS four months earlier at age 34. He had organized that teenage party.

I immediately began writing lyrics to a song I called "Being Boring." The theme was an autobiographical look back. My chorus came first [sings]:

"Cause we were never being boring / We had too much time to find for ourselves / And we were never being boring / We dressed up and fought, then thought: 'Make amends' / And we were never holding back / or worried that / time would come to an end."

The first verse was about those parties and finding the invitation with the Fitzgerald

Please see ANATOMY page A13



A performance by Pet Shop Boys' Neil Tennant, left, and Chris Lowe around 1989. HANNE JORDAN/ALAMY

LIFE & ARTS



RYAN KETTERMAN FOR THE WALL STREET JOURNAL

Jim Doughton in the 1953 Porsche 356 Cabriolet that he drove while in college, then sold and located and restored decades later. Below, details of Mr. Doughton's car, which took three years to refurbish.

MY RIDE | By A.J. Baime

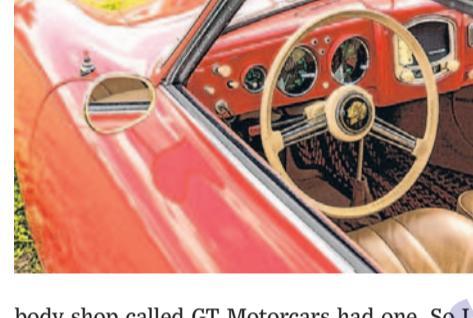
A Vintage Porsche Is Lost and Found

Jim Doughton, 70, a regional newspaper publisher with GateHouse Media from Gainesville, Fla., on his 1953 Porsche 356 Cabriolet, as told to A.J. Baime.

I was raised by a single mother who drove hand-me-down Chevrolets. Growing up in St. Petersburg, Fla., I had an infatuation with European sports cars. I saved all my money and before I left for college in 1969, I bought a 1953 Porsche 356 Cabriolet for \$500.

The 356 was Porsche's very first production model, introduced in 1948 and first imported to the U.S. in the early 1950s. In the late 1960s, these were not expensive cars. Mine had blown its Porsche engine so it had a VW motor in it. I drove that car during college, then sold it to a guy who worked at a hippie store called the Subterranean Circus in Gainesville, Fla. I never remembered his name. What did it matter?

Four decades later, I ended up in Gainesville. I decided to buy a 356 again. The passion for that body style never left me. Someone tipped me off that a local guy who ran a



body shop called GT Motorcars had one. So I showed up and met the owner, Bob Sturm. I told him I had once owned a 356 years earlier, and had sold it to a guy who worked at the Subterranean Circus in Gainesville. He said, "I worked at Subterranean Circus." He asked about the car's color and I said silver. He said, "Are you from St. Petersburg?" I said yeah. He said, "You sold that car to me." I was in total disbelief. He still had the

car, only it had been sitting behind his shop for about 30 years, chained to an oak tree. He was not keen on selling. I was thinking, "How am I going to get this car back?" It took convincing.

In 2005, I traded an antique motorcycle plus some money (not a lot) for my old 356. The car was in bad shape—if it had sat outside for one more year, it might've been lost forever. Mr. Sturm's shop helped me with a

three-year restoration. During that time, I saw another Porsche painted Guard's Red and it looked so good, I had my car painted that color. I put a 1961 Porsche engine in it, and it can do 75 mph all day long.

Never in my wildest dreams could I imagine I would be driving the same car I drove while in college, 50 years later.

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LIFE & ARTS

THEATER REVIEW

Occasional Pleasures, Persistent Wariness



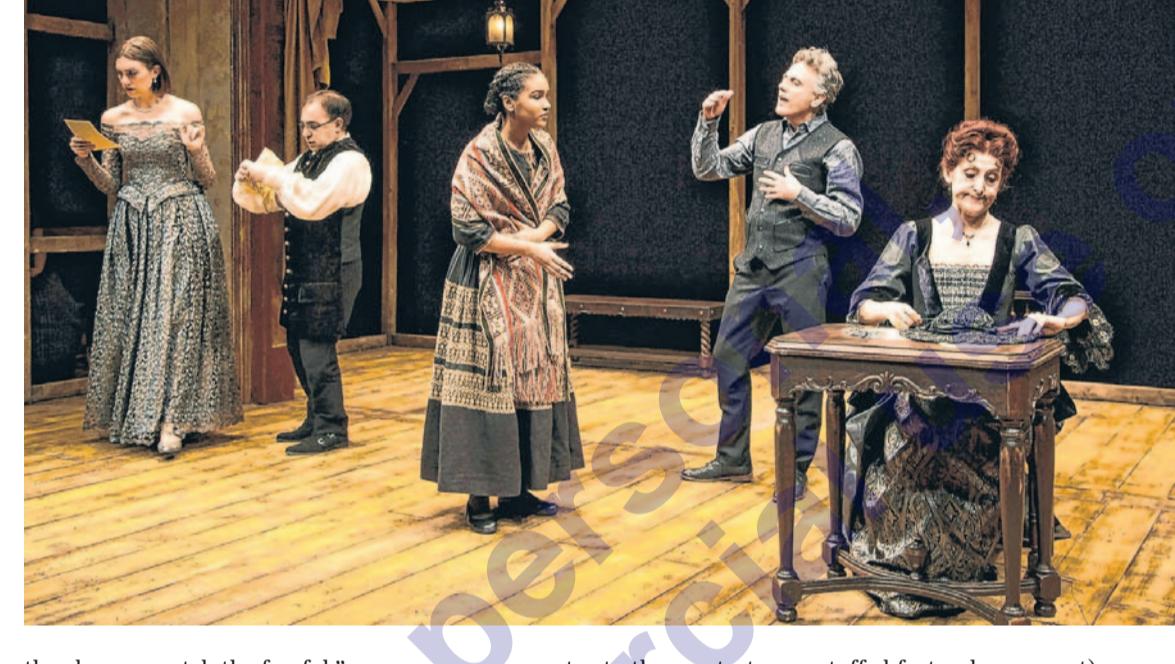
T. CHARLES ERICKSON

BY EDWARD ROTHSTEIN

Red Bank, N.J. **THE INCA WOVE** extraordinary rope bridges across Peru's dizzying canyons using grass fibers alone. That is a little bit like what the imposing American playwright and author Thornton Wilder attempted in his 1927 Pulitzer-winning novel, "The Bridge of San Luis Rey," and even more like what the actor and director David Greenspan has tried in his 90-minute adaptation of the novel for the stage, receiving its premiere performances at the Two River Theater here.

Rope bridges? Well, both accounts begin with the telling of the collapse of such a bridge in 1714, killing five people; their histories and characters are then investigated, in the hope of finding an explanation for their fates. Along the way, both play and novel trace these fibrous, knotty and doomed characters across time and space, as they weave around each other, precariously entwined, frayed from mishaps and misery, before plunging to their fore-announced deaths.

We are meant, in these fictional explorations, I think, to feel a bit overwhelmed by both creators' self-conscious enterprise, and even to feel a bit of vertigo at the vistas of eccentricity, ego and earnestness being portrayed. As Wilder himself said in a 1916 letter: "The art of writing is a matter of alpine climbing—peak to peak, and let



the chasms snatch the fearful."

So give Mr. Greenspan considerable credit for his venturesome daring: adapting a novel that Wilder thought beyond the reach of the stage. It still is, I believe. The effort doesn't collapse, but it does creak, its occasional pleasures accompanied by persistent wariness.

Mr. Greenspan begins coyly, himself appearing in street clothes before a suitably aged proscenium, introducing himself as stage director (which he is), as actor (playing Uncle Pio—a peculiar pedant and

unsavory mentor to the greatest Spanish actress of the age), and as omnipresent stage manager (thus paying homage to Wilder's "Our Town").

He is also a somewhat frenetic guide through the interactions of the nine actors. All but Pio appear in full costume with minimal stage apparatus; character and image are meant to loom large, not spectacle. Those doomed include Uncle Pio, accompanied by a young boy about to become his ward (though he is, as in the novel, a mere stick figure—or rather, as seen here, a

stuffed featureless puppet).

More vivid among the living dead is Doña Maria (played by Mary Lou Rosato), an aged noblewoman called "the laughingstock of all of Lima" who is accompanied, in death as in life, by her convent-trained companion, Pepita (Sumaya Bouhabal). One young man, Esteban (Zachary Infante), nearly hangs himself over the diseased tortuous death of his twin brother, Manuel (Bradley James Tejeda); he is rescued by a ship captain (played along with other roles by Steven Rattazzi), only to

Bradley James Tejeda, Elizabeth Ramos and Zachary Infante, left; Madeline Wise, Steven Rattazzi, Sumaya Bouhabal, David Greenspan and Mary Lou Rosato, below

plunge along with the others into the ravine.

The characters impinging on the thwarted loves of the five condemned include Doña Clara (Madeline Wise), the coldhearted daughter of Doña Maria; Madre María (Julienne Hanzelka Kim), the driven and compassionate abbess of the convent that schooled two of the dead; and Camila Perichole (Elizabeth Ramos), a stunning, spoiled actress who is central to the stories of the condemned.

That's a lot to compress into 90 minutes, and it feels it. But one of the play's most unconvincing changes was to eliminate Wilder's Franciscan missionary, Brother Juniper, who seeks to discern a divine plan in this catastrophe; he later pays with his own life for the heresy of asking if we are like the flies boys kill on a summer day (as Wilder puts it) or like the sparrows who "do not lose a feather

that has not been brushed by the finger of God."

Mr. Greenspan has set up the play, though, so the audience is meant to take on Brother Juniper's project. But such secular questioning is of a different order than Brother Juniper's; it dismisses the very question he asks. Even the novel gives us no apparent answer beyond the narrator's persistent attempt to read the "notation of the heart" in these characters. The play leaves us with still less. We follow a course that promises to lead us somewhere but instead remains hanging in midair.

We are supposed to embrace, perhaps, the much-quoted closing lines of the book (paraphrased in the play) in which the abbess seems to explain the book's metaphor: "There is a land of the living and a land of the dead and the bridge is love, the only survival, the only meaning." But here Wilder leaps at a satisfying metaphor that is itself frayed: The bridge is love—and it breaks? These characters, heading for death, are sustained by...love? It is the living who snatch at such comforting significance that is, in truth, unsupported by both play and novel. Neither lets us reach the other side.

The Bridge of San Luis Rey

Two River Theater, 21 Bridge Ave., Red Bank, N.J., 732-345-1400, \$40-\$80, through March 18.

Mr. Rothstein is the Journal's Critic at Large.

ANATOMY

Continued from page A11
ald quote: "From someone's wife, a famous writer / in the 1920s / When you're young you find inspiration / in anyone who's ever gone / and opened up a closing door."

The second verse was about me leaving Newcastle on the train to study in London in the early 1970s. I assumed I was never going to move back: "I'd bolted through a closing door / I would never find myself feeling bored."

By then, Chris and I had sufficient lyrics to begin writing the music in a little studio in Glasgow, Scotland, in 1989. The third verse would have to wait until we were closer to recording the song.

Chris and I shared a love for songs by Stock, Aitken and Waterman. They're a British songwriting team who wrote dozens of huge pop dance hits.

When Chris and I wrote the music for our chorus, we used a variation of a satisfying chord sequence that Stock, Aitken and Waterman sometimes used: A-flat, B-flat, G-minor 7 and C-minor.

We also wanted our song to be elegiac rather than a rave, but we didn't want it to be a dirge. Elegiac music is more effecting when it's uplifting, creating a happy-sad feeling.

In May 1990, we began to record our album "Behaviour." While we were at producer Harold Faltermeyer's Red Deer Studios in Munich, Germany, I wrote the last verse on a typewriter.

It was about traveling the world in the 1980s as the Pet Shop Boys, recording in Munich and wishing my friend who had died was still here: "I never dreamt that I would get to / the creature that I always meant to be / But I thought in spite of dreams / you'd be sitting somewhere here with me."

The demo Chris and I created on our synthesizer was our rehearsal for the recording session. We brought the reel to Harold at his studio.

Harold Faltermeyer: When Neil and Chris first came to me, they played me their demo. They said, "We want your expertise in analog synthesizers."

Analog synthesizers give you much more flexibility to experiment and customize what you want. The results also are much warmer.

From their demo, I could hear where the musical journey was supposed to go. The first thing I did with Chris was create a drum loop on classic analog drum machines.

Mr. Tenant: I recorded my vocal on two separate tracks, an octave apart—one high and the other low. Then we took those and double-tracked them so there were four voices of me singing. I recorded my vocal softly, to give it a confidential and dreamy quality. The four tracks became a single ethereal vocal.

Mr. Faltermeyer: For the song's melody played throughout the song, we used a combination of FM synthesizers—an Oberheim OB-8 and a Jupiter-8.

Then we used the Synclavier II for the harp glissando. It was a sample from a real harp. We used it in several places to signify when the song's narrative was moving backward or forward in time.

Mr. Tenant: Chris and I returned to London. At SARM West Studios, we mixed the song and overdubbed additional elements with engineer and producer Julian Mendelsohn. Dominic Clarke, our programmer, began fooling around with a plastic tube he found in the studio. When he swung it around over his head, the wind caught the plastic lip and made a hypnotic sound that went up a fifth



Harold Faltermeyer, shown here in May 1985, was the producer-arranger for Pet Shop Boys song 'Being Boring.'

as he swung it faster.

Julian recorded Dominic swinging the tube and we added the results to the song's synth intro.

I've always loved the guitar's wah-wah effect made famous on Isaac Hayes's "Theme From 'Shaft.'"

At SARM, Julian brought in J.J. Belle to play guitar. His "wakka-wakka" sound made the song sort of funky.

When we finished the album, we asked Bruce Weber to direct our "Being Boring" video. When we met with Bruce, Chris and I had some complicated idea about Latin gangs in New York filmed in black and white.

To his credit, Bruce listened patiently. Then he came up with the idea of renting an empty house in the Hamptons on New York's Long Island and filming fashion mod-

els preparing for a party and the party itself. It sounded about right to us.

During our tour in 1991, when we performed in L.A., our manager told us Axl Rose, the lead singer of Guns N' Roses, was outside our dressing room. When Axl came in, he said,

"Man, why didn't you play 'Boring'?" We thought it was too gentle a song to be performed live in the States. We obviously were wrong.

I think Christopher Dowell, my friend who died of AIDS, would have liked the song and the video. Christopher was larger than life. He studied drama and dominated our group of friends. He was gay but we weren't lovers. I admired his self-confidence. "Being Boring" is a memorial to him and our friendship.

SPORTS

China's Wu Dajing won Olympic gold in the men's 500m short-track speed skating in Pyeongchang, the country's lone gold medal at the 2018 Winter Games.



OLYMPICS

Project 2022: Build a Team From Scratch

With no winter-sports tradition to draw on, China is scrambling to develop athletes who could deliver Olympic glory in Beijing

THE LAST TIME China hosted an Olympics, the 2008 Summer Games in Beijing, a yearslong push to develop the country's athletes paid off with a record medal haul.

Now China is ramping up an effort to pull off the same feat for the 2022 Winter Olympics—despite having no winter-sports tradition to draw on.

By Eva Dou in Beijing and Rachel Bachman and Eun-Young Jeong in Pyeongchang, South Korea

Over the past three years, China has assembled a skeleton team from scratch, recruited top overseas coaches and built world-class training grounds for events like moguls skiing. Gymnasts and runners are being converted to other obscure winter sports. China now has national teams for all 102 winter events, according to the country's Xinhua News Agency.

Last month, the sports bureau of Hebei—the north China province that will co-host the 2022 Games with Beijing—put out an open call for gymnasts, rowers, martial artists and others to help “fill the shortfall” for the winter teams. Athletes picked for training will receive funding. The schools

they came from will, too.

“Winter sports are a weak spot for us,” said Wei Zuhua, an official overseeing the applications in Hebei’s Tangshan city sport bureau. “That’s why we need to look for athletes in other fields.”

Gymnasts, divers and trampolinists are being steered to events such as aerials skiing and snowboarding. Soccer or basketball players are encouraged to try hockey, and sprinters nudged toward skeleton.

“We try to find a fit based on their height, weight and athletic tests,” said Wei.

It is unlikely the 2022 squad will come close to matching the results from 2008. At those Summer Games, an event widely seen as China’s coming-out party as a world superpower, the host country took 100 medals overall and won the gold-medal count with 48. It was by far China’s biggest Olympics success.

The 2022 team will likely have more modest ambitions. In Pyeongchang, for example, China finished with nine medals—it’s lone gold came from Wu Dajing in short-track speed skating.

But China is scouring the country in search of athletes who could deliver Olympic glory on the slopes or on the ice.

Scott Rawles, head coach of the

Chinese Olympic mogul skiing team and former head coach of the U.S. team, last fall took a four-hour train ride south to visit an acrobatic school in the city of Puyang. Rawles said he and his Chinese colleagues tested students between the age of 12 and 15, and recruited promising ones to try mogul skiing. They began training last month.

“We don’t have enough skiers here yet,” said Rawles. “We’re basically identifying who we think are the best athletes.”

At the Pyeongchang Games, Jia Zongyang and Kong Fanyu claimed medals in men’s and women’s aerials, respectively—both are former gymnasts. “Without that (gymnastics) experience, I wouldn’t be here today,” said Jia after his finals race.

Kong, who was recruited in 2002 from a gymnastics competition in Heilongjiang province, said there are “similarities in the two sports,” which made it easy for her to transition from doing flips indoors to doing them on a pair of skis.

Aerial skiing has been a strength for China: Three of its nine medals in Pyeongchang came in the event.

Many members of China’s Pyeongchang team got their start in summer sports. Geng Wenqiang, China’s leading skeleton competi-

tor, is a former long-jumper. Liu Zhongqing is another member of the Chinese aerial skiing team who switched from gymnastics.

“There are a lot of athletes who changed sports categories like me,” said Liu, adding that he would encourage younger athletes to make the transition despite the initial challenges.

It’s not uncommon for athletes from other sports to transition to winter events—American aerialist Ashley Caldwell was originally a gymnast—or for host countries to invest in a push for more medals. The primary difference in China is that few children grew up skiing or developing skills in other winter sports. Most in China’s older generations didn’t have access to expensive, foreign sports like skiing, though classes for children are now becoming trendy.

“The vast majority of the skiers in China didn’t start skiing until they were 14 or 15 years old,” Rawles said.

One challenge is keeping the young athletes motivated through years of practice in sports they only recently adopted, said one person involved in the training. Some have been disheartened after their first international competitions, when they saw how far be-

hind they were, the person said.

At the Pyeongchang Games, China made its debut in 10 events including the ski halfpipe, bobsled and snowboard parallel giant slalom, according to Xinhua. Liu Jiayu won China’s first-ever Olympic snowboarding medal, a silver in women’s halfpipe just behind American gold medalist Chloe Kim.

Gou Zhongwen, director of the General Administration of Sport of China, called Pyeongchang a “rehearsal” for 2022, according to the state-run China Daily. China’s delegation to Pyeongchang included some 20 foreign coaches, double the number it sent to Sochi four years ago.

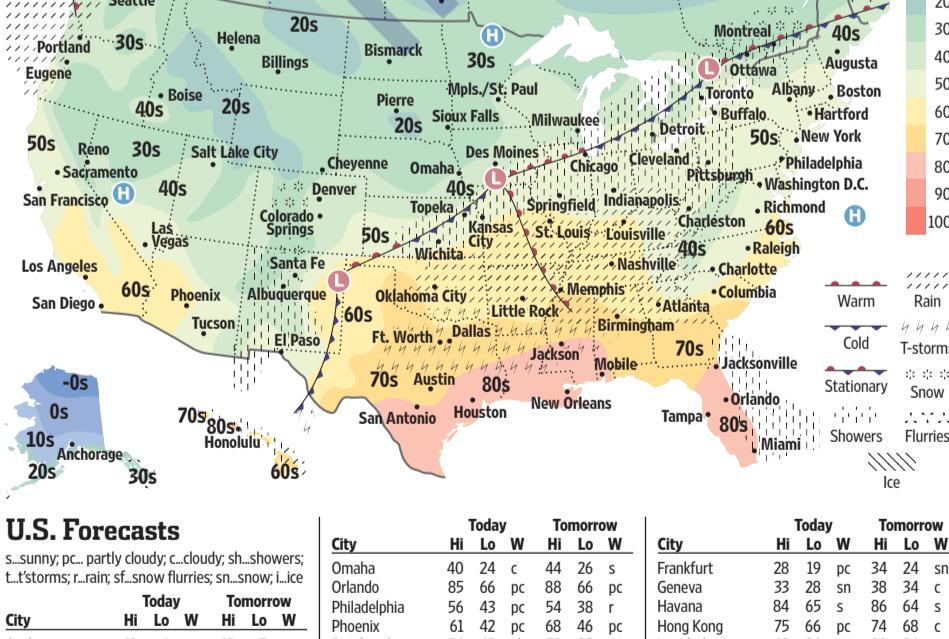
The China Olympic Committee didn’t respond to requests for comment.

For many Chinese athletes, transitioning to a winter sport can help their chances of making the national team and competing in the Olympics.

Liu, a member of the Chinese men’s Olympic aerials team who finished 9th out of 25 competitors in Pyeongchang, said he was thrilled to make his first-ever jump off a freestyle ski slope—even if the landing was painful.

“I felt like I’m really an athlete now.”

Weather



U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	18	-1	s	18	7	pc
Atlanta	64	59	r	68	43	r
Austin	77	54	c	68	43	pc
Baltimore	56	42	c	53	41	r
Boise	38	33	c	43	34	c
Boston	57	40	pc	49	37	c
Burlington	48	33	pc	41	32	c
Charlotte	57	52	sh	67	42	r
Chicago	53	39	c	40	27	r
Cleveland	57	44	sh	50	31	r
Dallas	72	45	t	64	38	s
Denver	42	19	pc	51	26	pc
Detroit	53	38	c	45	29	r
Honolulu	82	73	s	82	72	s
Houston	82	62	c	71	53	pc
Indianapolis	56	49	c	55	29	r
Kansas City	56	31	r	49	27	pc
Las Vegas	59	43	s	62	47	c
Little Rock	67	49	r	62	34	pc
Los Angeles	60	50	s	60	51	pc
Miami	83	69	pc	86	68	pc
Milwaukee	45	34	sh	40	28	sn
Minneapolis	40	23	c	38	17	sn
Nashville	65	53	r	62	35	r
New Orleans	83	68	c	79	58	pc
New York City	56	42	pc	54	42	r
Oklahoma City	66	32	c	54	29	s
Edinburgh	30	21	sn	32	28	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	26	17	pc	29	20	pc
Brussels	28	21	pc	31	22	pc
Bangkok	69	49	pc	70	52	pc
Beijing	49	26	s	51	27	pc
Taipei	20	10	pc	23	12	s
Buenos Aires	85	66	pc	87	65	pc
Dubai	84	70	pc	87	70	sn
Vancouver	31	23	sn	32	30	sf
Zurich	30	21	pc	32	28	s

The WSJ Daily Crossword | Edited by Mike Shenk



GOLDEN BOY | By Daniel Hamm

Across	Down
1 Eschew selfishness	25 Act as a warning of
6 Fly catcher	26 Amy Winehouse hit
9 Why don't we!	27 Mary's upstairs neighbor
13 Related to 25-Across	28 Nomad
14 On the roof of	29 Falcon's fingers
16 Swiss river	30 Artery insert
17 Eerily white figure in a field?	31 Warm
20 Tentative taste	32 Number of billboards outside Ebbing, Missouri
21 Reworks for the screen, say,	33 Nibble for a nag
22 Smallish piano	34 Funny fellow
25 Any of 12 Vatican leaders	35 It may require putting in stitches
26 Vehicles pulled by thick-skinned beasts?	36 Makes tracks
	37 Qty.
	38 Shoemaker's material
	39 "Downsizing" star
	40 Still life featuring pears?
	41 Hollow
	42 "Call Me by Name"
	43 Clods
	44 Looks inside rooms
	45 Katherine Ross's "The Graduate" role
	46 Eastern "way"
	47 Some Met run-throughs?
	48 Maker of Ambassador autos
	49 "The Syncopated Clock" composer Anderson
	50 Goddess of the dawn
	51 Shade
	52 Noteworthy stretch
	53 Compass trace
	54 Mauna ___
	55 Leb. neighbor

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

Previous Puzzle's Solution

TRAMP	STOWE	KOP

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OPINION

Good Climate News Isn't Told

BUSINESS WORLD
By Holman W. Jenkins Jr.

The biggest lie in American climate journalism is that reporters cover climate science as a science. Except for a report on the Washington Post website that was picked up by a couple of regional papers, an important study on the most important question in climate science last month went completely unnoticed in the U.S. media. Consult the laughably named website Inside Climate News, which poses as authoritative. A query yields only the response "Your search did not return any results" plus a come-on for donations to "Keep Environmental Journalism Alive."

So we'll quote a passage in an exemplary French report that begins, "But uncertainty about how hot things will get also stems from the inability of scientists to nail down a very simple question: By how much will Earth's average surface temperature go up if the amount of CO₂ in the atmosphere is doubled?"

"That 'known unknown' is called equilibrium climate sensitivity (ECS), and for the last 25 years the U.N.'s Intergovernmental Panel on Climate Change (IPCC)—the ultimate authority on climate science—has settled on a range of 1.5 C to 4.5 C."

The French report describes a new study by climate physicists Peter Cox and Mark Williamson of the University

of Exeter and Chris Huntingford of the U.K.'s Center for Ecology and Hydrology. Not only does it narrow the range of expected warming to between 2.2 and 3.4 degrees Celsius, but they rule out the possibility of worrying outcomes higher than 4.5 degrees.

Their study might be less interesting and newsworthy if it weren't the crystallization of a trend. Even the IPCC is an example. Slightly contrary to the French report, it backpedaled in 2013 to adopt a wider range of uncertainty, and did so entirely in the direction of less warming.

More to the point, this was a much-needed confession of scientific failure that the Exeter group and others are trying to remedy. The IPCC's current estimate is no more useful or precise than one developed in 1979 by the U.S. National Research Council, when computers and data sets were far more primitive.

This 40-year lack of progress is no less embarrassing for being thoroughly unreported in the mainstream press. The journal *Nature*, where the new study appears, frankly refers to an "intractable problem." In an accompanying commentary, a climate scientist says the issue remains "stubbornly uncertain."

You may be falling out of your chair right now if you recall last year's lawsuit by New York's attorney general against Exxon, itself a pioneering pursuer of climate studies, for daring to mention the existence of continuing "uncertainties."

This question of climate sensitivity goes not just to how much warming we can expect. It goes to the (almost verboten) question of whether the expected warming will be a net plus or net minus for humanity. And whether the benefit of curbing fossil fuels would be worth the cost.

Reporting scientific progress would require admitting uncertainties.

Yet you can practically chart the deepening idiocy of U.S. climate reporting since the 1980s by how these knotty, interesting questions have fallen away in favor of an alleged fight between science and deniers.

"Fake news" is not our favorite pejorative. A better analysis is offered by former New York Times reporter Michael Cieply in a piece he wrote in 2016 when he started a new job at Deadline.com. He describes how, unlike at a traditional "reporter-driven, bottom-up newspaper," reporters at the Times were required to "match stories with what internally was often called 'the narrative.'

Leaving climate sensitivity uncertainties out of the narrative certainly distorts the reporting that follows. Take a widely cited IPCC estimate that "with 95% certainty," humans are responsible for at least half the warming observed between 1951 and 2010.

This sounds empirical and is reported as such. In fact, such estimates are merely derivative of how much warming *should have taken place* if the standard climate sensitivity estimate is correct. Imagine predicting an 8 before letting the dice fly, then assuming an 8 must have come up because that's what your model predicted.

To be clear, the U.S. and other governments have done increasingly minute and exacting work in cataloging actual climate and weather patterns. We argue here they have grossly underperformed in sorting out cause and effect. And since the press's job is to hold institutions accountable, the output of government climate science is so poor partly because of the abysmally bad job done by reporters on the climate beat.

No better example exists than their gullibility in the face of U.S. government press releases pronouncing the latest year the "warmest on record." Scroll down and the margin of error cited in the government's own press release would lead you rightly to suspect that a clear trend is actually hard to find in recent decades despite a prodigious increase in CO₂ output.

Well, guess what? Taking account of the actual temperature record and its tiny variations is exactly what the Exeter group and others have been doing in order to make progress on the 40-year problem of climate sensitivity. And they are finding less risk of a catastrophic outcome than previously thought.

To Fix the House, Start With the Speaker

POLITICS & IDEAS
By William A. Galston

The House of Representatives has become a tyranny of the majority. Speakers use their control of the Rules Committee to protect their party members from tough votes and to ensure that as many factions as possible within their party are comfortable with bills that reach the floor. Members of the minority party have virtually no say in the proceedings. As a result, the lower chamber is the place bipartisan proposals go to die.

It doesn't have to be this way, and the upcoming midterm elections offer an opportunity for change. Longtime observers of congressional races believe that when the dust settles in November, the victorious party will have only a slim majority, probably fewer than 10 seats. If so, members determined to create space for bipartisan legislation would be able to use their leverage by withholding their votes for the majority's candidate for speaker until the candidate agrees to support reforms in the way the House does business.

This strategy, championed by the nonpartisan group No Labels (which I helped found), could play out in a number of ways. For example,

the holdouts could demand an end to "closed" rules that prevent members from offering floor amendments to contested bills; they could ban the consideration of legislative language that members have not had a chance to read and ponder; they could insist that both parties be represented in conference committees.

Such an approach would not be without precedent. After the midterm election of 1922, the Republicans were left with a narrow majority of 225 seats. A small band of Republican progressives refused for eight ballots to support Frederick Gillett, their party's anointed candidate for speaker, until he agreed to a package of procedural reforms prior to the ninth.

Re-enacting this drama in January 2019 would be a big step forward. But today's House reformers have the option of going even further by turning the office of speaker into a force for bipartisanship. As things now stand, successful candidates need only a simple majority of members present and voting for a candidate. Suppose that the threshold were raised to 60%. Unless one party enjoyed such a supermajority, a candidate of the majority could become speaker only with the support of a portion of the minority party. Alternatively,

with a new proviso requiring support from at least 10% of the minority.

A change along these lines would fundamentally alter the dynamic of the House. Before the new Congress gets down to business, the majority would be compelled to negotiate with the minority, not

Congress would be more bipartisan if the minority party had a say in the selection.

only about rules and procedures, but also about the legislative agenda for the next two years. The odds of achieving bipartisan solutions to pressing problems would increase significantly.

A speaker chosen in this manner would be more likely to represent a majority of Americans, not just a majority of the majority. He or she would really be speaker of the House—the whole House—not just the majority leader with a glorified title. And if catastrophic events elevated the speaker, now third in line, to the presidency, prior support across party lines would increase his or her legitimacy.

Critics argue that such a reform would produce gridlock and chaos in the House, but this is unlikely. Supermajority requirements thwart action

only when acting is optional. But electing a speaker is not optional. In fact, it is the only constitutionally mandated office of the House. Article I, Section 2 states that the House of Representatives "shall choose their speaker." (It does not say how, leaving the House free to establish its own procedures.)

This proposal is not directed against any individual or either party. Everyone knows that the parties are much more polarized than they were a few decades ago. But current procedures are making this even worse. As matters now stand, speakers have few opportunities to pursue bipartisan solutions. Aggrieved factions of their own party will resist, and if necessary punish, all departures from party orthodoxy. Only a bold change in the rules of the game can give both leaders and rank-and-file members new incentives to cooperate.

Nor does this proposal represent a moral critique of today's members of Congress, who are no worse than their predecessors. While some of them prefer making points to making laws, most journey to Washington to do the people's business and are stunned and dismayed by what they find here. They are good people trapped in a bad system, and only a fundamental reform of this system can allow them to heed what they know to be the better angels of their nature.

BOOKSHELF | By Michael Shermer

Why Things Are Looking Up

It's Better Than It Looks

By Gregg Easterbrook
(PublicAffairs, 330 pages, \$28)

In April 2016 President Barack Obama addressed a German audience with a message of uplift: "We're fortunate to be living in the most peaceful, most prosperous, most progressive era in human history," he said, adding that "it's been decades since the last war between major powers. More people live in democracies. We're wealthier and healthier and better educated, with a global economy that has lifted up more than a billion people from extreme poverty." So what exactly changed a few months later, when Donald Trump was elected to America's highest office, to put so many of the world's observers in a foul mood of doom?

Nothing important, suggests Gregg Easterbrook in "It's Better Than It Looks," his masterly and comprehensive exposition on why we should be optimistic in an age of pessimism. The author backs his sanguine perspective with copious data, noting, for example, that even as Mr. Trump growled that our economy "is always bad, down, down, down," the unemployment rate had in fact reached 4.6%, "a number

that would have caused economists of the 1970s to fall to their knees and kiss the ground." Today's liberals and progressives, too, take a tack of gloomy pessimism, as when both Hillary Clinton and Bernie Sanders bemoaned that the U.S. has been "destroyed" by the wealthy and "poisoned" by greedy corporations polluting the environment.

By leading the American populace to despair, Mr. Easterbrook suggests, politicians on both sides may have encouraged voters to elect the man who looked at the country and saw "American carnage."

But while declinists were bemoaning our miserable lives during the last election, Mr. Easterbrook argues, "at no juncture in American history were people better off than they were in 2016: living standards, per-capita income, buying power, health, safety, liberty, and longevity were at their highest."

A potent counter to today's unwarranted pessimism, the author claims, is not just the evidence that can be seen (rising employment, wages, wealth, health, lifespans and so on) but what has not been seen. Granaries, for instance, are not empty: The many predictions made since the 1960s that billions would die of starvation have not come true. "Instead, by 2015, the United Nations reported global malnutrition had declined to the lowest level in history. Nearly all malnutrition that persists is caused by distribution failures or by government corruption, not by lack of supply." In fact, obesity is rapidly becoming a global problem.

Similarly, even though there are occasional panics, "resources have not been depleted despite the incredible proliferation of people, vehicles, aircraft, and construction." Instead of oil and gas running out by the year 2000, as some in the 1970s predicted, both "are in worldwide oversupply" along with minerals and ores. Likewise, there are no runaway plagues. "Unstoppable outbreaks of super-viruses and mutations were said to menace a growing world; instead, nearly all disease rates are in decline, including the rates of

Though declinists in both parties may bemoan our miserable lives, Americans are healthier, wealthier, safer and living longer than ever.

most cancers." Western nations are also no longer choking on pollution. Smog in major cities like Los Angeles, for example, is in free fall as measured by the number of air-quality alerts. Sulfur dioxide, the main source of acid rain, is down by 81% in the U.S. since 1990, and forests in Appalachia "are in the best condition they have been in since the eighteenth century."

In America as well as the rest of the world, crime and violence are getting less, not more, frequent, Mr. Easterbrook points out. Homicide rates have plummeted since their post-World War II high in 1993, while "the frequency and intensity of combat have gone down worldwide." And despite worries about rising authoritarianism, the dictators aren't winning. In the 1980s dictators ravaged countries on nearly every continent; today, the Kim family's lock on North Korea stands out as an aberration.

Data supporting this author's optimistic observations are presented throughout "It's Better Than It Looks." Similar catalogues can be found in books like Steven Pinker's "Enlightenment Now" (2018), Johan Norberg's "Progress" (2016), Peter Diamandis and Steven Kotler's "Abundance" (2012) and Matt Ridley's "The Rational Optimist" (2010). I even touched on some of the same points in my own "The Moral Arc" (2015). Apparently, though, this chorus is not loud enough, since pessimism remains as prominent as it ever was.

Besides providing new ammunition for optimists, Mr. Easterbrook's aim in this important book is to identify what we've been doing right and to consider what we can do about the still pressing problems we face, most notably the "impossible" challenges of inequality and climate change—along with health-care costs, nuclear proliferation and others. These puzzles are solvable, he insists, if we make the effort.

After all, each of the many areas of progress that he documents were the result of individuals and organizations—both private and public—deciding to solve particular problems, as President Franklin Roosevelt prophesied in 1938 when the world was much darker than it is today: "We observe a world of great opportunities disguised as insoluble problems." As Mr. Easterbrook notes with some irony, early 20th-century progressives were at that time the optimists who envisioned an America the Beautiful where, in the words of the hymn, "alabaster cities gleam undimmed by human tears." Today that sort of vision is, notably, not embraced by either major party.

Mr. Easterbrook wants to make optimism intellectually respectable again, and he has done so with cogent arguments and bountiful evidence. "History is not deterministic, teleological, or controlled in any manner," the author concludes. Yet he shows that "history has an arrow" and—thanks to human ingenuity and effort—"the arrow of history points forever upward."

Mr. Shermer is the publisher of Skeptic magazine, a monthly columnist for Scientific American and the author, most recently, of "Heavens on Earth: The Scientific Search for the Afterlife, Immortality, and Utopia."

As full-time employees of local nonprofits, these youth advisers are deployed to public schools to work alongside school staff. They circulate in lunch rooms, detention rooms and hallways, and they tutor students. Their primary responsibility is to intervene in conflicts brought to them by the students themselves. There may be more than 25 interventions in a single day that prevent conflicts from escalating into violence.

When a student smuggles a gun past school security, a youth adviser is alerted and the youngster is quietly removed from the premises and arrested, all without the school going on lockdown. When the youth adviser is alerted to an after-school fight, police and youth advisers are on the scene as the crowd begins to gather. They stop incidents before they happen.

Youth advisers' could help prevent the next mass shooting.

Young offenders often tell others in their social networks of their intentions, but adults are not tuned in to this communication—on the street it's called "buzz." Local not-for-profits selected by the Woodson Center hire young adults from the community as youth advisers—a few years older but from the same geographic and cultural ZIP Code. They

listen to the buzz and know how and when to intervene.

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Violence Free Zones successfully operate in troubled schools and neighborhoods throughout the country. The program has effectively reduced violence and prevented bullying. A Baylor University study showed a 25% decrease in violent incidents at a test group of schools within the three months of the program's introduction. Violence Free Zones have been operating for more than 14 years in Milwaukee, where the district attorney has credited them with the 25-year low in violence.

As the country searches for ways to reduce youth violence, some answers are located where we least expect to find them—among the group experiencing the problem. This approach can be more effective than demands for more police or fewer guns.

Mr. Woodson is founder and president of the Woodson Center.

OPINION

REVIEW & OUTLOOK

A New GOP Entitlement

One in five Americans is on Medicaid, and Medicare and Social Security will require huge future tax increases. Yet some in the ostensible party of limited government think this is the perfect time to add a new entitlement for paid family leave. Who wrote that book about Republican Party suicide again?

Florida Senator Marco Rubio and his sidekick Mike Lee of Utah are teaming up with Ivanka Trump to design a plan for federal paid leave. President Trump has endorsed the concept, and his budget includes an outline involving unemployment insurance.

Kristin Shapiro and Andrew Biggs recently laid out a proposal on our pages to open up Social Security to finance family leave, and it is gaining some traction on the right. New parents could choose to draw on their retirement benefits for some length of time, perhaps 12 weeks, in exchange for delaying Social Security payments for a roughly comparable period.

The plan would supposedly pay for itself because workers would merely change the time in their lives when they collect Social Security benefits. No mandate on employers, no payroll tax increase. Presto, a free political lunch.

The first problem is that this would shift the burden of providing the benefit from the private economy to government. Academic evidence shows that family leave keeps employees in their jobs and can make them happier or more productive, which is one reason many companies pay for it. But why pay when the government offers 12 weeks?

Proponents say this won't happen because the Social Security payout will only furnish about 45% of the average worker's wages, but that still changes business incentives. Some companies might add more money or more weeks, but they'll stop paying for that 45% of the first 12. This "crowd out" effect is a hallmark of all entitlements—such as Medicaid's displacement of private health insurance.

Republicans would be making an enormous mistake to interrupt decades of business progress toward more generous family policies. CVS, Lowe's and Walmart are among the companies that have announced new or expanded paid leave benefits since the GOP's tax reform lowered the cost of wealth creation. Why not let faster growth and tight labor markets create more incentive for private family leave?

Also strap yourselves in for the politics. So-

cial Security started as a 2% payroll tax to support the elderly poor, but the tax is now 12.4% and the program is still severely under-funded.

We look forward to Ivanka explaining that politicians raiding Social Security for a new benefit pose no financial risk to Florida retirees.

Social Security purports to allow a person to earn benefits over a career, but that work requirement will also be a casualty of this family-leave raid. No politician is going to deny leave to a pregnant 22-year-old merely because she hasn't paid much into Social Security. Watch the social right demand a comparable cash benefit for stay-at-home moms, and also dads, or caring for an elderly dependent.

And wait until you meet the focus group known as Congressional Democrats, who are already dismissing the proposal as unfair for forcing women to choose between children and retirement. Democrats will quickly wipe out the deferral period so everyone is entitled to leave now and get the same retirement benefits later. And once Republicans open Social Security for family leave, the door will open for other social goals. Why not college tuition?

Some call these slippery-slope arguments, and they are, but every entitlement since Revolutionary War pensions has skied down this slope of inexorable expansion. Disability started as limited insurance but now sends checks to roughly nine million people. Medicaid was intended to cover the vulnerable and disabled but today dozens of states cover childless working-age adults above the poverty line. John Cogan's new book, "The High Cost of Good Intentions," explains all this, if conservatives care to learn from history.

The pressure to raise payroll taxes to finance Social Security and Medicare is already growing as more Baby Boomers retire. Complicate Social Security with new spending purposes, and the drive to raise the \$128,400 income cap on the 12.4% payroll tax will be unstoppable. How do you like a 60% marginal tax rate?

Behind family-values platitudes is a question of whether government should pay for every benefit worth having in American life. Mr. Rubio and others think Republicans must compete with Democrats on government handouts, only less generous and targeted to people they like. With their latest budget deal, the GOP is staring at annual deficits of \$1 trillion a year. Republicans should be reforming entitlements, not expanding them.

A Genuine Axis of Evil

Former Obama National Security Adviser Susan Rice and others who say the U.S. can live with a nuclear-armed North Korea cite deterrence and the North's certain destruction if it attacks Americans. This is a convenient faith, but alas it ignores the threat of proliferation to other regimes or actors that might also use weapons of mass destruction against Americans.

This proliferation threat was in sharp relief Tuesday with leaks from a confidential United Nations report alleging that Pyongyang is circumventing trade and financial sanctions and plying its military wares and know-how to dozens of nasty foreign customers, including Bashar Assad's Syria.

The Journal's Ian Talley reports that the North has shipped 50 tons of supplies to Syria, including "high-heat, acid-resistant tiles, stainless-steel pipes and valves," likely for use in a chemical weapons plant. The report, written by the Panel of Experts that oversees North Korea's

Deterrence won't stop North Korea from selling its nuclear arms.

compliance with U.N. resolutions, reveals more than 40 shipments between 2012 and 2017. It also claims Pyongyang sent weapons experts to Syria multiple times as recently as the past two years.

This would solve the mystery of how Assad obtained the sarin gas he used against his people in 2013 and again in 2017. The U.S. believes he is still using chlorine gas against civilians. In 2007 North Korea worked with Syria to build a nuclear-weapons facility at Al Kibar—until Israel destroyed it in a military raid, against the advice of George W. Bush and Condoleezza Rice.

The chemical-weapons news also underscores the porousness of U.N. sanctions as the North sells whatever it can for cash to keep its dictatorship afloat. If sanctions are going to stop North Korea, the U.S. and its allies will have to start boarding ships and commandeering aircraft believed to be carrying WMD material. North Korea will sell anything to any bad actor for a price.

Democrats and the Dossier

The public deserves a full airing of 2016 election shenanigans, including whether there was any untoward behavior by high-ranking office holders. Toward that end the House Intelligence Committee wants to find out who knew what and when about the infamous Steele dossier.

House Intelligence Chairman Devin Nunes on Feb. 20 sent a letter to 11 current and former officials requesting information about their awareness and handling of the dossier produced by Christopher Steele. The former British spy was hired to compile his claims of Donald Trump-Russia collusion by Fusion GPS, the oppo-research firm hired by the Hillary Clinton campaign and Democratic National Committee (DNC). The House Intel letter went to former Director of National Intelligence James Clapper, former CIA director John Brennan, and former National Security Adviser Susan Rice, among others.

The debate over the dossier has so far focused on Mr. Steele's delivery of that campaign document to the FBI, and the bureau's use of it to obtain an order to surveil a U.S. citizen—Trump adviser Carter Page. But Fusion almost certainly also delivered the dossier to its clients at the Clinton campaign and DNC. Mrs. Clinton maintained close ties to the State Department, and Obama officials were rooting for her election. How wide was the awareness of the dossier at the highest levels of government, and was that information misused?

The House Intel letter asks when the officials became aware of the information in the dossier; how it was presented to them; who did

the presenting; when they learned it had been funded by a political entity or the Clinton campaign or DNC; and what actions they took on the basis of the information, including outreach to law enforcement or media.

One former State Department official, Jonathan Winer, has acknowledged serving as a conduit between Mr. Steele,

his State Department colleagues and Clinton operative Sidney Blumenthal. Justice Department official Bruce Ohr was also in contact with Mr. Steele during the 2016 campaign, and his wife, Nellie Ohr, worked for Fusion GPS.

A spokesman for former Senate Minority Leader Harry Reid has publicly suggested that Mr. Reid had seen the dossier by October 2016. How many Washington Democrats were in the know, and how was the information used to feed the Trump-Russia collusion narrative?

There's also the question of whether the dossier explains the Obama Administration's behavior during the post-election transition, as it embarked on the broad unmasking of U.S. citizens caught in surveillance of foreign officials, the widespread dissemination of intelligence across government departments, and media leaks.

The House committee is giving the officials until Friday to respond. If they refuse, the committee will have to issue subpoenas. Mr. Nunes isn't asking these individuals, who served at the heights of American power, to divulge privileged information. He's asking whether they used an unverified and partisan campaign document to target political opponents and undermine a new Administration.

The House asks Obama officials what they knew and when.

LETTERS TO THE EDITOR

Netflix Has Competitors, Medicare Doesn't

Ezekiel J. Emanuel and Bob Kocher are two of the leading voices in government-run health care, including their contributions to the Affordable Care Act ("What Medicare Could Learn from Netflix," op-ed, Feb. 21). The basis of their op-ed is the necessity of "risk adjustment" and how to use it when dealing with Medicare Advantage patients. Risk adjustment is simply another term for underwriting. Ironically, through community rating and the pre-existing condition mandate, the architects of the bill essentially banned underwriting from ObamaCare.

Although they argue that "upcoding" is bad, in reality it is simply a case of providers responding to perverse incentives that Medicare bureaucrats have established. They also unjustly slam doctors for using "clinical judgment" rather than "objective criteria" when assessing disease severity. This implies that some medical cookbook is more accurate than physician experience in treating illness.

The country doesn't need a Netflix-style contest to solve problems created by the government. The country needs less bureaucratic intervention and more patient choices.

ROGER STARK, M.D.
Redmond, Wash.

Netflix operates in a marketplace of vigorous competition, while seeking customers who make voluntary consumer decisions. It is this environment that motivates Netflix's constant efforts to improve and innovate. This will never happen in the command and control environment of Medicare.

JAMES LOVELY
Lakeland, Fla.

The Dartmouth Atlas Project has been ongoing for more than 20 years and documents glaring variations in how medical resources are used throughout the U.S. Not surprisingly, patients are more likely to be diagnosed and treated for certain conditions depending on local practices.

This local variation can be readily

detected by statistical analyses of Medicare billing data so obvious outliers are identified. For instance, if the patient population of a particular region or practice undergoes 50% more joint replacements than another, then Medicare might profitably audit the busted outlying providers. Upcharging therefore isn't so much a problem as uptreating. Medicare could save billions of dollars by implementing such a care-adjustment model.

Now, where do I collect my \$10 million prize money?

JONATHAN FOX, M.D., M.B.A.
Northfield, N.J.

Having lived through Dr. Emanuel's squashing the initiative I led between the XPrize Foundation and the WellPoint Foundation to create a \$10 million Health XPrize in 2009, I find his proposal both cynical and focused on the same failed ideas of ObamaCare.

We worked with over 400 advisers across the political spectrum to define a competition that would define and score health, showing the world how to get 50% more for each dollar. We designed a transparent contest.

Of course, that data-driven market approach is the antithesis to ObamaCare's micromanagement of insurance and expansion of premium cost with no accountability for program results.

Dr. Emanuel, instead, seeks to analyze manipulated claims data and judge results with the same bureaucracy that today can't measure health, fraud, waste, incompetence or even track death. He doubles down on the failed socialist payment model of Medicare, where ability to manipulate billing codes at scale, not proven prowess in patient care, drives trillions of dollars. That model is a primary cause for the financial castration and bankruptcy of cost-effectiveness innovators who could otherwise give us an Amazon in health care.

VIJAY GOEL, M.D.
Los Angeles

Former Sr. director, Health Prize Development, XPrize Foundation.

Protecting Steel Producers and Other Jobs

Your Feb. 20 editorial "How to Punish American Workers" inadequately portrays the challenges that America's steel producers and workers have faced over time and the realities that underscore the importance of taking broad and lasting action to address the threat that imports pose to U.S. national and economic security.

The domestic steel industry faces a crisis of both global overcapacity and never-ending surges of dumped and subsidized imports that undermine the domestic industry's ability to sufficiently reinvest in our business and drive the continual innovation necessary to remain globally competitive.

We are—and have been—in a trade war for decades and are losing vital capabilities to keep America strong and safe. This isn't about "protectionism." After decades of anemic steps taken by past administrations, we need bold action against those who circumvent our national trade laws and actively undermine American steel and manufacturing. Countries which have economically prospered by creating our current trade imbalance will face repercussions to their own economies if they choose the path of retaliation.

Steel touches every American life in some way every day. Infrastructure, building construction, appliances, vehicles, energy pipelines and more require steel. Our national and economic security is only as strong as our country's ability to produce steel from beginning to end within our own geographic borders. We cannot allow ourselves to become reliant on foreign steel from unstable re-

"Why would Mr. Trump undercut his achievements with trade barriers that harm American workers and consumers?" I suggest that a better closing sentence is: "Why are the bureaucrats at the Commerce Department incapable of generating the thoughtful analysis like that done by the Journal to show all the ins and outs and the winners and losers associated with the proposed tariffs and then present the findings to the public?" Are they scared of President Trump's response or are they simply incompetent?

STEPHEN HAPPEL
Tempe, Ariz.

The Bush steel tariffs had a larger impact than often missed. The post Sept. 11, 2001, high of the Dow Jones Industrial Average occurred on March 19, 2002, at 10,635.25. Steel tariffs took effect on March 20. Lumber tariffs followed in May. A tariff is a tax that someone must pay. Further, domestic steel producers can raise prices and not lose market share. This reduces future earnings for steel consumers and domestic manufacturers which decreases the present value of stocks. The DJIA didn't recover until the Bush administration lifted the tariffs on Dec. 4, 2003.

Certainly there are better methods to solve our trade disputes.

DAVID R. BREUHAN
Bloomfield Hills, Mich.

Pepper ... And Salt

THE WALL STREET JOURNAL



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

TONY CISERELLI
Denver

OPINION

Trump Can Help Overcome Identity Politics

By Edwin Meese III
And Mike Gonzalez

Identity politics—the artificial segmentation of Americans into antagonistic groups organized along often imagined ethnic, racial and sexual categories—is tearing America apart. President Trump can do something about it.

Government played a key role in creating these identities. The establishment of a new official taxonomy of Americans started roughly in 1966, when the Equal Employment Opportunity Commission began asking companies with more than 100 employees to collect information through the EEO-1 form on “Negro, American Indian, Oriental and Spanish-surnamed” employees. What began as an effort to track how policies

Americans are divided in part by decades-old bureaucratic decisions the president could undo.

affected people thought to be disadvantaged easily but tragically slid into government-sanctioned promotion of victimhood and racial preferences. The goal of the Civil Rights Act of 1964, to prohibit racial discrimination, was turned on its head.

The EEO-1 was a public, if implicit, federal declaration of the nation’s minorities,” writes University of California, San Diego political scientist John Skrentny in his 2002 book “The Mi-

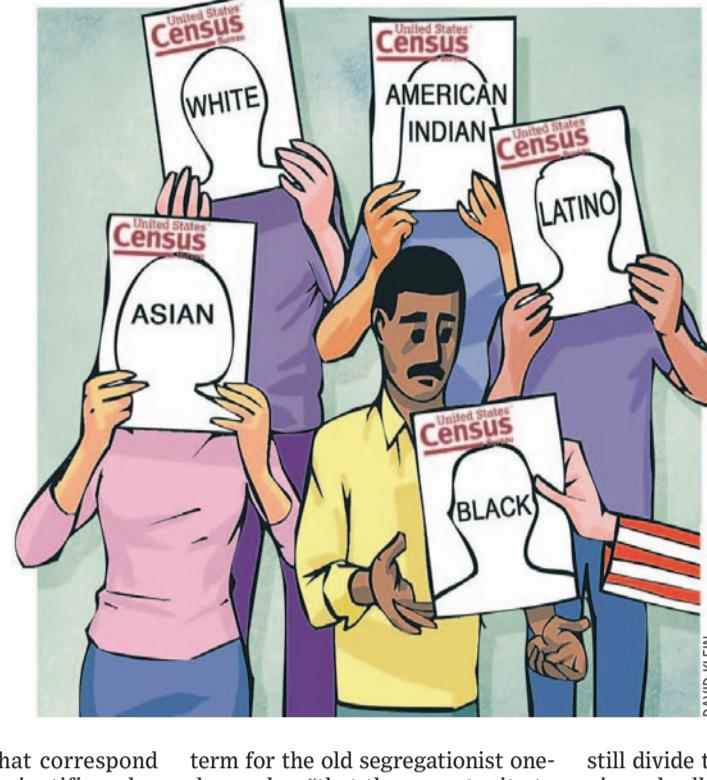
“Being listed on the EEO-1 was a crucial prerequisite for benefiting from a difference-conscious justice,” he concludes. “Without much thought given to what they were doing, [policy makers] created and legitimized for civil society a new discourse of race, group difference and rights.

This discourse mirrored racist talk.”

Spurred by lobbying from liberal advocacy groups, in 1977 the Office of Management and Budget standardized the categories of “white, black, Hispanic, Asian and American Indian and Alaska native” nationwide. Added to the two familiar races, black and white, were three incongruous pan-ethnic categories. The Census Bureau went ahead and carved the entire country into what social scientist David Hollinger has dubbed “the ethno-racial pentagon.” Starting in 1980 the census began tabulating all residents into groups that correspond to a vague and unscientific color code: white, black, brown, yellow and red.

If you don’t think of yourself that way, the government will do it for you. There’s a box on the census for “some other race,” but the bureau explains: “When Census 2010 data were edited to produce the estimates base, respondents who selected the Some Other Race category alone were assigned to one of the OMB mandated categories.”

For people who tick multiple boxes—permissible since 2000—OMB has instructed the Census Bureau to “allocate” responses that “combine one minority race and white” to “the minority race.” As Mr. Hollinger puts it, “thus the federal government quietly reinserted into the tabulation of the census the principle of hypodescent”—the technical



status rather than truth. And if you work for a large organization, there’s someone in your human-resources department whose job is to put you into one of the government-created silos.

What can be done about all this? Mr. Hollinger has proposed to do away with the pan-ethnic groups altogether and “count instead those inhabitants who identify with descent communities from specific countries.” The 2020 census starts down that path by adding a “write-in area” for countries of descent for both whites and blacks, as well as Hispanics, but will

still divide them under the pan-ethnic umbrellas.

Sociologist Nathan Glazer, co-author with Daniel Patrick Moynihan of the classic 1963 study “Beyond the Melting Pot,” has similarly proposed asking only questions on national descent, and going back only as far as grandparents, “because by the third generation and certainly the fourth, the mix of ethnicities is extensive,” as he wrote in 2002.

Such revisions “would indicate that the census and the government are not interested in group characteristics in the third generation and beyond,” Mr. Glazer wrote.

Every level of American government now follows this scheme, as do most other major institutions. Public schools promote the invidious idea that all subjects, even math, should be taught differently to children depending on where administrators place them on the pentagon. Universities have become cultural battle zones where students search for victim

term for the old segregationist one-drop rule—“that the opportunity to make ‘more than one’ was publicly said to repudiate.”

Until the Trump administration stopped it last month, the census was preparing to add in 2020 yet another vast pan-ethnic grouping—“Middle East or North Africa”—for residents with ancestry anywhere between Morocco and Iran. That would have made a minority of everyone from Rep. Darrell Issa to the late Steve Jobs.

Every level of American government now follows this scheme, as do most other major institutions. Public schools promote the invidious idea that all subjects, even math, should be taught differently to children depending on where administrators place them on the pentagon. Universities have become cultural battle zones where students search for victim

for reintroduction in 2020.

Messrs. Glazer and Hollinger agree on retaining a question about whether a resident considers himself black. Mr. Hollinger’s solution is to include a box labeled simply “African.” As Mr. Glazer puts it, “this is the group that has suffered from prejudice, discrimination, and a lower caste status since the origins of the republic.”

The Commerce Department must submit 2020 census questions to Congress by the end of next month. Mr. Trump should issue an executive order directing the OMB to rescind the 1977 directive (and a 1997 revision) and the Census Bureau to abandon pan-ethnic categories in favor of a question about national origin—either fill-in-the-blank or a box for every country in the world, from Afghanistan to Zimbabwe.

The order should further instruct all federal agencies to root out the collection of this faux data—which occurs internally throughout the executive branch and is forced on states and government contractors through federal policies and regulations. Mr. Trump could instruct agencies to report back on their progress after, say, six months.

“It is necessary and desirable to recognize and encourage the ongoing assimilation of the many strands that make up the American people into a common culture,” Mr. Glazer wrote. “One encourages what one recognizes and dissuades what one does not.” Mr. Trump has an opportunity to encourage unity and dissuade the division of Americans by race and ethnicity.

Mr. Meese served as U.S. attorney general, 1985-88, and is a distinguished fellow emeritus at the Heritage Foundation. Mr. Gonzalez is a senior fellow at Heritage and author of “A Race for the Future: How Conservatives Can Break the Liberal Monopoly on Hispanic Americans.”

The Iranian Threat and the Eternal Meaning of Purim

By Eliora Katz

As Iran and Israel inch toward all-out war, the timing is suitable. On Thursday Jews don costumes and feast to celebrate Purim, the “they tried to kill us, we survived, let’s eat” holiday par excellence. Purim commemorates the tale of the Jews’ narrow escape from extermination in Persia’s Achaemenid Empire.

The story, told in the book of Esther, takes place in the fifth century B.C., a millennium before the rise of Islam. King Xerxes, whose realm stretches from “India to Ethiopia,” selects Esther as his new queen. She conceals her Jewishness, but her cousin and foster father, Mordechai, doesn’t. He refuses to prostrate before the king’s vizier, Haman. Enraged by Mordechai’s defiance, Haman persuades the king to exterminate all the Jews of Persia.

After some political maneuvering, Esther audaciously reveals her identity and everything turns upside down. Xerxes orders Haman hanged on the gallows meant for Mordechai, and the Jews defeat their enemies in

a two-day war across the Persian provinces.

It’s tempting to read the book of Esther as prophecy rather than history. Today’s Iranian regime denies the Holocaust, issues constant threats to “erase the Zionist entity,” and stations Quds Force troops and proxy militias from its own border with Afghanistan to Syria’s and Lebanon’s with Israel.

Prime Minister Benjamin Netanyahu has been invoking the holiday for years. In March 2012 he gave President Obama a Purim Megillah scroll while discussing Iran’s nuclear capabilities. Last year Mr. Netanyahu told Russia’s President Vladimir Putin: “Today there is an attempt by Persia’s heir, Iran, to destroy the state of the Jews. They say this as clearly as possible and inscribe it on their ballistic missiles.” Mr. Putin, an Iranian ally in Syria, dismissed the comparison: “We now live in a different world. Let us talk about that now.”

Visiting a synagogue on Purim last year, Mr. Netanyahu brought the holiday to life, telling cheery children that Iran wants to kill the Jews, just as the Persians did back then.

But the parallel isn’t so simple. Today Jews are no longer helpless at the mercy of nations. Israel is sovereign, as it was in most of the stories of the Hebrew Bible, and it has a formidable army. Esther is the only book in the canon that asks what happens to the Jewish people when we’re scattered among the nations.

The Jews of Persia saw the universe’s great whimsy. Grief turned into joy, mourning into celebration.

By fixating on contemporary politics, we risk losing sight of the holiday’s profound philosophical implications. Purim is remarkably modern and abiding through its prescient understanding of how to cope with a world in which God is dead, or “concealed.”

Esther is traditionally understood to be the only book of the Hebrew Bible that lacks any reference to God, focusing instead on the actions of man. As the Talmud asks: “Where do

we hear about Esther in the Torah?” The rabbis answer playfully with a pun based on Deuteronomy 31:18, in which God says: “I will hide, really hide my face from them.” The Hebrew word for “hide,” *hester*, sounds like the Persian name Esther.

We masquerade on Purim to recall that in our time, God “hides” his face. Purim marks the turn from the nature-defying “open miracles” in earlier books of the Bible to shrouded ones, noticed by only the most sensitive surveyors of history. The holiday also entails a shift from prophecy and sacrifice to Torah study and good deeds—earthlier ways of connecting with the divine. And because Esther and Mordechai respond to God’s absence by taking matters into their own hands, Purim itself is the first holiday enacted by man and not divine command.

The Jews of Persia saw the great whimsy of the universe—“grief turned into joy, a day of mourning into a day of celebration.” On Purim we appreciate the same uncertainty of the world, which modern man feels so acutely. Instead of despair, we channel that acknowledgment into a commitment to accept and

improve reality through communal obligation and revelry. God’s absence invites man to engage in godly endeavors of his own.

We confront the chaos of life by following the book of Esther’s instructions: giving gifts to friends and family and alms to the poor. The Talmud teaches that on Purim we are commanded to drink until we can no longer distinguish between “Cursed be Haman” and “Blessed be Mordechai.” We drink to heighten our awareness that life is not so black and white. We masquerade to reveal our hidden selves. Once a year, our tradition recognizes that carousing can be an appropriate response to our great vulnerability in this world.

Rather than try to force an analogy between “Persia of old” and today’s Iran, we should look to Purim for timely insights into politics and the human condition. Timeless insights, too. The medieval philosopher Maimonides said that the books of the biblical prophets “will be annulled in the days of the Messiah, apart from Esther.”

Ms. Katz is a former Robert L. Bartley Fellow at the Journal.

You Can’t Talk Politics Here, This Is a Polling Place

By Ilya Shapiro

Minnesotans may be nice, but their state government is awfully imperious when it comes to politics. Since 1912, the state has banned any “political badge, political button, or other political insignia” in or around polling places on Election Day. That’s a problem, because the First Amendment extends far beyond verbal expression.

Some of the Supreme Court’s most iconic cases have upheld the right to make a silent but powerful statement with one’s apparel.

Whether sporting a black armband to oppose a war (*Tinker v. Des Moines*, 1969) or an impolite jacket to protest the draft (*Cohen v. California*, 1971), what someone chooses to wear can be as expressive and meaningful as what he chooses to say.

Yet in the North Star State, a button with the peace symbol, a shirt reading “Black Lives Matter,” or a hat with the word “Capitalism” could each be grounds for being sent home by a poll worker. Further, the statute gives election officials broad discretion to ban any materials “promoting a group with

recognizable political views.” So voters can’t even feel safe wearing shirts supporting the American Civil Liberties Union or the National Rifle Association.

In 2010 several Minnesotans attempted to vote while wearing clothes supporting the tea party. A poll worker told them they were breaking the law. They challenged the apparel ban, but the Eighth U.S. Circuit Court of Appeals twice upheld it. On Wednesday the Supreme Court will hear the case, *Minnesota Voters Alliance v. Mansky*.

The lower court mostly relied on *Burson v. Freeman* (1992), in which the high court upheld a prohibition against distribution of “campaign materials” and “solicitation of votes” in and around the polling area. But that ban was much more targeted than the one here. It was combating the historical practices of voter intimidation and election fraud that were especially prevalent before the era of standardized ballots. In *Burson*, the justices suggested that states could reasonably fear a return to the time when “approaching the polling place . . . was akin to entering an open auction place,” and that a ban on outright electioneering was tailored to meet that concern.

Minnesota’s ban, by contrast, finds no historical parallel. A generic pro-voting message like “Rock the Vote” is arguably a political statement forbidden by the law. But how could it possibly be construed as pressuring anyone to vote for a particular candidate?

Whatever legitimate concerns the state may have about the electoral process, it can’t justify a ban on voters’ nondisruptive speech—let alone on unobtrusive paraphernalia that’s unrelated to any issue or candidate on the ballot.

Minnesota’s ban on political apparel is so sweeping that another Supreme Court precedent is far more relevant than *Burson*. In the

Minnesota’s rules are so sweeping, even a ‘Rock the Vote’ shirt would probably violate them.

1987 case *Airport Commissioners v. Jews for Jesus*, the high court unanimously struck down a ban on “First Amendment activity” at Los Angeles International Airport. The court explained that such a ban was overbroad because it necessarily extended far beyond speech “that might create problems such as congestion or the disruption of the activities of those who use LAX.” Like Minnesota’s law, the airport had banned all “symbolic clothing,” leaving people unsure whether a Gandhi or Che shirt might get them thrown out. The court noted that “virtually every individual who enters LAX may be found to violate the resolution.”

That’s not to say that places with security or governmental-integrity concerns have to be free-for-alls.

Burson was right to allow reasonable regulations that ensure orderly elections. Courtrooms and other sensitive areas—what lawyers call “nonpublic forums”—can impose certain restrictions. But “the wearing of a T-shirt or button that contains a political message,” the court explained in *Jews for Jesus*, “is still protected speech even in a non-public forum.”

Most fundamentally, Minnesota’s law is unjustified because its fear of political expression is so disconnected from normal society. Without even wading into the social-media swamp, strangers pass each other on the street every day and make their deeply held views known without disruption or intimidation. This silent political signaling forms part of the tableau of public life, even as certain messages undoubtedly give angst or offense. As the Court found in *Tinker*, which upheld students’ rights to wear black armbands to school in protest against the Vietnam War, “undifferentiated fear or apprehension of disturbance is not enough to overcome the right to freedom of expression.”

It’s vital that the Supreme Court defend voters’ right to express themselves so long as they don’t prevent other voters from going about their civic business. Anything else just wouldn’t be nice.

*Mr. Shapiro is a senior fellow in constitutional studies at the Cato Institute, which filed a friend-of-the-court brief supporting the challengers in the *Mansky* case.*

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Companies Sweeten Dividends

Over one-fifth of S&P 500 lift payouts and none cut them; bonds prove tough rival

By MICHAEL WURSTHORN

Dividends are on the rise at a time investors have fewer reasons to buy the stocks that pay them out.

More than one-fifth of the companies in the S&P 500 have boosted their dividends to shareholders so far this year, while no firms have slashed their payouts, a first since 2011, according to S&P Dow Jones Indices.

The increases—from an ar-

ray of companies including cable-giant Comcast Corp., asset-management firm T. Rowe Price Group and consumer-products company Kimberly-Clark Corp.—are getting bigger, too, with companies on average raising their payouts by 14%, the biggest jump since 2014.

The dividend boosts, which come as companies report some of their best earnings and sales in years, partly result from last year's \$1.5-trillion tax cut that spurred corporations to put their extra cash to work. But they also coincide with a rise in bond yields that threatens to diminish the allure of stocks.

Bond yields have flirted

with multiyear highs this month amid signs that long-dormant inflation could be picking up enough to force the Federal Reserve to speed up the pace of interest-rate increases.

Those jitters sent stocks sputtering in early February, pushing the S&P 500 into correction territory for the first time in two years. Although stocks have regained much of their footing since then, with the broad index off just 4.5% from its all-time highs, increased volatility has kept investors on edge.

Bonds are relatively more attractive than they have been in years, and high-dividend stocks like utilities and

real-estate companies are among the worst performers in the S&P 500 this year.

The yield on the two-year U.S. Treasury note surpassed

14%

Average increase in dividends among S&P 500 this year

The spread between the two has continued to widen this year with two-year bonds touching a high of 2.27% in February, nearly half a percentage point greater than what the S&P 500 had been yielding.

But bond yields are still relatively low and would have to move higher, with the benchmark 10-year U.S. Treasury yield at least above 3%, to spark a bigger rotation out of equities and into bonds, money managers say.

"Now that rates are higher, bonds are more attractive enough to start some sort of shift," said Jay Jacobs, director of research at exchange-

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Oilman Pickens Gets His Own ETF

By RYAN DEZEMBER

T. Boone Pickens was many things during his decadeslong career: wildcatter, corporate raider, cattle trader, investor.

Now, he is becoming an exchange-traded fund.

The 89-year-old oilman recently hung it up at his hedge fund, but his investing philosophy—basically going all in on the U.S. energy renaissance—has been packaged for the passive-investing era.

The Pickens Oil Response ETF is scheduled to begin trading Wednesday. Its ticker symbol will be BOON and it is tailored as a wager on U.S. energy abundance.

BOON will track the NYSE Pickens Oil Response Index, which was developed last year by some of Mr. Pickens's lieutenants at his Dallas investment firm BP Capital Fund Advisors.

Officials with New York Stock Exchange owner Intercontinental Exchange say that it is the first time NYSE has branded a stock index with an individual.

Unlike energy funds that focus on individual segments of the oil and gas business, such as exploration or pipelines, exposure through Mr. Pickens's ETF is split between companies involved in energy production and those, like manufacturers, that use a lot of it.

ETFs have been around for about a quarter of a century but have gained popularity lately as investors have forsaken stock pickers in favor of passive, index-tracking funds that typically charge much lower fees.

There are more than 7,000 ETFs in circulation, allowing investors to buy exposure to batches of stocks, or even the whole market, in a single share. Some ETFs track the performance of the S&P 500, for example, while others focus on certain sectors or geographies.

The NYSE Pickens index tracks 81 stocks, each given equal weighting of 1.2346%. There are Permian Basin oil producers Concho Resources Inc. and Cimarex Energy, oil field service giants Schlumberger and Halliburton, auto-parts supplier Lear, chemical company Lyondell-Basell Industries NV and aluminum maker Alcoa.

Toby Loftin, a portfolio manager at BP Capital Fund Advisors who led the ETF effort, said that the mix of energy producers and users is aimed at blunting the impact falling oil prices can have on producers.

End users of natural gas, power, propane, ethane and crude tend to thrive when energy prices are low, balancing the index's overall performance, Mr. Loftin said. That enabled the index to outperform other popular energy indexes during the recent commodity price slump, he said. "We've had latitude to invest in end user," he said. "We were able to avoid a lot of pain."



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Alexa's Influence

If a voice shopper doesn't specify a brand, Alexa is more likely to recommend an 'Amazon's Choice' product.

Type of product recommended by Alexa

■ 'Amazon's Choice' ■ Top result ■ Sponsored ■ No result

First recommendation

54%	41%	6%
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Second recommendation

4%	91%	6%
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*Recommendation made by Amazon based on ratings, price and availability

†Amazon-created brands

Note: Numbers may not equal 100% due to rounding. For products that exist in buyer's Amazon purchase history, Alexa will first ask if customers want to reorder the same product, after which Alexa gives its first recommendation. Test orders conducted on Oct. 31, 2017.

Products available via Alexa, by private-label categorization

Amazon has a private label Amazon doesn't have a private label

48%	52%
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17%	83%
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Alexa recommends other brands 83% of the time in categories in which it offers a private label.

Source: Bain
THE WALL STREET JOURNAL.

Big Brands Risk Losing Their Voice

By SAABIRA CHAUDHURI
AND SHARON TERLEP

Big consumer-goods brands would rather shoppers not ask Alexa.

The growing popularity of voice-search assistants poses a threat to the biggest makers of household staples. Already grappling with upstart rivals, changing consumer tastes and the rise of e-commerce, personal-care and packaged-foods makers have yet to figure out how to leverage the technology.

Unlike in stores or online, where an array of brands get plenty of exposure, voice-search assistants like Ama-

zon.com Inc.'s Alexa often steer shoppers to a single product, usually selected by an algorithm with no input from the sellers. That isn't a big problem now, as voice searches account for a sliver of purchases. But it could be.

In the next five years, half of searches on the web will be done via voice, estimates Sébastien Szczepaniak, a former Amazon executive who now heads e-commerce for Nestlé SA, the world's biggest packaged-foods company. Consulting firm Capgemini says voice-assistant users will log 18% of their total expenses via the devices in the next three years, up from 3% currently.

"Of all the disruptions that are taking place in all the things technology is bringing into our space, voice is among the most disruptive," said Graeme Pitkethly, chief financial officer of Unilever PLC. "In digital investment this is our biggest focus."

For decades, the makers of packaged-food, personal and home-care brands have bought shelf space at retailers like Walmart Inc. and Costco Wholesale Corp. that guarantee them nationwide exposure. They have poured billions into branding to make their products instantly recognizable.

Selling on websites offers some of those same advan-

tages: Brands can pay for placement on a webpage and display their packaging and logos.

Voice shopping, which currently offers customers just one or two product options, could chip away at that tried-and-tested model.

"When it comes to voice search you go first position or you go home because beyond the first or second place there is no future," Mr. Szczepaniak said.

In a test conducted in October, Bain & Co. found that for customers making a first-time purchase without specifying a brand, over half of the time

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In Japan, a Pivot Away From Treasurys

Some Japanese investors are shifting toward selling U.S. Treasurys and other dollar-based debt over concerns that

said a lower dollar would be an "important corrective mechanism" for the U.S. trade deficit.

"The advent of the Trump administration is certainly causing concerns that the dollar may no longer be the same key currency as before," said Masahiro Kawagishi, chief investment officer for fixed income at Nomura Asset Management Co. "A portfolio that's concentrated on the dollar isn't sound." He said his team has been moving funds to debt securities in India, Malaysia and other emerging economies from dollar-denominated assets.

In the three weeks through

Feb. 17, Japanese investors sold a net ¥2.1 trillion (\$19.64 billion) of international debt securities, according to Ministry of Finance data. The sell-off of international securities, including stocks, in the week to Feb. 17 was the largest weekly amount since April 2017. The ministry doesn't break down the data by country.

Data for Japanese purchases of U.S. Treasury bonds since the beginning of 2018 aren't available yet, but Japanese investors were already becoming cautious in the latter part of 2017. They sold a net ¥3.6 trillion of U.S. sovereign bonds in the three-month period through December, ac-

cording to Bank of Japan data.

Hans Redeker, global head of foreign-exchange strategy at Morgan Stanley in London, said the selling of foreign bonds by Japanese investors was an important driver for the recent fall in the dollar against the yen. The dollar has declined 4.8% against the yen in 2018, while dropping less against the euro and British pound.

Japanese holders, including the government, own nearly \$1.1 trillion in Treasury bonds, a close second to China. For

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ALEXA

Continued from the prior page
Alexa's first recommendation was a product from the "Amazon's Choice" algorithm, which implies a well-rated, well-priced item that ships with Prime. Bain also found that in categories in which Amazon has a private brand, 17% of the time Alexa recommended the private-label product even though such products make up just 2% of volume sold.

"Amazon's Choice is just our recommendation, and customers can always ask for specific brands or products if they choose," said an Amazon spokeswoman.

Amazon doesn't disclose the formula it uses to make

Without that paid-search option, P&G has been tinkering with ways to get noticed by shoppers using voice assistants, such as a Tide-branded Alexa app that doles out advice on how to clean over 200 stains but doesn't suggest Tide products.

"We do not want to overwhelmingly push our brands on consumers. We want to be agnostic and hope they choose us," said Randy Limes, a digital and e-commerce executive at P&G.

Unilever, owner of Hellmann's mayonnaise and Domestos toilet cleaner, has developed Alexa apps that give free recipes and cleaning tips that may or may not incorporate Unilever brands. Unilever sees the apps as a way to market its products by offering customers useful information when they need it most.

"It's a new model of marketing since we're moving to something that's less about interrupting you like TV advertising does," Mr. Pitkethly said.

Alexa dominates 70% of the U.S. smart-speaker market, according to Bain. There are other options to voice shop including Google Assistant, which for instance lets people buy things on Walmart.com using the Google Home speaker. It offers shoppers brands based on previous purchases made in store and on Walmart's website.

Some executives predict voice search could help the biggest brands by encouraging shoppers to gravitate to products that are top of mind or by entrenching existing preferences. Once customers purchase a specific brand, Alexa usually picks the same brand for subsequent responses.

"The guy who will win is the guy who will have iconic brands and products," said L'Oréal SA Chief Digital Officer Lubomira Rochet, who is working to figure out how to get L'Oréal's products chosen by Amazon's algorithm. "I believe voice is as big as the internet—and Google—when it came."

year. The latest transaction plays to Amazon's efforts to control the devices that power smart homes. Certain Ring doorbells and cameras already connect with Amazon's virtual assistant, Alexa.

Package theft has become an increasing problem for e-commerce companies as consumers order more online.

Amazon and the four-year-old Santa Monica, Calif.-based Ring announced the deal Tuesday in statements that provided no financial details.

—Laura Stevens and Douglas MacMillan

Continued from the prior page

product selections. A person familiar with the Alexa algorithm said it won't always offer an Amazon product even if one is available, noting the selection depends in part on whether the item being requested is one that the shopper has purchased on Amazon before.

The algorithm uses a machine-learning model to identify what matters most to customers for each product request so that recommendations improve over time, this person said.

For now, brands can't pay Amazon to offer their products to customers in response to a generic request for a product, like detergent or paper towels.

Procter & Gamble Co., maker of Tide detergent and Pampers diapers, would be interested in paid search were it an option, said Vedran Miletic, P&G brand director of North America fabric-care delivery.

Amazon Purchases Video Doorbell Firm For Over \$1 Billion

Amazon.com Inc. acquired Ring, a maker of video doorbells, in a deal valued at more than \$1 billion, a person familiar with the matter said, giving the company a bigger foothold in the burgeoning internet business of home security.

The acquisition is believed to be Amazon's second-biggest, after its roughly \$13.5 billion purchase of Whole Foods last

year. The latest transaction plays to Amazon's efforts to control the devices that power smart homes. Certain Ring doorbells and cameras already connect with Amazon's virtual assistant, Alexa.

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Continued from the prior page

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BUSINESS & FINANCE

Boeing in Deal for Air Force One

By DOUG CAMERON

The Trump administration said it reached an initial deal with **Boeing** Co. to buy and convert two jumbo jets to replace the aging planes that fly as Air Force One.

The informal agreement for the heavily modified 747s would save \$1.4 billion from the original estimate, according to administration officials, and the total cost would be capped at \$3.9 billion. The Air Force One deal would take the planned spending on new presidential aircraft and helicopters to \$9 billion over the next five years, based on Tuesday's announcement and Pentagon budget documents.

President Donald Trump had criticized the cost of the Air Force One replacement program before taking office, threatening in December 2016 to cancel it unless the price fell from an estimated \$4 billion at the time.

Talks on replacing the existing jumbo jets that serve as Air Force One have dragged on for months, with the two sides agreeing on a fixed-price structure that would leave Boeing on the hook for any cost overruns, unless these are driven by changes to the jets' capabilities.

"Thanks to the president's negotiations, the contract will



KEVIN LAMARQUE/REUTERS

The informal accord for the heavily modified 747s would save \$1.4 billion from the original estimate.

save the taxpayers more than \$1.4 billion," White House spokesman Hogan Gidley said.

The White House didn't comment on why it believed costs had inflated to more than \$5 billion. Budget documents and officials previously pegged the price tag at around \$4 billion.

Boeing said the \$3.9 billion included the cost of the two planes, some design contracts already awarded and conversion work including "a communications suite, internal and external stairs, large galleys

and other equipment."

Boeing has yet to be awarded the largest part of the proposed deal, for engineering and conversion work on the planes. The Air Force is also spending more than \$300 million on new hangars for the jets.

The U.S. Navy also is buying a new fleet of helicopters to transport the president and officials. The Sikorsky unit of Lockheed Martin Corp. secured the contract in 2014 to provide 23 helicopters at an estimated cost of \$4.8 billion.

The U.S. Air Force—which oversees the Air Force One program—last year agreed to buy two jumbo jets from Boeing previously ordered by a bankrupt Russian airline in an effort to trim costs. The two planes were once destined for sale to Transaero, a Russian carrier that collapsed in 2015. Most of that company has been absorbed into Aeroflot Russian International Airlines, the country's state-owned flag carrier.

—Michael C. Bender contributed to this article.

In Retreat

Japanese investors are shifting toward selling U.S. Treasuries and other foreign assets.

Net purchase/sale of international securities



Note: \$1 trillion = \$9.35 billion
Sources: Japan's Ministry of Finance (securities); Bank of Japan (Treasuries)

THE WALL STREET JOURNAL.

JAPAN

Continued from the prior page
years, the U.S. economy has relied on Japan and China to recycle their trade surpluses back into the U.S. by buying American debt.

Strong exports on the back of solid global demand have been a driver of Japan's recent economic resurgence. A weaker dollar hurts Japanese exporters, as their goods become less competitive in global markets. A sharper fall in the dollar against the yen could raise worries about policy measures from the Bank of Japan to prevent the economy from falling back to deflation.

The weak dollar is puzzling on one level because the yield on the 10-year Treasury note has risen near 3% recently, compared with less than 0.1% for the 10-year Japanese gov-

ernment bond and 0.67% for 10-year German debt. On Tuesday, the 10-year Treasury yield rose to settle at 2.910%.

But this time, concern over U.S. budget and trade deficits is keeping Japanese investors away, said Bart Wakabayashi, Tokyo branch manager for State Street. Pointing to talk of new U.S. spending after a recent tax overhaul that may reduce revenue, Mr. Wakabayashi said, "Where is the money going to come from?"

It is a reminder of the "bond vigilante" talk from the 1990s, when President Bill Clinton felt compelled to improve the U.S. fiscal balance in the face of a bond sell-off triggered by fears of inflation.

Hiroyuki Nomura, who manages government bonds and stocks at **Japan Post Insurance** Co., said the Trump administration's move to lower taxes and raise spending during a robust economic per-

</div

BUSINESS NEWS

Holiday Sales Fuel Optimism At Macy's

BY SUZANNE KAPNER
AND ALLISON PRANG

Macy's Inc.'s shares jumped after the retailer said it signed a deal to sell part of its Chicago store and reported stronger sales for its holiday quarter that signaled a rebound in consumer spending.

Sales at stores excluding recently opened or closed locations rose 1.3% in the three months to Feb. 3, reversing a string of declines. Including licensed departments, same-store sales rose 1.4%.

The company reported revenue of \$8.67 billion, up 1.8% from the same period a year earlier. The recently completed fourth quarter included an extra week.

"All boats are rising and everybody in retail right now is benefiting from strong consumer confidence," Macy's Chief Executive Jeff Gennette said in an interview.

Macy's shares rose 3.5% to \$28.40 on Tuesday. The stock remains 15% below where it was a year ago.

To keep the momentum going, Macy's plans to roll out several initiatives this year, including mobile checkout. Shoppers will be able to scan items on mobile phones and then stop by a service desk to have security tags removed.

Macy's is also introducing an incentive plan, available to its more than 130,000 employees, including part-time workers. The plan will allow employees at all levels to share in sales when Macy's beats internal benchmarks.

"Whether you are in our warehouse, or call center, I want you to wake up every day excited about working with our customers," Mr. Gennette said.

The company is boosting capital spending to \$1 billion a year on a continuing basis, up from around \$900 million last year. Much of that money will go toward improving stores.

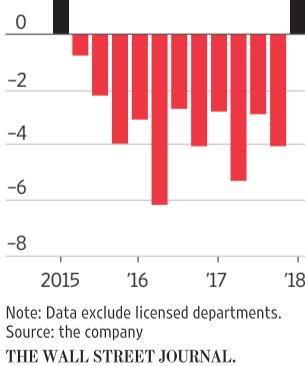
Mr. Genette said savings from the new tax law, which increased net income by 7 cents a share in the recent quarter, is giving Macy's more money to funnel into these projects. Net income was \$1.33 billion, compared with \$472 million a year earlier.

Last year, Macy's received \$411 million in cash proceeds from the sale of certain real-estate assets. In February, it agreed to sell floors eight through 14 at its Chicago store on State Street to Brookfield Asset Management for \$30 million.

◆ Heard on the Street: Macy's has spring in its step..... B14

Back in Black

Macy's quarterly comparable sales, change from a year earlier



Note: Data exclude licensed departments.

Source: The company

THE WALL STREET JOURNAL.

Diesel Takes Hit in German Court

In blow to car makers, ruling clears way for cities to ban certain vehicles to cut pollution

BY WILLIAM BOSTON

BERLIN—A German court on Tuesday rang the death knell for certain diesel cars in a blow to the country's flagship auto industry, which could now be forced to spend billions to upgrade or replace millions of cars.

In a landmark decision, a federal court ruled that German cities Stuttgart and Düsseldorf could ban diesel vehicles from their streets as a way to reduce pollution, rejecting an appeal of a lower-court ruling. Ultimately, the ruling clears the way for any German city to ban older diesel vehicles and could inspire similar measures in cities around Europe, analysts said.

The closely watched ruling on Tuesday by the Federal Administrative Court in Leipzig is likely to accelerate the demise of a technology that German auto makers have long promoted as combining solid driving performance with fuel economy and low greenhouse-gas emissions, but which has been largely discredited in the wake of the emissions-cheating scandals at Volkswagen and other car makers.

The fumes from diesel fuel, which enjoys tax subsidies across Europe, have also been found to be more damaging to health than thought years ago. German Chancellor Angela Merkel now faces pressure to establish federal regulation to avoid what auto industry lob-



Environmental activists outside the court in Leipzig before it handed down its ruling on Tuesday. The placards read 'health risk.'

byists warned could become a "patchwork of conflicting rules" in cities across the country. Ms. Merkel on Tuesday said she would meet with local mayors to determine the best course of action.

A tough choice awaits the incoming German government. It could force car makers to shoulder an estimated €8 billion (\$9.85 billion) in costs to refit diesel vehicles, weakening a key economic contributor at a time when it must invest heavily in electric vehicles and self-driving car technology. Or the government could decide to use taxpayer money to finance the repairs, potentially alienating voters.

There are 15 million diesel vehicles in use in the country, according to the German Auto-

motive Industry Association. Diesels certified between 2009 and 2014 under the so-called Euro 5 emissions standard, numbering about 5.9 million vehicles, wouldn't be subject to a ban until September 2019, the Leipzig court ruled. Vehicles certified later under the Euro 6 regime would likely be exempt from any bans.

But all other diesels in the country certified before 2009, nearly seven million vehicles in operation today, could be subject to bans at any time.

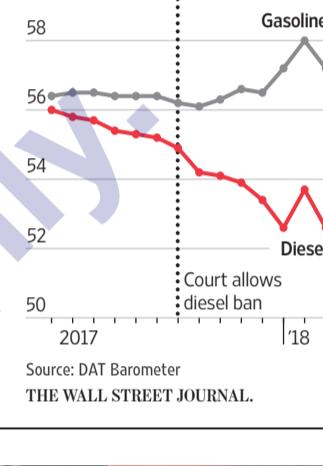
"We expect that the first diesel bans will be implemented within the next three to six months as a result of this ruling," said Jürgen Resch, director of Environmental Action Germany, which brought a lawsuit in Düsseldorf in 2016.

Before the 2015 Volkswagen emissions scandal, more than half of new cars sold in Europe were equipped with diesel engines. Now, the share is around 44%, consisting largely of vehicles used by craftsmen and in corporate and delivery fleets, according to analysts, who predict that by 2025 just 20% of new cars sold in Europe will have a diesel engine.

The Leipzig ruling "will accelerate that decline," said Liam Butterworth, chief executive of auto supplier Delphi Technologies LLC, saying auto makers will likely move faster to replace diesel engines with gasoline engines, electric cars and hybrids. "The majority of diesel engines below 2-liters will just go away," he said in an interview.

Running Low

Resale value of three-year-old car in Germany, as a share of the original list price by fuel type.



Lasers Create Holes To Give Levi's Jeans Their Worn Look

BY SUZANNE KAPNER

Levi Strauss invented blue jeans more than a century ago. Now, it is trying to automate the way they are made.

The brand's parent company, Levi Strauss & Co., plans to use lasers to create the holes, fraying and fading that give trendy jeans their worn look, previously labor-intensive process that required garment workers to brush the fabric with sandpaper, rotary tools and chemicals. A laser can finish a pair of jeans in 90 seconds, compared with as much as 20 minutes for hand finishing.

The new technology will cut the production and distribution cycle in half, enabling the San Francisco-based company to better match supply with demand. The goal: reducing end-of-season markdowns.

Garment makers are moving to automate their factories as wages, even in low-cost producing countries such as Bangladesh, creep higher. Laser technology has been around for roughly 15 years. But until now, denim distressed with lasers still required some form of hand finishing.

"The difference with our approach is there will be no manual application," said Bart Sights, the company's vice president of technical innovation.

The lasers, which etch off layers of fiber, reduce the number of steps in denim manufacturing to three from as many as 20, he added. LS &

Co. expects that almost all of Levi's jeans will be made using the laser technology by 2020, a company spokeswoman said.

Levi Strauss, one of the biggest denim makers, had annual sales of \$4.9 billion in its recently completed fiscal year, up 8% from the prior year. The company owns two factories, one in Plock, Poland, and the other in Cape Town, South Africa, but it produces the bulk of its goods at third-party factories around the world. It also has a small "Made in the USA" collection that is produced domestically.

The company joined with Jeanologia, a Spanish technology company, to upgrade its existing laser technology, which will be rolled out by its suppliers in coming years. It also developed software that allows its designers to create the holes, creases and other detailing on a computer and send a digital prototype to factories with the push of a button.

With the automated system, the finishing is done after the denim is washed, which allows Levi Strauss to make last-minute style changes. Once the jeans go into production, they can arrive in warehouses in three months, down from six months.

Another benefit: The number of chemicals used in production will fall to a few dozen from 1,000.

Apparel International Inc.,

a Mexican supplier of Levi's denim, has been testing the new method on a small percentage of its production. Its



The denim brand will use lasers to finish a pair of jeans in 90 seconds, compared with as much as 20 minutes for hand finishing. The technology will cut the production and distribution cycle in half.

president, Oscar Gonzalez, said he expects the factory to scale up over the next two years and be fully manufacturing with the new technology by 2020.

Currently, about 15% of the Torreón factory's 4,500 employees work in hand finishing.

That number is expected to drop with the switch to fully automated lasers. But Mr. Gonzalez isn't expecting wide-scale layoffs. "We'll redeploy people to other processes," he said.

Even with the automation, Levi Strauss has no plans in the

near term to move production back to the U.S. in a broad manner. It has opened a finishing center in Las Vegas, but that facility is handling a "very small part of our global production," said Liz O'Neill, the company's chief supply-chain officer.

SeaWorld's CEO Steps Down as Quarterly Loss Deepens

BY CARA LOMBARDO

SeaWorld Entertainment Inc. Chief Executive Joel Manby stepped down, as the theme-park operator said Tuesday its marine parks drew fewer visitors and its losses widened in the latest quarter.

SeaWorld didn't give a reason for Mr. Manby's departure, other than to say that the board and Mr. Manby agreed it was the right time to identify a new CEO as the company intensifies its turnaround efforts.

Mr. Manby had been CEO since 2015, when he was hired away from theme-park operator Herschend Family Enter-

tainment Corp. to get SeaWorld back on track.

SeaWorld Chief Parks Operations Officer John Reilly, who has been with the company for more than 30 years, will be the interim CEO, effective immediately. Board Chairman Yosuke Maruyama will serve as executive chairman until a permanent CEO is appointed, the company said.

Fewer tourists have visited SeaWorld's properties since a 2013 documentary, "Blackfish," raised concerns about the company's treatment of whales and orcas. SeaWorld's stock, which hit a record high of \$38.92 in July 2013, fell 5.2% to \$14.92 on Tuesday.

The company, based in Orlando, Fla., reported a fourth-quarter loss of \$20.4 million Tuesday, compared with a loss of \$11.9 million a year earlier.

Revenue fell slightly to \$265.6 million as 120,000 fewer people attended the company's parks during the quarter. But the company is finding new ways to get more money from each visitor, and average revenue per visitor edged up more than a dollar to \$62.32 in the latest quarter.

So far this year, attendance and season-pass sales are up and the crucial SeaWorld San Diego park appears to be rebounding from a difficult 2017, the company said.

SeaWorld said it would add 15 rides across its parks this year, including a steel roller coaster in San Diego called the Electric Eel that would top speeds of 60 miles an hour. The company said new rides and events are likely to help boost attendance.

In November, SeaWorld reported the company's largest quarterly attendance decline in at least four years, saying its parks logged 730,000 fewer third-quarter visitors.

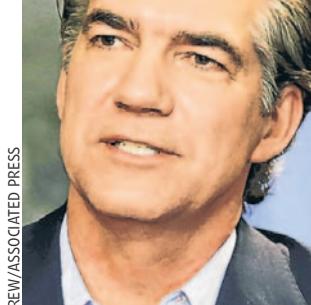
At the time, Mr. Manby said early results from an advertising campaign to repair the company's image and highlight its conservation efforts were promising.

1 in 6
children
face hunger.



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Joel Manby is out as CEO.

TECHNOLOGY

WSJ.com/Tech

Justices Grapple With Microsoft Case

Concerns are raised about resistance to search warrants for emails stored abroad

BY BRENT KENDALL
AND NICOLE HONG

WASHINGTON—Supreme Court justices voiced concern Tuesday that Microsoft Corp.'s resistance to U.S. search warrants for customer emails stored overseas would hamper criminal investigations, in a case that pits leading tech companies against law enforcement.

During an hourlong oral argument, the court considered whether email providers like Microsoft, Yahoo and Alphabet Inc.'s Google have to comply with warrants if the government is seeking email messages and other digital files that are stored on com-

puter servers outside the U.S. Several justices said it wasn't ideal that the case was controlled by a 1986 federal law on electronic records that Congress adopted before email and cloud-computing were part of the social fabric. Still, the court appeared to be searching for a way to interpret the outdated law that wouldn't rob the government of tools to investigate crimes with a digital trail that crosses U.S. borders.

"This is what troubles me," Justice Samuel Alito said. "It would be good if Congress enacted legislation that modernized this. But in the interim, something has to be done."

The justices were reviewing a lower-court ruling Microsoft won in 2016 that clipped the Justice Department's authority to obtain overseas emails. The battle dates back to 2013 when the U.S. got a warrant that ordered Microsoft to hand over



VASILY FEODOROV/REUTERS

Many tech firms back Microsoft. The company's Belarus office.

messages in an email account linked to narcotics trafficking. Microsoft argued the warrant wasn't valid because the emails were stored in Ireland.

Microsoft lawyer Joshua Rosenkranz argued the 1986 law, called the Stored Communications Act, didn't allow the

U.S. government "to unilaterally reach into a foreign land to search for, copy, and import private customer correspondence" that is stored on a foreign computer and protected by foreign law.

Chief Justice John Roberts, however, said Microsoft was a

U.S.-based company and had control over where it chose to store emails and other data.

"It's not the government's fault that it's located overseas," the chief justice said. He added that if Microsoft prevails, nothing would prevent the company from moving the emails of U.S. customers to overseas servers to protect their data from disclosure.

"You might gain customers if you can assure them, no matter what happens, the government won't be able to get access to their emails," Chief Justice Roberts said.

Mr. Rosenkranz said such a scenario "would never happen" because Microsoft relies upon U.S. facilities to provide the best and fastest service to 200 million domestic customers. People who are intent on hiding their correspondence from the government "don't use Microsoft's services," he said.

Mr. Rosenkranz warned the

court that a win for the government could harm the U.S. tech sector. "If you try to tinker with this without the tools that only Congress has, you are as likely to break the cloud as you are to fix it," he said.

Google, which has waged similar battles with the government, and an array of other tech companies are supporting Microsoft in the case.

Justices Sonia Sotomayor and Ruth Bader Ginsburg suggested the wait-for-Congress approach had some appeal.

The government noted that investigators would still have to get a warrant to see the emails. "It's not a case about privacy," Justice Department lawyer Michael Dreeben told the court. "The government has the gold standard of an instrument to address privacy interests here—a probable-cause-based warrant issued by a judge that describes with particularity what we want."

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Ford Selects Miami for Tests

By TIM HIGGINS

Ford Motor Co., which is focusing its entry into the driverless-car business on around-town deliveries, has picked Florida's Miami-Dade County as its first test-bed.

The Miami experiment, announced Tuesday, will involve two sets of vehicles: one of self-driving cars that will navigate actual traffic, and the other consisting of human-driven cars and trucks that deliver food and other things.

The delivery vehicles will be dropping off for **Domino's Pizza** Inc. and for Postmates, a food-delivery service. The Dearborn, Mich.-based auto maker expects to add other partners later.

The delivery vehicles will be made to look like self-driving cars with graphics and fake sensors, and the drivers will have rules about interact-

ing with the customers with the aim of creating an experience of what it is like for a robot to make a delivery. Customers, for example, will have to collect their pizzas from the cars.

"We want to understand what customers do to interact with an AV vehicle," said Sheriff Marakby, Ford's vice president of autonomous vehicles. Ford conducted a short test with Domino's in Ann Arbor, Mich., last year.

After years of tests in California by various developers, more self-driving car tests are popping up in places such as Phoenix and Pittsburgh.

Ford is racing to catch up with Waymo and General Motors Co.

Waymo, which plans to begin a commercial robot taxi service in Phoenix this year, received permission to operate a transportation network from

the state of Arizona in January. The unit of Google-parent Alphabet Inc. also recently added Atlanta to the list of cities where it is testing its self-driving vehicles.

Ford's announcement also comes a day after an announcement that BMW AG and Toyota Motor Corp.'s corporate venture funds led a \$11.5 million fundraising round to help startup May Mobility expand demos and tests of self-driving shuttles in Tampa and suburban Dallas.

The activity potentially places further pressure on Congress to clear a growing thicket of regulatory questions.

Legislation aimed at keeping states from passing competing laws regulating the new technology—which have been complicating the self-driving movement—has stalled in the Senate.

PIERCE

Continued from page B1

Xbox, etc.—you could just access their features when you need them. They won't need to be distinct, powerful devices with their own hefty allocations of processor and memory. Instead, you'll have a single virtual computer with all your data and preferences. You'll reach for a touch screen when you're on the go, sit down to a larger one with keyboard and mouse when you're at your desk. Maybe you'll have a wall-size one, too.

Some people argue processors are so plentiful and cheap, there's no reason not to put them in everything. And any access-anywhere supercomputer will require software that runs smoothly across a variety of screen sizes, and internet access that's always fast and never absent. Based on my Shadow experience, none of those things are even close to true. But the glimpses I got of what it'll look like when this all works? Those were tantalizing.

My virtual Shadow PC is a beast of a machine—the performance equivalent of a \$2,000 gaming PC, which Blade says it will upgrade continuously as new chips come out. (That's another advantage of a setup like this: No need to buy a new machine every two years.)

I was able to stream games in 4K or at stupendously high frame rates, though Shadow can't currently power VR rigs. At \$50 a month (\$35 if you commit to a yearlong subscription), the math on Shadow looks good.

Blade wants you to treat your virtual machine like your own computer. The company says it won't peek into your Shadow to see what you're up to, or collect data about how you use it. One thing Blade does police? Mining cryptocurrency, which it can spot by the giant spikes in graphics-card usage.

You can use Shadow on as many devices as you want—but only one at a time. Blade



Cloud-based Blade Shadow can be accessed from myriad devices.

bundles a Windows 10 license with the subscription, and you can download apps and games just as you would to a local machine. You can't stick something in the disk drive, though, because there is no disk drive.

The Shadow app works on Mac, Windows, and Android, with an iOS app coming soon. You can also buy Blade's \$140 Shadow Box, which is just a polygon full of ports for you to connect easily. Unnecessary, sure, but it's a perfect replacement for your giant desktop tower at home.

There were times when the Shadow worked so well I forgot I was using a virtual computer. I played games on my Android phone that its processor simply couldn't have handled. I edited videos and photos on my Microsoft Surface Laptop, and everything felt smoother than usual—though there was a slight mismatch between the Shadow's resolution and the Surface's screen.

I don't recommend buying into Shadow, though, because all too often things don't run properly. In addition to countless crashes and lags, I had problems with everything from the Shadow's audio feed to its touch input. On the worst day, my system simply wouldn't turn on—and since I didn't have a gadget to tinker with, all I could do was call customer support.

My Shadow experience improved over the two weeks I tested it. But one downside will never go away: If I didn't have internet access, I didn't have a computer. Crummy reception meant I couldn't stream from Blade. We're not ready to trust in ubiquitous high-speed connectivity.

It may sound appealing to have access to a full computer from your phone, but trying to navigate Windows from a tiny touch screen drove me batty. Blade's working on a partial solution, an app that shows a tray of games and files you can tap to open. You're still on your own for everything else.

Despite the speed bumps, this one-brain-many-screens future is coming. You likely already store your files in the cloud, so why not interact with them there? No matter where you log in, your Facebook and email are always the same. So it should be with your computer: the same experience, optimized for the screen you're on.

Right now, this setup only makes sense in the home, where bandwidth is most consistent. But it will get most exciting when it works as well anywhere, as long as there's a screen handy. Like, for instance, the next time I'm in a meeting with my editor and suddenly hear the Call of Duty.

BUSINESS NEWS

BUSINESS WATCH

PAPA JOHN'S INTERNATIONAL
NFL's Official Pizza
Becomes Free Agent

Papa John's International
Inc. will no longer be the official pizza of the National Football League, the chain and the league said Tuesday.

"While the NFL remains an important channel for us, we have determined that there are better ways to reach and activate this audience," Papa John's Chief Executive Steve Ritchie said on a conference call. Instead, the company will shift its marketing to partnerships with 22 NFL teams and focus on its relationships with league players and personalities, he said.

One person familiar with the matter said the mutual decision stemmed from everything that had taken place between Papa John's and the NFL in recent months, including company founder John Schnatter saying the NFL hurt the company, while expressing consternation that the league hadn't resolved player protests during the national anthem.

Mr. Schnatter's comments came after weeks of controversy for the league, both with sagging ratings and the national anthem protests that drew the ire of some fans and President Donald Trump. In a series of tweets, Papa John's later walked back those comments.

—Aisha Al-Muslim
and Andrew Beaton

GREENTECH AUTOMOTIVE
Car Maker Founded
By Ex-Governor Falters

GreenTech Automotive Inc., an electric-car venture co-founded by former Virginia Gov. Terry McAuliffe, has filed for bankruptcy protection after having raised \$141.5 million from hundreds of investors under a program allowing immigrants to qualify for permanent U.S. residency.

The car maker, based in northern Virginia, filed for chapter 11 protection Monday in U.S. Bankruptcy Court in Alexandria.

GreenTech's lawyer Norman D. Chirite blamed the filing on several factors, including "negative articles" in 2013 by a conservative online publisher, as well as suits filed by investors and state and local governments in Mississippi, where a planned investment of \$1 billion and 1,500 jobs never panned out.

A spokesperson for Mr. McAuliffe, who has hinted he's considering a run for president in 2020, said Tuesday the ex-governor "has not been affiliated with this company for many years and divested before he took office" in Virginia.

From 2009 to 2013, under Mr. McAuliffe's chairmanship, GreenTech received \$141.5 million from 283 individuals in the EB-5 program, which offers immigrants the chance to qualify for permanent U.S. residency by investing in efforts to create U.S. jobs.

—Becky Yerak

House Backs Internet Curbs

Move against sex
trafficking increases
sites' accountability
for user activities

BY JOHN D. MCKINNON

WASHINGTON—The House Tuesday passed far-reaching legislation that aims to curb online sex trafficking by holding websites more accountable for their users' activities, a rare political defeat for internet companies.

The final vote on the bill was 388 to 25, with strong support among both Republicans and Democrats. The legislation is also expected to pass the Senate by a wide margin, although that vote could be delayed by lawmakers allied with the tech industry.

Supporters argued that the legislation is necessary to combat a growing epidemic of sex trafficking online that often involves children. Their success in overcoming longstanding tech industry concerns underscored an erosion of influence that Silicon Valley has experienced in recent months in Washington, amid scandals over Russian election meddling and worries about the companies' power.

The bill would give sex-trafficking victims a stronger chance of winning civil law-



TOM WILLIAMS/CQ ROLL CALL/NEWSCOM/ZUMA PRESS

Missouri Republican Ann Wagner is the measure's main sponsor.

suits against websites by limiting the broad federal immunity online businesses now enjoy for actions of their users. The immunity law was adopted in the 1990s as a way to nurture the fledgling internet.

Trafficking lawsuits against online businesses have usually been tossed out of court because of the immunity.

Congressional opponents of the new legislation, including allies of tech companies, warned Tuesday that the bill goes too far and could endanger free speech, in addition to exposing the industry to potentially costly lawsuits by trafficking victims. Tech firms worry the change eventually

could lead to further erosion of the 1990s immunity law, widely regarded as one of the internet's legal pillars.

Further wrangling is likely over a couple of narrower issues, including whether one provision of the bill improperly puts websites on the hook for actions they took before the law was changed. A letter from the Justice Department said that the provision "raises a serious constitutional concern."

But opposition among House lawmakers on Tuesday was only scattered. Supporters—including a number of members who have battled tech-industry opposition for

years—were celebrating.

"I think we've won this battle," said Rep. Ann Wagner (R., Mo.), the bill's main sponsor, in an interview shortly before Tuesday's debate. "It's been a long journey."

Rep. Carolyn Maloney (D., N.Y.) said during the afternoon floor debate that sex trafficking had "absolutely exploded online," and termed the legislation "transformative" and a "historic legislative achievement."

"The perpetrators of this horrific crime need to be held accountable," Ivanka Trump tweeted on Tuesday, saying she was looking forward to the House vote.

Major internet companies including Facebook Inc. have publicly supported the bill's basic outline for months. But many in the industry sought to delay its passage, once the House began to move toward Tuesday's final vote on the far-reaching changes.

The Consumer Technology Association on Tuesday urged lawmakers to postpone a vote until the amended bill could be considered in committee.

"Deviating from regular order to rush through this bill on an artificial timetable without review could inadvertently harm lawful American entrepreneurs, small businesses and our world-leading internet economy," said President Gary Shapiro.

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Business News

Move against sex
trafficking increases
sites' accountability
for user activities

By JOHN D. MCKINNON

WASHINGTON—The House Tuesday passed far-reaching legislation that aims to curb online sex trafficking by holding websites more accountable for their users' activities, a rare political defeat for internet companies.

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THE PROPERTY REPORT

Kushner Aims to Buy Tower Stake

Purchase would give company complete ownership of New York's 666 Fifth Ave.

By PETER GRANT

Kushner Cos. is negotiating to buy the portion it doesn't already own of 666 Fifth Ave., the financially ailing Manhattan office tower that last year became a lightning rod for criticism of conflicts between a senior member of the Trump administration and his family's business interests.

Kushner, formerly headed by President Donald Trump's senior adviser and son-in-law, Jared Kushner, is in talks to buy the 49.5% stake in the 39-story tower from **Vornado Realty Trust**, a Kushner spokeswoman confirmed. She declined to comment on terms.

A Vornado spokeswoman didn't respond to a request for comment. In a fourth-quarter earnings call earlier this month, Vornado Chief Executive Steven Roth disclosed that the company was hoping to sell its stake in 666 Fifth Ave. "We would rather exit than stick it out," he said.

A person familiar with the negotiations said a deal could be reached in a few months.

The saga of 666 Fifth Ave. stretches back to Kushner's purchase of the tower in 2007, long before Mr. Trump decided to run for office and even before Mr. Kushner married Ivanka Trump. The building has faced financial problems for much of the past decade because of the 2008 downturn, rising vacancy and its \$1.2 billion debt, which comes due next year.

Kushner Cos., a real-estate giant now being run by Mr. Kushner's father, Charles Kushner, and President Laurent Morali, last year was hoping to complete a plan to convert the money-losing property into a 1,400-foot-tall mixed-use skyscraper with retail, hotel and condominiums. Under that \$7.5 billion plan, Kushner also would have bought out Vornado, which purchased its stake in 2011.

But the proposal sparked controversy after it was revealed that Kushner was close to forming a partnership with



Vornado Realty Trust, which is in talks with Kushner Cos., has expressed a desire to sell its stake in Manhattan's 666 Fifth Ave.

Anbang Insurance Group, a Chinese insurer with connections to the government in Beijing. Because of Jared Kushner's position in the White House, that possible deal raised questions about whether a partnership could influence U.S. policy toward China.

Jared Kushner has taken steps to insulate himself from conflicts, selling his stake in 666 Fifth Ave. and other properties to a trust controlled by other family members. Still, Anbang's deal with Kushner Cos. collapsed last year after the Chinese insurer pulled out of the talks. China's insurance regulator on Friday seized Anbang, saying the action was needed to avoid a collapse of the firm following suspected illegal activity and the downfall of its chairman.

Since the proposed partnership between Kushner and Anbang fell apart, the future of 666 Fifth Ave. has been murky. The building is about 30% vacant, partly because Kushner was trying to empty it to prepare for redevelopment.

The Kushner spokeswoman

said 666 Fifth Ave. has had a negligible impact on the company's financial health. She noted that Kushner has written down the value of its stake in the building to less than 5% of the family's net worth.

The spokeswoman declined to say how much it is currently worth or its former value. Forbes magazine two years

\$1.7B
Estimated value of Manhattan 666 Fifth Ave. office tower

ago said the family's net worth was at least \$1.8 billion.

Kushner's plan to purchase Vornado's stake in 666 Fifth Ave. also would involve refinancing the debt on the building, according to the person familiar with the matter.

Because of the high vacancy, the cash flow from the property isn't enough to service the debt, forcing the Kushner-Vornado venture to pay millions a

year out of its own pocket.

The Kushner talks with Vornado could still fall apart. Vornado could opt to sell its stake to a third party, or the two partners could cut a deal under which they would put the entire building up for sale.

But if Vornado sells its stake, the most obvious buyer would be Kushner. Also, Charles Kushner might be willing to pay more because he knows the building so well, according to people in New York real-estate sales.

"Kushner is the logical buyer as he's already in the deal and has a specific vision for the building," said Woody Heller, co-head of Savills Studley's capital markets group.

New York office buildings have been selling for high prices lately, thanks in part to foreign buyers. Experts estimate that 666 Fifth Ave. is worth as much as \$1,200 a square foot, or close to \$1.7 billion for the office tower.

The Kushner spokeswoman declined to say what the company would do if it succeeds in buying out Vornado. But the family may face difficulty mov-

ing ahead with a redevelopment of the scale of last year's plan partly because it has opted to shut itself off from major capital sources.

Kushner also is no longer going after financing for its projects through the federal program known as EB-5, which grants green cards to foreigners who invest in job-creating businesses in the U.S., the people said. The company last year was subpoenaed by federal prosecutors in New York regarding its use of the program.

Kushner's general counsel said in a statement last year the company "fully complied" with the EB-5 rules, did nothing improper and is cooperating "with legal requests for information."

In a written statement Monday, Abbe Lowell, a lawyer for Jared Kushner, said he "has not been involved in, nor spoken about any Kushner Companies' activities or project, since shortly before the inauguration. He has an ethics agreement, reviewed by lawyers, with which he is in full compliance."

Howard Hughes Results Boost Stock

By PETER GRANT

Howard Hughes Corp., the master-planned community developer chaired by hedge-fund manager William Ackman, reported strong earnings this week thanks partly to rising prices for developed land in the Houston and Las Vegas regions.

The report was Howard Hughes's first earnings release since Mr. Ackman surprised Wall Street in January by announcing plans to reduce the stake in the Dallas-based company held by his Pershing Square funds to 17.6% from about 23%.

On an earnings call Tuesday, David O'Reilly, chief financial officer of Howard Hughes, reassured investors that Mr. Ackman remains active in and positive about the company.

The company's earnings report justifies Mr. Ackman's confidence, Mr. O'Reilly said in an interview after the call. "I'm glad I can prove him right," he said.

Shares of Howard Hughes on Tuesday rose 4.6% to \$128.18.

Howard Hughes—named after the eccentric and visionary entrepreneur who once owned one of the company's major Nevada holdings—reported that it sold about 350 acres of land in 2017, about the same as in 2016 and up from 275 acres in 2015. Prices rose in 2017 compared with 2016 in its three largest master-planned communities including a 12% increase in the Woodlands Hills, in the Houston region, and a 26% jump in Summerlin, in Las Vegas.

Howard Hughes's business model includes developing and holding office buildings, hotels, stores and other commercial property in its master-planned communities. The company reported that operating income of its commercial property increased 13% to \$157 million.



Bill Ackman has been chairman of Howard Hughes Corp. since it was formed in 2010

million in 2017 from 2016.

The company, which owns about 80,000 acres across its many master-planned communities, has about 20 years of supply at its current pace of sales, Mr. O'Reilly said. Howard Hughes isn't concerned about declining revenue from land sales because the company expects operating income from its commercial portfolio to rise sharply.

Projects in the pipeline are expected to push annual operating income of the commercial segment of the company to \$255 million from \$157 million, Mr. O'Reilly said.

Investor sentiment wasn't as bullish in January after **Pershing Square Holdings Ltd.**, Mr. Ackman's public fund based offshore, announced it was selling more than two million shares of Howard Hughes.

Pershing Square and Mr. Ackman's private hedge funds continued to hold derivatives and shares in the company.

Pershing Square in January said it was selling a portion of its Howard Hughes stake to avoid adverse tax consequences that would result from a possible tender offer of as much as \$300 million being planned for Pershing Square shares by a group led by Mr. Ackman.

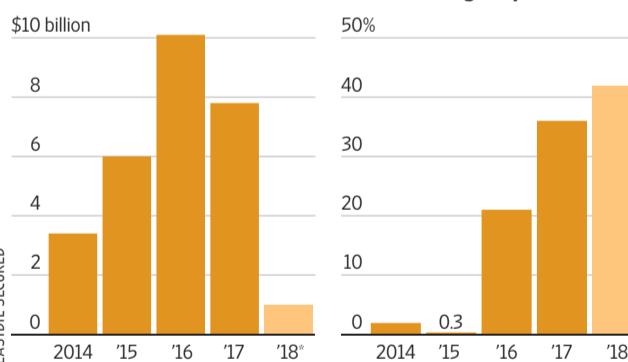
If the tender offer increases the group's ownership of Pershing Square to over 5%, it could trigger provisions of the Foreign Investment in Real Property Tax Act. Selling the shares "will provide more flexibility" under that law, the company said.

Mr. Ackman has been chairman and controlled a major position in Howard Hughes since it was formed in 2010 as a spinoff of **General Growth Properties Inc.**, as that company exited chapter 11 bankruptcy protection. Mr. Ackman held a major stake in General Growth's equity and debt.



Mapletree Investments bought Cira Centre South, an 850-bed student housing high-rise in Philadelphia, last month.

Rising Appetite From Offshore Capital



THE WALL STREET JOURNAL.

Foreign Investors Go Back to School

By ESTHER FUNG

11,000 beds in the U.S.

Meanwhile, **Safanad Ltd.**, an investment firm with offices in Dubai, London and New York, on Jan. 30 invested \$69.5 million in a pair of student housing buildings in Hyattsville, Md., bringing its U.S. student housing portfolio to about 11,000 beds valued at \$800 million.

"It's an asset class like social infrastructure," said Christopher Merrill, co-founder, president and chief executive officer of **Harrison Street Real Estate Capital**, a closely held firm that sold the \$1 billion student housing portfolio.

Now, as the commercial real-estate market appears to be entering the late innings of a bull market, foreigners are diving into a less exotic sector: student housing.

In January, a joint venture between the Canada Pension Plan Investment Board, Singapore sovereign-wealth fund **GIC Pte. Ltd.** and Chicago-based student housing owner **Scion Group LLC** said that it acquired a portfolio of 22 student-housing properties for \$1 billion.

All told, the venture has purchased more than \$4 billion of student housing totaling 46,555 beds in 52 university markets since 2016.

Also last month, **Mapletree Investments Pte. Ltd.**, owned by Singapore state investor **Temasek Holdings Pte. Ltd.**, bought Cira Centre South, an 850-bed student housing high-rise facility in Philadelphia, for \$197.5 million. That added to its portfolio of 17 student housing holdings of more than

the modernization of these facilities and operations offer attractive yields relative to the risk.

In all, foreign capital has accounted for 42% of student housing transactions this year, compared with 36% in all of 2017 and 21% in 2016, according to data from property investment advisory firm **ARA Newmark**.

Ryan Lang, executive managing director at ARA Newmark and head of its national student housing group, said he has handled transactions with overseas family offices, institutional investors and private capital, including from China, Russia, the Netherlands and the Middle East. He said they are looking to diversify their holdings and added that student housing is seen as a safer alternative at this point in the cycle.

While overall college enrollment in the U.S. has been decreasing since 2010, enrollment in public universities is expanding.

Residences located near the campuses of big, tier-one state schools such as the University of Texas, and colleges with strong science, technology, en-

gineering and math programs as well as high-profile sports teams are highly sought after.

"Public institutions get a lot of attention," said Mr. Lang.

The sector isn't without risks. There is a higher attrition rate in student housing than in multifamily real-estate investment, and missteps in leasing could cause rooms to be empty for a semester or even an entire academic year.

But students' strong preference to be as close as possible to school keeps demand strong.

For traditional investors such as student housing real-estate investment trusts like **Education Realty Trust Inc.** and **American Campus Communities Inc.**, the wave of deep-pocketed foreign investors makes it tough to match their previous returns, said Ryan Burke and Ryan Lumb, analysts at real-estate research firm **Green Street Advisors** in a research note.

"Greater competition brings acquisitions at higher valuations, developments at lower yields, and less of a competitive advantage on operations relative to the past," said the analysts.

MALL REITS

Shares Take a Hit Amid Rate Worries

Shares of mall real-estate investment trusts declined, even as two big department stores posted stronger-than-expected sales. The results failed to ease jitters over a jump in Treasury yields.

The homeownership rate for black households was 42.1% in the fourth quarter of 2017, compared with 64.2% for the U.S. population overall, according to U.S. Census data. Meanwhile, the homeownership rate for Hispanics remains below that of whites but is gaining, to 46.2% in 2017 from 46% a year earlier, according to a report by the Hispanic Wealth Project and the National Association of Hispanic Real Estate Professionals.

—Laura Kusisto

REITs

REITs' Returns Fall Short

REITs tend to perform better when interest rates are low or falling. **Macy's Inc.** on Tuesday posted a surprise increase in same-store sales for the fourth quarter. **Dillard's Inc.** reported better-than-expected earnings. The FTSE Nareit Equity REIT Index fell 2.3%, while the FTSE Nareit Equity Regional Malls Index declined 3.5%.

—Esther Fung



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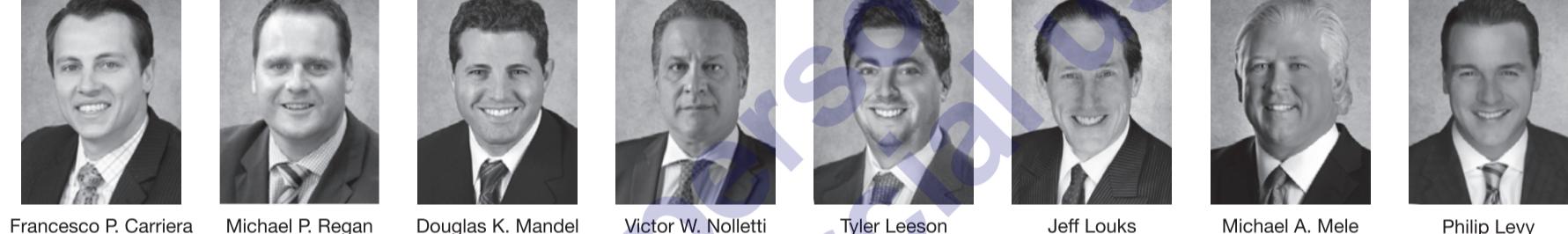
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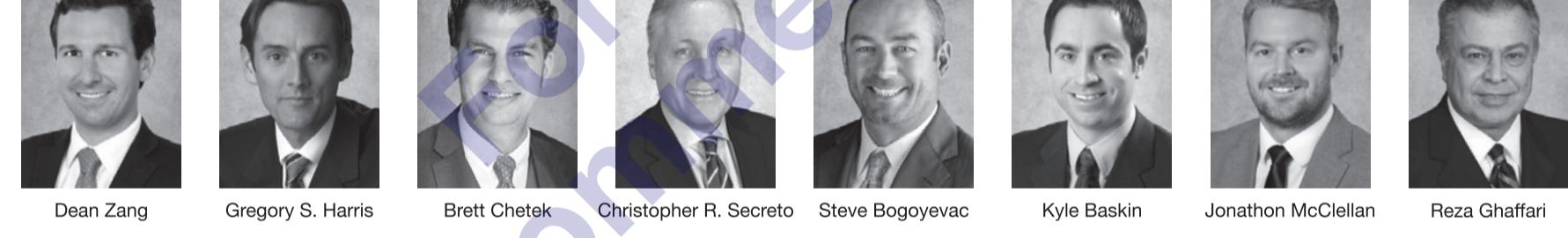
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Michael P. Regan
Douglas K. Mandel
Victor W. Nolletti
Tyler Leeson
Jeff Louks
Michael A. Mele
Philip Levy

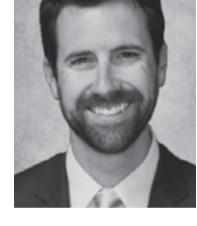


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Gregory S. Harris
Brett Chetek
Christopher R. Secreto
Steve Bogoyevac
Kyle Baskin
Jonathon McClellan
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BUSINESS & FINANCE

Toll Rises in Indian Fraud

By NEWLEY PURNELL



A billboard in Mumbai promotes Nirav Modi's jewelry business.

A day after one of the companies accused of India's largest bank fraud filed for bankruptcy, an Indian state lender raised its estimate of the amount allegedly taken.

Punjab National Bank said late Monday in an exchange filing that fraudulent transactions allegedly undertaken by two jewelers could total \$2 billion, up from the roughly \$1.77 billion it projected earlier in February.

The bank last month filed a criminal complaint with India's federal investigative agency against billionaire Nirav Modi, who has boutiques in India and in locations such as New York and Hong Kong, and his uncle, Mehul Choksi, managing director of **Gitanjali Gems** Ltd.

Mr. Modi, who isn't related to Indian Prime Minister Narendra Modi, hasn't commented publicly on the matter and couldn't be reached to comment. Mr. Choksi's firm in an exchange filing this month de-

nied any wrongdoing.

Indian authorities say the men fled the country before the bank's announcement, and that their passports have been revoked.

Firestar Diamond Inc., Mr. Modi's international jewelry firm, on Monday filed for bankruptcy in the U.S., according to documents filed with the U.S. Bankruptcy Court in New York. Firestar listed as much as \$100 million in assets and liabilities while citing "liquidity and supply chain is-

sues" as the reason for its chapter 11 filing, according to bankruptcy documents.

The Reserve Bank of India said the alleged fraud reflects a failure of internal controls. Two junior employees at a Punjab National Bank branch in Mumbai are accused of colluding with the firms by issuing fraudulent documents that allowed them to obtain credit.

—Rajesh Roy,
Debiprasad Nayak
and Andrew Scurria
contributed to this article.

NEW HIGHS AND LOWS | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Tuesday, February 27, 2018														
Stock	52-Wk % Sym	Hi/Lo Chg	Stock	52-Wk % Sym	Hi/Lo Chg	Stock	52-Wk % Sym	Hi/Lo Chg	Stock	52-Wk % Sym	Hi/Lo Chg			
Highs														
AAON	38.95 A	-0.9	CurtissWright	139.04 -0.9	MagellanHealth	MGLN	105.25 3.4	VandaPharm	VNDA	19.50 -0.3	EvokeyPharma	EVOK	1.88 -0.1	
AAR	44.25 -1.7	0.1	DASAN Zone	117.55 0.7	McConnellVtg	MELV	109.23 2.1	Twinkl	TMWU	86.29 4.3	Flexsteel	FLX	4.67 -1.2	
ACI Worldwide	42.02 -2.5	0.0	MedcoPharma	13.92 -4.8	MercadoLibre	MELI	397.88 -4.4	USPhysTherapy	USPH	79.80 -0.5	FranklinIntl	FI	5.60 -1.9	
Accenture	165.58 -1.7	0.0	Oillard's	DDS	84.00 16.9	Micromet	MMIE	35.65 0.8	UrbanOutfitters	URBN	38.00 -0.3	FranklinStProp	FSP	7.94 -3.5
AdobeSystems	126.48 -1.6	0.0	DineEquity	DIN	76.24 -2.4	Moody's	MCO	171.65 -1.1	SpaceTech	FEOS	10.78 -2.1	GlobalNetLease	GNRE	6.75 -5.0
Amazon.com	15126.78 -0.7	0.0	DouglasDynamics	PLOW	44.80 16.2	Myocardia	MYOK	62.83 -5.6	GigaMedia	GIGM	2.75 -3.8	GladstoneComm	GRC	16.78 -3.7
Ametek	20.46 -2.4	0.0	EastmanChem	EMN	104.46 -1.8	NatInstruments	NATP	13.60 -1.5	ZionsBancorp	ZION	24.19 -0.1	InspireMD	IPCR	2.51 -3.2
AMG	18.10 -0.9	0.0	EncompassHealth	EHC	56.13 1.9	Neutrogena	NEUT	297.36 -2.8	ZionsBancorp	ZION	57.07 -0.3	Intellipharm	ITVY	3.30 -4.6
Arch Coal	100.48 -0.6	0.0	EnsignGroup	ENSC	28.17 1.7	Nike	NKE	70.25 -2.3	IronMountain	IRM	31.02 -2.8	iPass	IPAS	0.36 -4.6
ArrowheadPharm	ARWR	6.80 -1.7	EspressoTherap	ESPR	56.30 -1.8	Nordstrom	NORD	109.89 -1.1	GovProprietary	GOV	13.30 -5.6	Kaufmann	KAF	33.20 -1.4
AxonGen	81.75 5.8	-0.8	Expedition	EXP	56.30 -0.1	NorthropGrum	NOC	359.43 -0.4	HealthcareAmer	HCA	8.00 -0.9	Proprietary	PRO	3.75 -1.1
B>	56.19 -1.5	0.0	FidelityMed	FDP	67.63 -1.8	OldLineEchs	OLBK	32.34 -0.7	UrbanOutfitters	URBN	35.20 -0.3	Verizon	VZ	16.95 -2.3
BWX Tech	65.38 -2.4	0.0	Exponent	EXPO	153.08 -0.1	Ollie'sBargain	OLLI	165.23 -1.3	Verizon	VZ	16.95 -2.3	Verizon	VZ	16.95 -2.3
BancSanBrasil	83.93 -2.3	0.0	F5Networks	FFIV	120.45 -0.1	Orbotech	OTIX	100.42 -1.3	Workday	WDAY	131.18 0.3	HoughtonMifflin	HMH	6.80 -1.4
Bancor34	125.65 0.4	-0.7	FPF Holdings	FRPH	55.05 1.3	Orbotech	OTIX	100.42 -1.3	Workday	WDAY	131.18 0.3	Opinion	INPX	1.27 -1.3
BankofAmWta	120.91 0.4	-0.7	FTI Consulting	FCN	50.81 -1.5	OrthoAssignment	OTIX	100.42 -1.3	Xonar	XONR	24.91 -0.1	Inivity	IVTY	3.30 -4.6
Banquet	79.10 -0.9	0.0	Frontline	FNCL	34.09 -1.5	OutwardHolding	OUTW	100.42 -1.3	ZionsBancorp	ZION	57.07 -0.3	Proprietary	PRO	2.51 -3.2
Barrett	104.80 -0.6	0.0	FTIB	FTIB	163.59 -1.0	ParkWest	PW	19.60 -0.4	GlobalNetLease	GNRE	6.75 -5.0	Proprietary	PRO	2.51 -3.2
BBSI	22.14 4.2	-0.7	Fiserv	FISV	147.43 -0.8	PaySeguroDig	PAGS	32.00 -0.1	GovProprietary	GOV	13.30 -5.6	Proprietary	PRO	2.51 -3.2
Bioverativ	21.99 0.0	-0.7	Fortinet	FTNT	22.34 -0.7	PaloAltoNetwks	PANW	179.15 -2.3	Kaufmann	KAF	33.20 -1.4	Proprietary	PRO	2.51 -3.2
BisovacAcqRts	BCACR	0.47 14.1	FTV	FTV	78.83 -0.3	PaycomSoftware	PAYC	101.15 0.1	Advaxis	ADSV	15.35 -2.8	Proprietary	PRO	2.51 -3.2
Blackbaud	BLKB	105.20 -2.5	FosterLB	FIR	62.00 -5.3	Pearson	PSO	10.10 0.1	AmericaWest	AWE	38.50 -2.6	Proprietary	PRO	2.51 -3.2
BlackLine	BL	43.48 -4.8	FoxitSoftware	FOX	72.35 -1.5	PerryEllis	PERY	27.30 -0.6	Advaxis	ADSV	15.35 -2.8	Proprietary	PRO	2.51 -3.2
Boeing	BA	369.89 0.3	GATX	GATX	59.05 1.3	Plexus	PLX	14.58 -1.3	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
Box	24.41 0.5	-0.7	GOL Linhas	GOL	12.31 -1.5	Petrobras	PBR	13.53 -0.1	AmericaWest	AWE	38.50 -2.6	Proprietary	PRO	2.51 -3.2
BroadridgeFin	BR	102.20 -0.2	GTT Conn	GTT	55.35 0.2	Progressive	PRG	13.56 -0.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
BrownBrown	BRO	53.20 -0.2	Globe	GLOB	13.68 -4.1	Qualys	QLYS	77.10 0.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
BrownForman	BFB	100.92 1.2	Gala	GALA	16.41 -0.1	Raytheon	RTN	222.82 -0.3	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
BrownForman B	BFB	69.08 1.2	Gallagher	GAJG	10.82 -1.2	Redwood	RDWD	17.65 -0.5	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
BrownForman B A	BFB	69.08 1.2	Gerdau	GGB	16.41 -0.1	RightNet	RHT	156.40 -0.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CBIZ	17.83 0.3	-0.7	GrubHub	GRUB	101.03 -2.0	RiskMetrics	RISK	116.40 -0.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CBRE Group	CBG	18.73 0.3	HedgeFund	HPE	19.13 -1.5	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CIT Group	CIT	55.23 -0.7	Hillwood	HILL	122.45 -1.8	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CME Group	CME	169.52 -0.1	Holmes	HOLM	122.45 -1.8	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CentraStarAcq	CMSS	16.06 6.3	HolysysAuto	HOLY	27.22 -0.4	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CentralStarBd	CSFL	9.60 0.9	Holon	HUNS	114.90 0.1	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CentraStarBd	CSFL	9.60 0.9	HolysysAuto	HOLY	27.22 -0.4	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CentraStarBd	CSFL	9.60 0.9	HolysysAuto	HOLY	27.22 -0.4	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CentraStarBd	CSFL	9.60 0.9	HolysysAuto	HOLY	27.22 -0.4	Rivion	RIVN	16.67 -1.1	Avocet	AVCE	19.70 -0.4	Proprietary	PRO	2.51 -3.2
CentraStarBd	CSFL	9.60 0.9	HolysysAuto	HOLY	27.22 -0.4	Rivion	RIVN	16.67 -1.1	Avocet					

BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more from their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, February 27, 2018

A B C

ABB ABB 24.80 -0.22

AECOM ACM 30.09 -0.66

AES AES 11.22 -0.90

Aflac AFLP 89.99 -0.77

AGNC Inv AGNC 18.38 -0.42

ANGI Homesys ANGI 14.97 -0.05

Ansys ANSS 16.34 -0.33

ASML ASML 197.44 -3.40

AT&T T 36.87 -0.59

AbbottLab AbbottLab 60.55 0.02

AbbVie ABV 118.26 -3.28

Abiomed ABI 27.15 -1.93

Academy ACN 11.25 -0.25

ActivisionBlitz ATVI 72.05 -0.35

AcuityBrands AYI 145.55 -2.94

Adient ADI 62.57 -0.23

Advantech ADW 208.82 -3.33

AdvanceAuto AAP 109.80 -5.05

AdvMroDevks ADM 12.53 0.11

AdvSemEngg ASX 6.85 -0.06

Aegon AEG 6.93 -0.03

AerCap AER 50.42 -1.16

Aetna AET 176.22 -0.52

AffiliatedMtrs AMG 190.25 -4.61

AgileTechs AEM 69.00 -1.58

AirgasAeroGas AEM 38.60 -1.84

AirProduct APD 163.61 -1.83

AkamaiTech AKAM 68.46 -0.36

AlaskaAir ALK 64.89 -1.26

Albemarle ALB 111.57 -1.47

Alcos ALC 44.22 -0.46

AlentecALST AFRE 120.84 -2.50

Allegion ALC 159.51 -1.93

AllianceData ADD 42.39 -3.27

AlliantEnergy LNT 38.87 -0.03

Allstate AAL 94.01 -1.74

AllyFinancial ALLY 27.89 -0.25

AlmyPharm ALM 12.29 0.29

Alpharetta COOG 111.89 -2.54

Alpharetta GOG 111.51 -26.19

Altaba AABA 76.13 -1.95

AlticeUSA ATUS 18.48 -0.71

Altisource ALM 6.00 -1.43

AluminaChina ALC 67.68 -0.72

AluminaChina AMZN 151.96 -3.99

Ambev AMB 10.80 -0.01

Amersco DOX 64.60 -0.40

Amherst Corp 340.35 -1.15

Amerson AVE 54.89 -0.86

AmericanAve AMOV 18.94 -0.22

AmericanMvnl AMV 19.77 -0.35

Americorp AAMV 54.76 -0.24

AmeriAirlines AAL 54.26 -0.74

AEP AEP 65.95 -1.02

AmerExpress AXP 99.58 -2.06

AmericanFin APG 114.67 -0.23

AmherstBank ATM 54.07 -0.10

MARKETS DIGEST

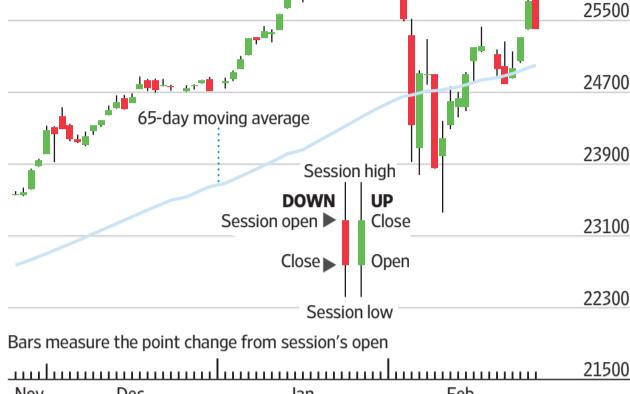
EQUITIES

Dow Jones Industrial Average

25410.03 ▼299.24, or 1.16%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.58 21.18
P/E estimate * 17.02 17.81
Dividend yield 2.08 2.32
All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open
Nov. Dec. Jan. Feb. 21500

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2744.28 ▼35.32, or 1.27%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 25.49 24.80
P/E estimate * 17.49 18.22
Dividend yield 1.89 2.00
All-time high: 2872.87, 01/26/18



Nov. Dec. Jan. Feb. 2450

Nasdaq Composite Index

7330.35 ▼91.11, or 1.23%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 26.75 25.35
P/E estimate * 20.15 20.05
Dividend yield 1.01 1.15
All-time high: 7505.77, 01/26/18



Nov. Dec. Jan. Feb. 6300

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.				
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	SPDR S&P 500	Alerian MLP ETF	iShares MSCI Emg Markets	Van Eck Vectors Gold Miner	Van Eck Vectors Jr Gold	iShares Gold Trust	SPDR S&P 500 Value	iSh Int'l Dev Property
Industrial Average	25800.35	25407.83	25410.03	-299.24	-1.16	26616.71	20404.49	22.1	2.8	11.9				
Transportation Avg	10823.17	10522.82	10523.79	-246.05	-2.28	11373.38	8783.74	11.7	-0.8	5.3				
Utility Average	687.75	671.99	672.02	-11.71	-1.71	774.47	647.90	-4.4	-7.1	4.2				
Total Stock Market	28755.66	28295.26	28295.43	-368.74	-1.29	29630.47	24125.20	15.4	2.2	8.8				
Barron's 400	730.18	718.40	718.40	-10.41	-1.43	757.37	610.89	15.2	1.1	8.6				

Nasdaq Stock Market

Nasdaq Composite	7438.09	7330.35	7330.35	-91.11	-1.23	7505.77	5793.83	25.8	6.2	13.9
Nasdaq 100	7003.13	6900.35	6900.35	-88.75	-1.27	7022.97	5330.31	29.5	7.9	15.8

S&P

S&P 500 Index	2789.15	2744.22	2744.28	-35.32	-1.27	2872.87	2328.95	16.1	2.6	9.3
MidCap 400	1921.49	1887.20	1887.21	-27.72	-1.45	1995.23	1681.04	9.1	-0.7	7.8
SmallCap 600	955.78	937.83	937.83	-14.93	-1.57	979.57	815.62	10.8	0.2	9.7

Other Indexes

Russell 2000	1564.63	1536.47	1536.47	-22.86	-1.47	1610.71	1345.24	10.8	0.1	7.6
NYSE Composite	13018.15	12819.22	12819.22	-180.40	-1.39	13637.02	11324.53	11.4	0.1	5.0
Value Line	565.83	556.32	556.32	-7.86	-1.39	589.69	503.24	6.9	-1.1	2.7
NYSE Arca Biotech	4743.32	4672.01	4672.26	-52.09	-1.10	4939.86	3449.61	32.3	10.7	6.4
NYSE Arca Pharma	553.82	546.60	546.67	-8.32	-1.50	593.12	498.46	6.9	0.3	-1.2
KBW Bank	116.27	114.00	114.01	-1.29	-1.12	116.52	88.02	18.5	6.8	16.4
PHLX\$ Gold/Silver	80.61	78.52	78.97	-2.29	-2.82	93.26	76.42	-6.6	-7.4	0.9
PHLX\$ Oil Service	143.38	138.92	138.98	-2.12	-1.50	180.81	117.79	-21.0	-7.1	-11.4
PHLX\$ Semiconductor	1397.99	1374.72	1374.72	-5.55	-0.40	1392.86	960.01	41.8	9.7	24.4
Cboe Volatility	18.98	15.29	18.59	2.79	17.66	37.32	9.14	43.9	68.4	11.7

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	11,909.7	274.81	0.38	0.14	277.92	274.16
Alerian MLP ETF	AMLP	10,070.8	10.32	-0.01	-0.06	10.32	10.32
iShares MSCI Emg Markets	EEM	6,881.5	48.72	...	unch.	48.80	48.32
Van Eck Vectors Gold Miner	GDX	6,627.2	21.49	...	unch.	21.51	21.43
Van Eck Vectors Jr Gold	GDXJ	6,452.7	31.53	0.01	0.03	31.55	31.42
iShares Gold Trust	IAU	5,936.2	12.65	...	unch.	12.66	12.65
SPDR S&P 500 Value	SPYV	5,596.8	30.59	...	unch.	30.72	30.59
iSh Int'l Dev Property	WPS	4,249.9	38.59	-0.005	-0.01	38.59	38.59

Percentage gainers...

PHH Corp	PHH	91.1	10.45	1.93	22.65	10.70	8.52
Axon Enterprise	AAXN	42.7	31.55	4.30	15.78	32	

COMMODITIES

WSJ.com/commodities

Futures Contracts**Metal & Petroleum Futures**

Contract Open High hi lo Low Settle Chg interest

Copper-High (CMX)-25,000 lbs.; \$ per lb.March 3,190 3,2095 3,1335 **3,1575** -0,0400 13,649May 3,2235 3,2370 3,1630 **3,1865** -0,080 136,120**Gold (CMX)**-100 troy oz.; \$ per troy oz.March 133,70 133,60 132,70 **131,50** -14,80 995April 134,70 138,40 131,40 **131,80** -14,20 353,731June 134,50 134,80 132,40 **132,40** -14,20 98,033Aug 134,40 134,40 132,60 **133,10** -14,20 26,630Oct 134,30 134,70 133,00 **133,10** -14,00 4,950Dec 135,60 136,20 133,70 **132,50** -13,80 37,638**Palladium (NYM)**-50 troy oz.; \$ per troy oz.March 105,42 105,05 103,20 **102,90** -25,40 1,134June 105,40 105,70 102,80 **102,95** -25,20 26,698Sept 104,60 104,60 102,50 **102,30** -25,00 674**Platinum (NYM)**-50 troy oz.; \$ per troy oz.March 984,70 984,70 984,70 **983,10** -17,20 153April 1001,80 1005,00 983,00 **984,60** -17,20 76,362**Silver (CMX)**-5,000 troy oz.; \$ per troy oz.March 16,610 16,650 16,260 **16,346** -0,204 17,669May 16,665 16,720 16,340 **16,434** -0,188 137,276**Crude Oil, Light Sweet (NYM)**-1,000 bbls.; \$ per bbl.March 64,00 64,08 62,64 **63,01** -0,90 496,310May 63,86 63,92 62,52 **62,90** -0,87 257,532June 63,54 63,60 62,25 **62,63** -0,82 294,305July 63,10 63,11 61,84 **62,22** -0,78 139,134Dec 60,48 60,51 59,47 **59,76** -0,70 237,726Dec'19 56,55 56,60 55,82 **55,99** -0,56 120,041**NY Harbor USLD (NYM)**-42,000 gal.; \$ per gal.March 1,9911 1,9920 1,9579 **1,9630** -0,0229 15,442April 1,9926 1,9935 1,9618 **1,9687** -0,0188 129,410**Gasoline-NY RBOB (NYM)**-42,000 gal.; \$ per gal.March 1,8299 1,8300 1,7950 **1,8034** -0,0233 20,123April 2,0057 2,0062 1,9760 **1,9843** -0,0185 133,537**Natural Gas (NYM)**-10,000 MMBtu; \$ per MMBtu.April 2,682 2,702 2,633 **2,683** -0,003 319,776May 2,706 2,728 2,661 **2,712** -0,001 201,206June 2,738 2,761 2,695 **2,746** -0,003 83,274July 2,778 2,801 2,738 **2,787** -0,004 98,222Sept 2,775 2,798 2,740 **2,786** -0,005 69,937Oct 2,790 2,813 2,755 **2,801** -0,005 119,816**Agriculture Futures****Corn (CBT)**-5,000 bu.; cents per bu.March 368,25 371,00 **367,75** 370,50 2,00 105,180May 377,00 379,50 **376,50** 379,25 2,00 688,460**Oats (CBT)**-5,000 bu.; cents per bu.March 261,00 266,50 259,25 **260,00** -2,50 161May 266,50 271,00 266,50 **269,75** 2,25 4,752**Soybeans (CBT)**-5,000 bu.; cents per bu.March 103,40 104,425 103,75 **103,80** 3,75 51,646May 104,25 105,60 104,375 **104,50** 3,50 372,105**Soybean Meal (CBT)**-100 tons; \$ per ton.March 377,50 389,00 **389,20** 376,20 9,30 20,167May 380,90 391,40 **379,30** 389,20 8,90 231,626**Cash Prices** | WSJ.com/commodities

Tuesday, February 27, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

BANKING & FINANCE

Fidelity Rings Up a Banner Year

Revenue and operating earnings hit records, as its investment performance excels

BY SARAH KROUSE

Fidelity Investments posted record revenue and operating profit last year as assets hit highs and investment performance improved.

For 2017, Boston-based Fidelity reported \$18.2 billion in revenue, up 14% from the prior year, and \$5.3 billion in operating income, a 54% year-over-year increase, it said in its annual report to shareholders Tuesday.

Assets under administration rose 19%, to \$6.8 trillion, while assets under management—money in the firm's own investment products—rose to \$2.45 trillion at the end of 2017. That was up from \$2.13 trillion at the end of 2016.

Fidelity was founded by the Johnson family in 1946 and is owned by the family and company employees. It has long been known for its star stock and bond pickers, but its

...the threat of competitive disruption from upstart companies, as well as entrants from other industries, has never been higher.'

Abigail Johnson

money-management business has faced pressure in recent years from the popularity of low-cost index-tracking funds.

The Wall Street Journal reported Monday that the firm also is considering possible changes to the structure of its stock-picking unit in response to claims of sexual harassment



BRIAN SNYDER/REUTERS

and other misconduct there. Fidelity's business lines now span asset management, brokerage and technology services, wealth management and workplace benefits.

"While having a strong brand is a key competitive advantage, the threat of competitive disruption from upstart

companies, as well as entrants from other industries, has never been higher," Chairman and Chief Executive Abigail Johnson wrote in a letter to shareholders.

Ms. Johnson said in the letter that Fidelity had posted its strongest growth in assets and revenue from new and current

customers, rather than market movements, in several years.

The firm was helped last year by improved investment performance. At the end of 2017, 77% of funds had outperformed their peers over three years and 78% outperformed over one year, up from 68% and 58%, respectively, in 2016, the company said.

The firm's stock funds, in particular, showed improvement, with 79% of its stock funds outperforming peers over one year, up from 44% at the end of 2016.

Investors pulled a net \$47 billion from Fidelity's actively managed stock funds in 2017, less than in 2016, when they withdrew a net \$58 billion from those funds. The company told shareholders it has made progress increasing its assets under management in nonmutual fund stock products such as exchange-traded funds.

Fidelity index funds attracted \$23 billion in net new money last year, up from \$16.1 billion in 2016. In recent years, the firm has cut its index-tracking fund fees significantly to better compete with rivals.

Profit Push

JPMorgan's return on tangible common equity, a key profit metric

2016	13%
2017	12%
Old target	15%
New target	17%

Note: Target is over a two- to three-year period
Source: the company
THE WALL STREET JOURNAL.

JPMorgan Is Upbeat On 2018, Tax Law

BY EMILY GLAZER

JPMorgan Chase & Co. said it is optimistic about 2018 and the impact the new U.S. tax law will have on its financial outlook.

The largest U.S. bank by assets shared new targets and expectations in its annual investor day presentation Tuesday, which included benefits from the recent changes to the tax law.

Most notably, JPMorgan moved its medium-term target—over the next two to three years—for return on tangible common equity to roughly 17% from its prior target of 15%. That is in line with Credit Suisse analyst Susan Katzke's 15% to 18% expectation, she wrote in a Tuesday research note. Excluding tax changes, the bank said its return on tangible common equity target over the next two to three years would be around 15%.

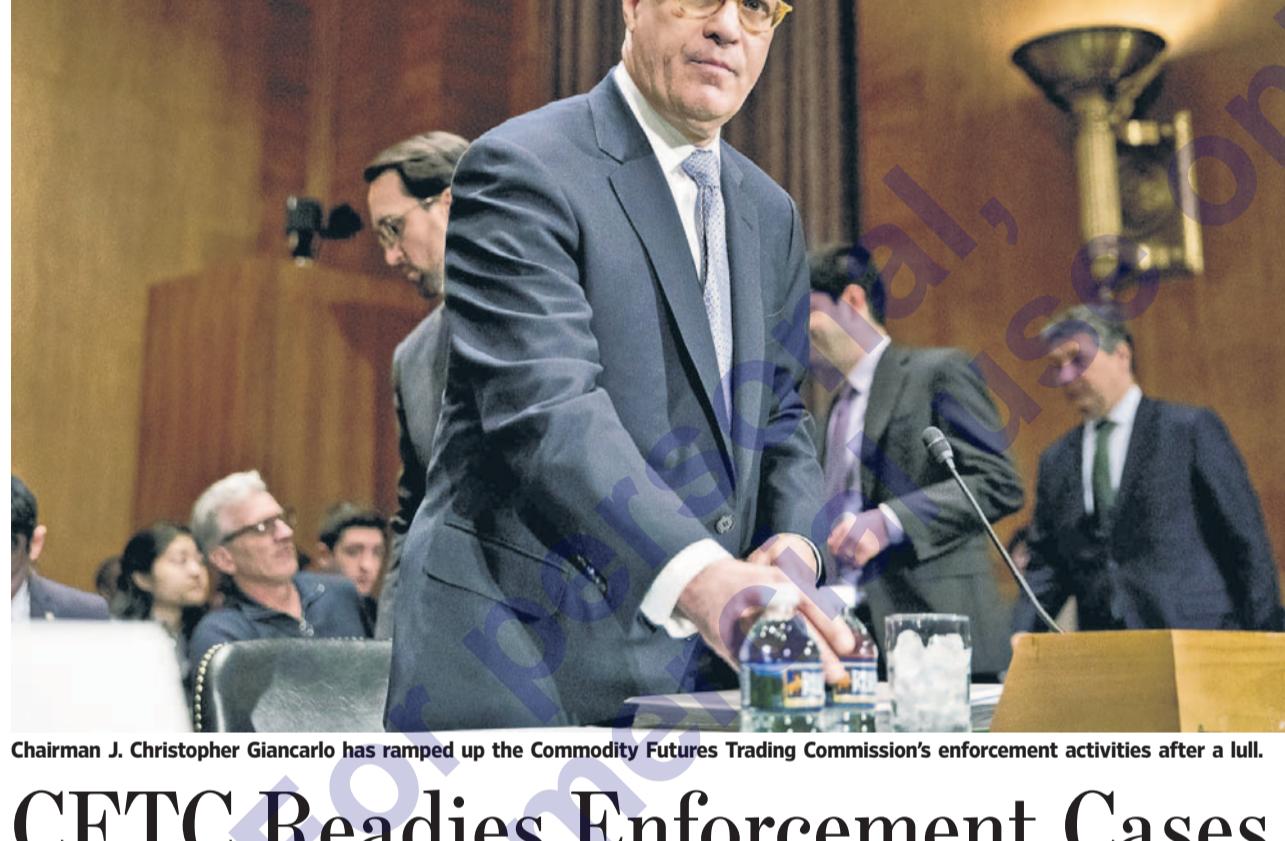
Already, the bank's traders are off to a strong start this year. Daniel Pinto, the bank's co-president and head of its corporate and investment bank, said trading is expected to rise "mid to high single digits" in the first quarter of 2018 based on strong performance in foreign exchange, emerging markets and equities, compared with the year-earlier period. He added that activity in the beginning of 2018 has been strong and that "markets are correcting quite fast after the sell-off" earlier this year.

Still, the bank noted "significant uncertainty around how competitive dynamics evolve," and wrote that it expects "some benefit to pass to customers over time," according to its presentation for investor day, which was at the company's Park Avenue headquarters in Manhattan.

The bank's chairman and chief executive, James Dimon, said his biggest worry at the moment is the impact of policy and geopolitics. "Brexit, which will have an effect...[and could be] damaging to countries," he said. He said other "bad public policy...would catch us the most off-guard" compared with interest-rate moves.

Finance Chief Marianne Lake, who spearheaded the presentation for the first time, said each of the bank's main businesses—consumer banking, corporate and investment banking, commercial banking and wealth and asset management—has increased medium-term targets "reflecting tax reform but also reflecting growth."

◆ Heard on the Street: JPMorgan has to raise the bar..... B14



ANDREW HARRER/BLOOMBERG NEWS

Chairman J. Christopher Giancarlo has ramped up the Commodity Futures Trading Commission's enforcement activities after a lull.

CFTC Readies Enforcement Cases

BY GABRIEL T. RUBIN

WASHINGTON—U.S. derivatives regulators are expected to file "more than 10" fraud and market-manipulation cases in the next weeks as the Commodity Futures Trading Commission chairman implements his back-to-basics approach, according to a person familiar with the CFTC's enforcement operation.

The stepped-up enforcement comes after the CFTC recorded a big drop in fines and enforcement actions during the fiscal year that spanned the transition from the Obama administration to the Trump administration.

Enforcement has picked up since then. The agency already has filed 11 manipulation-related cases in the current fiscal year, which ends in September, just one shy of its annual record.

The person declined to specify how many of the coming cases concern market manipulation as opposed to more conventional retail fraud.

A CFTC spokeswoman de-

clined to comment on pending enforcement actions, but said the agency was "charging a high number of complex manipulation cases."

The focus on manipulation and retail fraud fits with Chairman J. Christopher Giancarlo's direction for the agency since he took the helm last year. In a speech to the main derivatives-industry gathering last year, he promised to "reset" the agency's focus on its core missions of market oversight and enforcement after years of "overly prescriptive regulation."

In the fiscal year that ended in September 2017, the CFTC said it brought 49 total enforcement actions, down from 68 the previous year. The agency's fines amounted to one-third of what it collected the preceding year: Restitution, disgorgement and penalties for the year ended Sept. 30 totaled \$413 million, down from \$1.29 billion.

At a Senate Agriculture Committee hearing this month, Sen. Sherrod Brown

(D., Ohio) took notice of those numbers and criticized the agency's enforcement record under Mr. Giancarlo. "It seems like a deliberate pullback in enforcement," Mr. Brown said.

Mr. Giancarlo replied that the numbers weren't indicative of his enforcement priorities, since nearly half of the

11

Manipulation-related cases filed in the current fiscal year

fiscal year had fallen under the Obama administration, and hinted that "you'll see, going forward, an enforcement agenda that reflects more of my priorities."

The number of cases brought by the agency has also rebounded from its dip last year. In fiscal 2017, just eight cases were filed through January, while 17 had been filed by January of this year.

In the last full fiscal year of the Obama administration, 14 cases were filed through January.

The uptick in cases has in part been a result of another enforcement policy Mr. Giancarlo put in place that grants "substantial" benefits to firms that self-report wrongdoing and makes them eligible for "significantly reduced" financial penalties.

In January, the agency continued its postcrisis crackdown on manipulative "spoofing," jointly filing cases with the Justice Department that charged eight traders with deceptive futures market trading.

In addition to those criminal charges, the CFTC announced civil settlements with Deutsche Bank AG, UBS Group AG and HSBC Securities Inc. related to commodities fraud and spoofing, which involves a trader entering large orders with the intention of tricking others into thinking there had been a fundamental change in supply and demand in a market.

Dalio Is Mum on China Policy

BY CHAO DENG

BEIJING—Ray Dalio is in China to talk about his book. Don't ask him his views on China.

The founder of the world's largest hedge fund, **Bridgewater Associates** LP, dodged a raft of mostly straightforward questions from Chinese state media.

"First of all, we're only investing a little amount," said Mr. Dalio in an interview with CGTN television that some reporters were allowed to attend. "Markets are just opening up."

From there, the exchange turned awkward. Mr. Dalio said his firm would keep proprietary data in the U.S. before retracting his words. He then declined

a Chinese reporter's question on whether he thought the pace of China's transition to a consumption-driven economy was slower than expected.

Bridgewater manages billions of dollars invested outside China by Chinese institutions and the government itself. It is launching a big investment fund to buy and sell assets in the country.

Tuesday's interview took place after a talk and panel discussion set up for Mr. Dalio to promote his book, "Principles," which has been translated into Chinese. Wang Boming, editor of Chinese financial magazine Caijing, introduced Mr. Dalio, saying he has an "indissoluble bond" with China.

Mr. Dalio stood in front of a screen with the title, "Views on China, the Market and Investing." During the talk, he discussed market cycles and advised the audience not to be tempted by hot markets and said most people should avoid playing "the timing game."

But he said little about China. At the panel discussion, he waded into China's high debt levels, saying he is optimistic about deleveraging. "I've watched debt crises much more severe than this," he said.

In the CGTN interview, Mr. Dalio said he was "very bullish on China" because of how well policy makers were handling debt issues, plus the energy of Chinese entrepreneurs.

Official Returns to Goldman From Trump White House

BY LIZ HOFFMAN

Dina Powell, who until recently served as a deputy national security adviser in the Trump White House, is returning to **Goldman Sachs Group Inc.**

Ms. Powell will join Goldman's powerful management committee and will work closely with the firm's governmental clients around the world, according to an internal memo reviewed by The Wall Street Journal.

She also will oversee Goldman's corporate-engagement efforts, the memo said. The famously secretive firm is opening up more as it charges hard

into consumer banking and positions itself as a champion of small businesses.

The Journal had reported last week that Ms. Powell was in talks to rejoin the firm in a senior role. Before joining the Trump administration last year, she spent a decade at Goldman, eventually running its philanthropic efforts and its urban investing initiatives.

A former staffer in the administration of President George W. Bush, Ms. Powell joined Goldman in 2007 and was named a partner in 2010, a rapid ascent for an outsider, especially for one not within the firm's big moneymaking businesses.

MARKETS

Gasoline Prices Rev Toward \$3 a Gallon

By ALISON SIDER

Remember \$3 gasoline? Prices could get there again soon, according to the Oil Price Information Service.

This driving season is likely to be the most expensive since 2014, according to

COMMODITIES OPIS analysts,

with drivers expected to pay an average of \$2.79 a gallon for gas. That's nearly 11% higher than the national average price of \$2.518 a gallon, according to AAA. And prices in some cities are likely to top \$3 a gallon.

That means the typical driver is likely to pay \$167.40 for fuel in April, up from \$143.40 a year ago.

Still, that is peanuts compared with 2014 when gasoline prices averaged \$3.64 a gallon in April, and the average driver shelled out \$218 in monthly fuel costs, OPIS analysts note.

Prices almost always climb in March as people start to drive more and refiners do maintenance work.

But this year's price jump could be bigger than it has

been in recent years when oil prices were relatively depressed, OPIS says.

Rising oil prices are the clearest culprit: Brent crude prices have averaged \$67.55 a barrel this year, the highest since 2014 when Brent averaged \$107.88 a barrel through Feb. 26. Demand is also rising both in the U.S. and abroad. U.S. refineries have become a fuel lifeline to much of the world, particularly in Mexico and South America, which have been hobbled by operational issues.

And U.S. refiners that put off maintenance projects during Hurricane Harvey last year will likely have to get to that work now, with heavier maintenance planned for this year than normal, OPIS says.

Speculators may also play a role. Hedge funds and other money managers have piled into bullish bets on gasoline futures. Their net long position hit a record number of contracts a few weeks ago, and bullish bets still outnumber bearish ones almost 7 to 1.

On Tuesday, gasoline for March delivery fell 1.3%, to \$1.8034 a gallon.

central bank is on track to raise interest rates and perhaps even pick up the pace this year. The S&P 500 closed down 1.3%, while the WSJ Dollar Index rose 0.5%.

"Right now, everything's going to be much more tied to the macro, capital market issues," said John Saucer, vice president of research and analysis at Mobius Risk Group. "Any time you see that big risk-off in equities, you're going to see that in crude."

Traders were awaiting data from the U.S. Energy Information Administration on the amount of crude in storage. The American Petroleum Institute, an industry group, said late Tuesday that its data for the week showed a 933,000-barrel increase in oil supplies.

—Stephanie Yang

Analysts said oil prices moved in tandem with broader markets, as statements from Federal Reserve Chairman Jerome Powell made traders more wary of higher interest rates this year.

U.S. stocks dropped after Mr. Powell indicated that the

Powell Remarks Hit Stocks

By MICHAEL WURSTHORN AND DAVID HODARI

Major indexes snapped their recent win streaks Tuesday, as Federal Reserve Chairman Jerome Powell's comments before Congress did little to assuage investors' inflation fears.

In his first appearance on Capitol Hill since taking charge of the central bank, Mr. Powell conveyed an upbeat picture of the U.S. economy and indicated the Fed remained on track to gradually raise short-term interest rates.

Stocks turned lower after Mr. Powell's remarks, handing the Dow Jones Industrial Average and the S&P 500 their first losses in four trading sessions.

Investors said they continue to worry that the economy could be growing so fast that it fuels inflation further, potentially forcing the Fed to step in and hasten its pace of interest-rate increases.

Those concerns already pressured markets earlier in February, when the Dow industrials and the S&P 500 tumbled into correction territory for the first time in two years.

"The newness of Jerome Powell puts the markets in a bit of uncertainty and unpredictably," said Rich Guerrini, chief executive of PNC Investments, the \$50 billion brokerage arm of PNC Financial Services Group Inc. "I don't know if the markets can really anticipate or figure out where he wants to go as it would relate to the economy."

The Dow industrials fell 299.24 points, or 1.2%, to 25410.03, closing at session lows. The S&P 500 shed 35.32 points, or 1.3%, to 2744.28, and the Nasdaq Composite declined 91.11 points, or 1.2%, to 7330.35, halting a two-day streak of gains for the technology-heavy index.

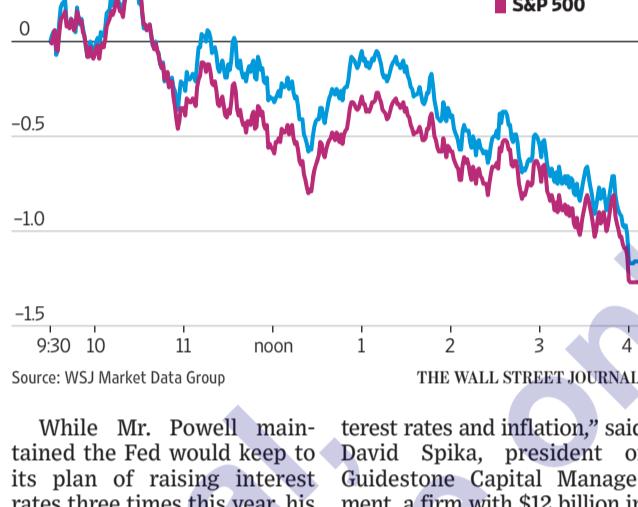
Government bonds also weakened, as the yield on the 10-year Treasury note rose to 2.910% from 2.862% on Monday. Yields climb as bond prices fall.



A \$30.9 billion offer for U.K. media group Sky came from Comcast, whose shares slid 7.4%.

Inflation Fears

Fed Chairman Jerome Powell's first comments before Congress on Tuesday carried hawkish undertones, sending stocks lower.



Performance, minute by minute

Dow industrials
S&P 500

Interest rates and inflation," said David Spika, president of Guidestone Capital Management, a firm with \$12 billion in assets under management. Mr. Spika said his firm has been reducing risk in its portfolio over the past six months by selling down some of its technology holdings and reinvesting those proceeds into shares of financial firms.

All 11 S&P 500 sectors traded lower Tuesday, with consumer-discretionary stocks and real-estate companies shedding more than 2% each.

Financial stocks were the relative bright spot early Tuesday, as rising bond yields helped push shares of those companies up. However, as markets fell later in the day, financial stocks turned lower.

Meanwhile, company earnings and actions contributed to some of the biggest individual stock moves.

Comcast dropped 2.92, or 7.4%, to 36.66, after the company made a tentative \$30.9 billion offer for British media group Sky. That topped a rival bid from **21st Century Fox**, whose shares declined 1.18, or 3%, to 37.63. Fox and News Corp., the owner of The Wall Street Journal, share common ownership.

Do component **Walt Disney**, which agreed to buy key parts of Fox late last year, declined 4.94, or 4.5%, to 104.87.

Elsewhere, the Stoxx Europe 600 fell 0.2% to snap a two-day winning streak. Declines in Europe followed weaker trading in Asia, where China's Shanghai Composite Index snapped a six-day winning streak, closing down 1.1%. Early Wednesday, it was down a further 1%. In Japan, the Nikkei Stock Average added 1.1% Tuesday as the yen pulled back from some of Monday's gains. At the midday break Wednesday, the index was down 0.4%.

Oil Feels Squeeze From Several Sides

Oil prices declined, under pressure from a rising dollar, falling stocks and an expected increase in crude stockpiles.

Light, sweet crude for April delivery fell 90 cents, or 1.4%, to \$63.01 a barrel on the New York Mercantile Exchange.

Brent, the global benchmark, lost 87 cents, or 1.3%, to \$66.63 a barrel.

Analysts said oil prices moved in tandem with broader markets, as statements from Federal Reserve Chairman Jerome Powell made traders more wary of higher interest rates this year.

U.S. stocks dropped after Mr. Powell indicated that the

central bank is on track to raise interest rates and perhaps even pick up the pace this year. The S&P 500 closed down 1.3%, while the WSJ Dollar Index rose 0.5%.

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U.S. stocks dropped after Mr. Powell indicated that the

India's Borrowing Binge Spurs Rift With Banks

By MANJU DALAL AND DEBIPRASAD NAYAK

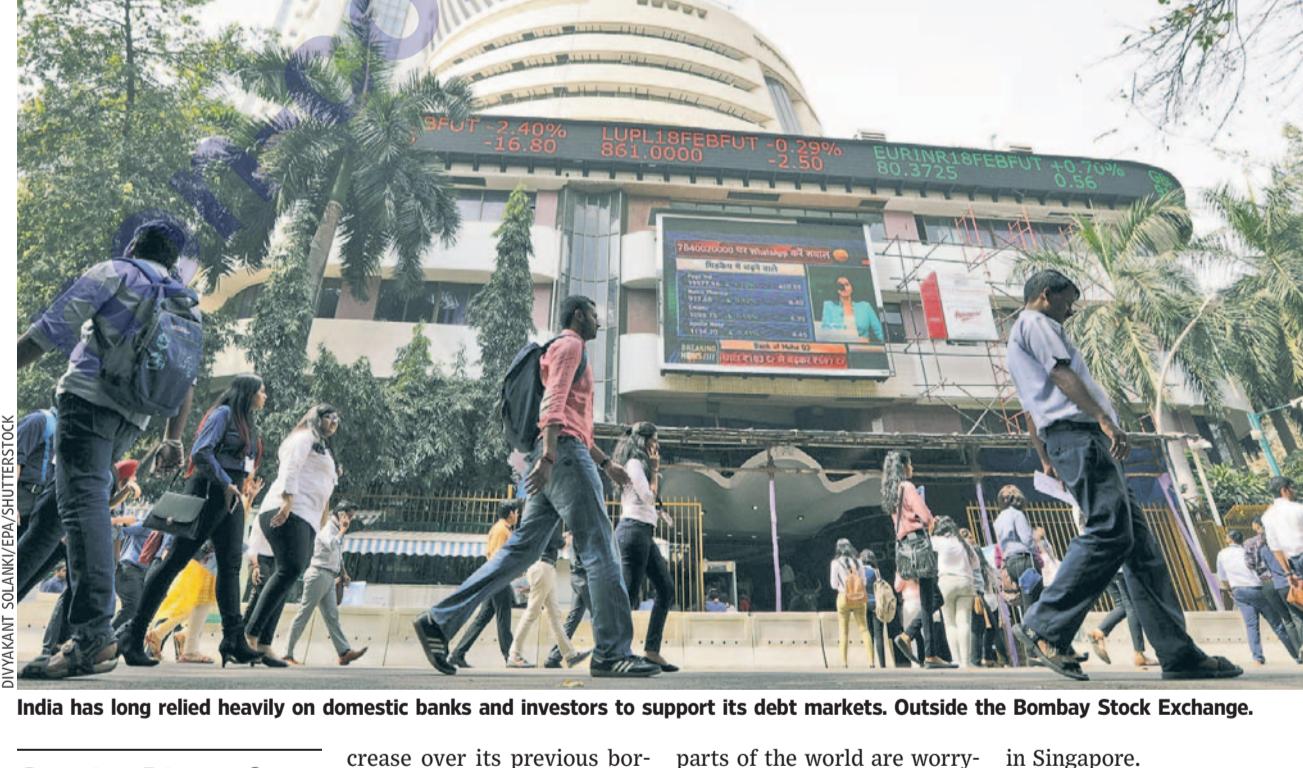
A sharp rise in Indian bond yields is exposing a rift between the country's central bank and the financial institutions it governs.

Yields on 10-year Indian government bonds have climbed nearly half a percentage point since late December, when the Reserve Bank of India announced plans to increase its borrowing for the financial year ending in March.

The unexpected change sparked a bond-market sell-off that traders say saddled many banks with losses among their holdings of government debt at year-end. Since then, some domestic banks and other investors have been reluctant to buy more bonds, traders say, and the government has scaled back its debt-issuance plans.

India's 10-year bond currently yields about 7.688%, up 0.35 percentage point since the start of this year and 1.2 percentage points above its level just six months ago, according to Thomson Reuters data. Corporate-bond yields have risen in tandem, making it costlier for companies to borrow and putting a chill on debt sales in recent weeks.

Rising Indian bond yields are putting a chill on debt issuance.



India has long relied heavily on domestic banks and investors to support its debt markets. Outside the Bombay Stock Exchange.

Growing Discomfort

Rising Indian bond yields are putting a chill on debt issuance.

Indian government 10-year bond yield



Corporate-bond issuance has slowed sharply since the start of 2018, with sales totaling some \$2 billion, versus \$6 billion in the year-earlier period, according to Dealogic.

Last year, Indian companies sold the equivalent of \$44 billion in rupee-denominated bonds, up 29% from 2016.

Investors say the recent slowdown is worrying. "High bond yields may eventually lead to higher costs, endangering the tiny green shoots of growth in the economy," said Dharmesh Ojha, chief investment officer of ITI Reinsurance in Mumbai.

Going into the second half of 2017, debt investors in India were starting to get nervous about the country's widening fiscal deficit and inflationary pressures from rising commodity prices.

On Dec. 27, market senti-

ment soured after India's government said it would expand its annual borrowing program by 500 billion rupees (\$7.7 billion) by selling more government securities in the financial year ending March 31. That represented a roughly 8.6% in-

crease over its previous borrowing plans.

Bond prices dropped on the news, hurting Indian banks, which hold 40% of the government's outstanding securities.

Many banks had to mark down the market values of their investments at year-end, and within the financial sector there was griping about why the government didn't wait for the start of the new year to make the announcement, according to traders.

Some banks have since shied away from buying more government bonds, resulting in the cancellation of two bond auctions by the Reserve Bank of India. The market got some relief in mid-January, after the government revised its figures and said it would issue just 200 billion rupees more in debt.

Indian bond yields are climbing when rising long-term interest rates in many

parts of the world are worrying investors. In the U.S., Treasury yields have also risen following the government's decisions to reduce taxes and increase spending. The Federal Reserve has also cut back on bond purchases, concerning private investors who will be relied upon to make up the difference.

India has long relied heavily on domestic banks and investors to support its debt markets. Foreign investors hold roughly 5% of the total 51 trillion rupees in outstanding Indian government bonds, and their ownership is capped by regulations that restrict the types of investors and the maturities of bonds they can purchase.

"What really needs to get resolved is the supply and demand for government securities," said Vivek Rajpal, Asia interest-rates strategist and executive director at Nomura

in Singapore.

He said foreign investors, who are still attracted to India's long-term growth prospects, could help bolster demand for the country's debt.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications \$167,769,650,100

Accepted bids \$60,000,010,100

"noncompetitively" \$630,177,600

"foreign noncompetitively" \$327,000,000

Auction price (rate) 99.883722 (1.495%)

Coupon equivalent 1.518%

Bids at clearing yield accepted 20.24%

Cusip number 912796LS6

The bills, dated March 1, 2018, mature on March 29, 2018.

52-WEEK BILLS

Applications \$66,043,632,100

Accepted bids \$22,000,143,100

"noncompetitively" \$433,432,100

"foreign noncompetitively" \$0

Auction price (rate) 97.957556 (2.020%)

Coupon equivalent 2.080%

Bids at clearing yield accepted 96.77%

Cusip number 912796PT0

The bills, dated March 1, 2018, mature on Feb. 28, 2019.

Treasury's Slide as Inflation Fear Gains

By DANIEL KRUGER</div

MARKETS

Global Stocks Set to Snap Bullish Run

A decline this month by world-wide index would halt consecutive advances at 15

By STEVEN RUSSOLILLO

A record-long bullish streak for global stocks is about to fall by the wayside.

The MSCI All Country World Index, a barometer of stocks around the world, is set for its first monthly decline since before the 2016 U.S. presidential election. It is down about 3.3% this month, which would be its worst since January 2016, when a steep selloff in Chinese markets dragged global stocks lower.

This month's decline comes after the index, which captures equity returns from 23 developed and 24 emerging markets, had risen for 15 straight months through January, its longest consecutive streak of gains. That included gains every month in 2017, the first time it had gone a full calendar year without a monthly drop.

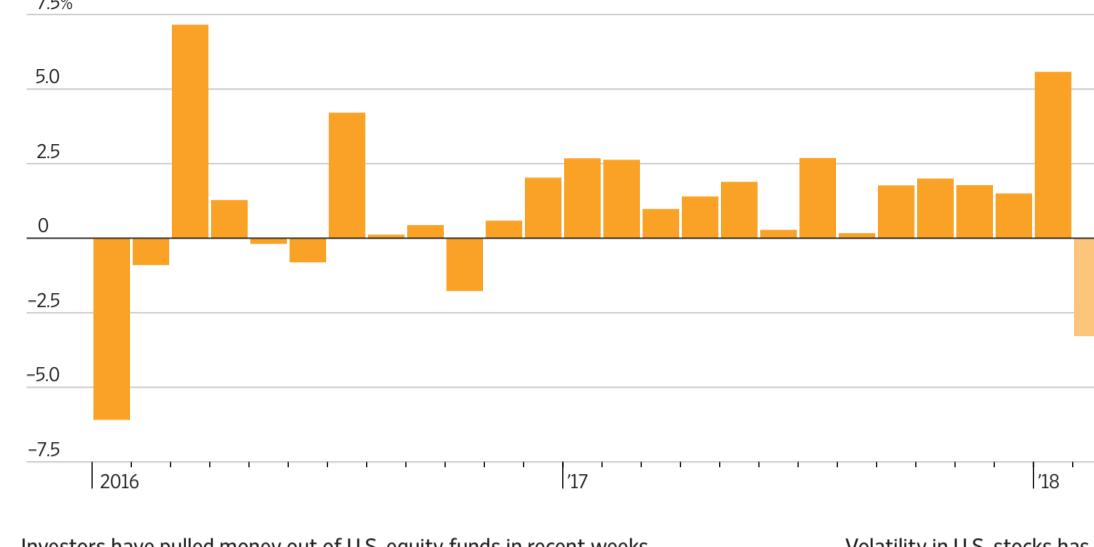
The rally gained even more momentum in January, when the index rose nearly 6% in one of its best starts to a year.

But the calm in financial markets came to a screeching halt earlier this month, when rising bond yields and a spike in market volatility sent stocks swooning.

More than \$5 trillion in market value world-wide was wiped out from Jan. 26 to Feb. 8. Many markets, including in the U.S., Japan, China and Hong Kong, fell into correction territory, down at least 10% from their recent highs.

The world index fell 9% from Jan. 26 through the bottom in early February. It has since risen roughly 4.6%, tracking how many markets around the globe have bounced back over the past few weeks. Many analysts are confident that the rebound will continue.

The MSCI All Country World Index is set for its worst monthly drop in two years.



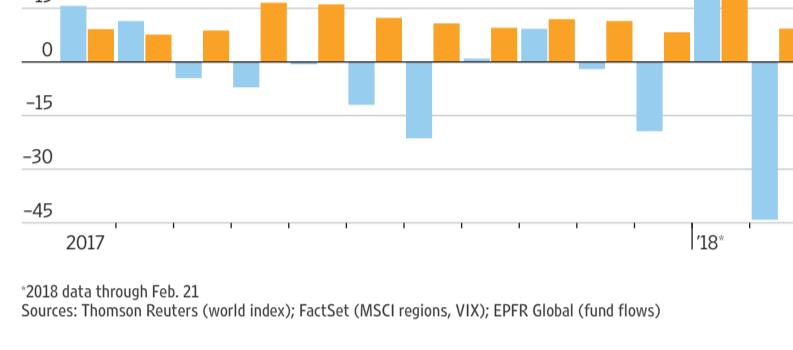
Frontier markets have held up better than Europe during February's decline.

MSCI global indexes



Investors have pulled money out of U.S. equity funds in recent weeks. That hasn't extended internationally.

Fund flows ■ U.S. equity ■ Global equity

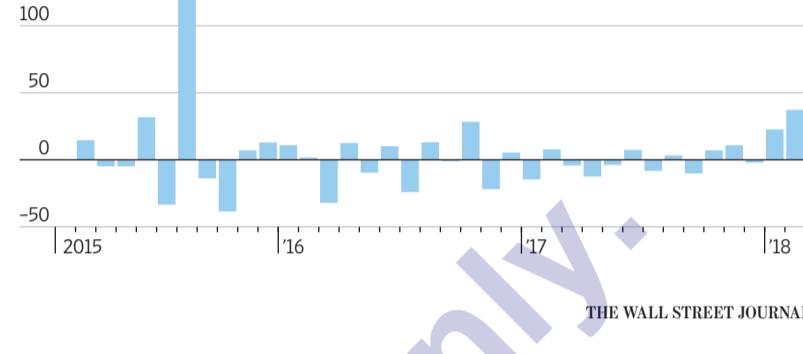


2018 data through Feb. 21

Sources: Thomson Reuters (world index); FactSet (MSCI regions, VIX); EPFR Global (fund flows)

Volatility in U.S. stocks has surged at the beginning of this year.

Cboe Volatility Index, change from previous month



THE WALL STREET JOURNAL.

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FINANCIAL ANALYSIS & COMMENTARY

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Macy's Has A Spring in Its Step Now

JPMorgan Needs to Raise the Bar

Room for More?

JPMorgan Chase price-to-tangible-book-value ratio



Source: FactSet

with its expansion effort and stay ahead of the rest of the industry in two key areas.

JPMorgan said last month that it would open 400 new bank branches over five years, entering 15 to 20 new markets. The bank entered Jacksonville, Fla., in 2013 and took substantial share, Morgan Stanley analysts said

according to the company's presentation, compared with just 1% growth for all commercial banks, according to Federal Reserve data. Given the firm's record, there is little reason to doubt it can stay ahead of the industry.

The harder task will be to resist pressure to pay out more to depositors as rates keep rising. The company's net interest income forecast for 2018 assumes its relatively low deposit rates will keep adjusting slowly. With technology enabling customers to move money around more easily than ever, and competitors such as Goldman Sachs and American Express offering substantially higher rates, the bank may have to pay up to keep customers.

JPMorgan deserves the applause it has gotten from shareholders. It will need to pull off some new tricks to keep wowing them.

—Aaron Back

OVERHEARD

Technical analysis has a terrible reputation for predicting what markets will do next. That hasn't prevented technical analysts from pumping out stock predictions.

Mark Galasiewski, a strategist for analysis firm Elliott Wave International, goes one better, saying he can predict the rise of authoritarian leaders. "Our best measure of a nation's social mood is its stock market," he says, citing China, Russia, India, Egypt and Turkey as places leaders consolidated power after the financial crisis.

He says the Chinese Communist Party's proposal to allow President Xi Jinping to stay in office indefinitely, "makes complete sense from a social mood perspective."

Evidence: The stock market is still way below its 2007 high. But with economic growth solid and real-estate prices soaring, it is hard to imagine 1.4 billion sad Chinese.

The Real Reason Behind the Media Bidding War for Sky

Sky's the Limit

Share prices as a multiple of expected free cash flows

