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THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

MONDAY, FEBRUARY 12, 2018 ~ VOL. CCLXXI NO. 35

WSJ.com

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Last week: DJIA 24190.90 ▼ 1330.06 5.2% NASDAQ 6874.49 ▼ 5.1% STOXX 600 368.61 ▼ 5.0% 10-YR. TREASURY ▲ 4 14/32, yield 2.829% OIL \$59.20 ▼ \$6.25 EURO \$1.2252 YEN 108.80

What's News

Business & Finance

Markets are struggling to find a new equilibrium after plummeting shares and soaring volatility drove billions of dollars out of global stock markets. A1

◆ The new tax law will increase taxes for some “inverted” companies that signed mergers overseas. A1

◆ Broadcom secured up to \$100 billion of debt financing for its bid for Qualcomm and enlisted two more big private-equity firms. B1

◆ A deal to sell Weinstein Co. fell apart after the New York attorney general filed a lawsuit against the studio and its co-founders. B1

◆ Comcast is contemplating reviving its pursuit of 21st Century Fox, after its bid for the company’s entertainment assets was turned down in favor of a deal with Disney. B1

◆ Unilever threatened to pull back its ads from sites if they don’t do more to combat the spread of fake news and hate speech. B1

◆ A Japanese drugmaker, says it has developed a pill that can kill the influenza virus within a day. B3

◆ Amazon.com needs deeper infrastructure to compete against FedEx and UPS. B4

World-Wide

◆ The loss of an Israeli jet to Syrian fire has raised the risk of a forceful response from Israel to deter Iranian military expansion. A1

◆ Trump is set to unveil a new program that transforms how infrastructure is funded, encouraging states to raise money. A4

◆ The White House signaled that a classified Democratic memo it blocked could see the light of day after changes are made. A5

◆ North Korea’s Kim invited the president of South Korea to a summit in Pyongyang. A9

◆ Western diplomats hope a NATO meeting will keep the U.S. and Turkey from going to battle against each other in Syria. A6

◆ White House officials said Trump has confidence in Kelly, after he privately criticized his chief of staff’s handling of abuse allegations. A4

◆ The Ritz-Carlton in Riyadh reopened as a hotel after being used to detain 381 people in an anti-corruption campaign. A7

◆ Red Gerard won the first U.S. gold medal in the Winter Games in men’s slopestyle. A16

Journal Report

What investors need to know about the new tax law. **Wealth Management**, R1-8

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Plane Crash on Outskirts of Moscow Leaves 71 Dead



NO SURVIVORS: A man stands near a part of a Russian aircraft that caught fire and crashed shortly after taking off from Moscow's Domodedovo Airport on Sunday. Russian President Vladimir Putin ordered an investigation into the disaster. A9

Iran Looms Over Israel-Syria Clash

Loss of jet to Assad forces, Netanyahu’s strong response signal rise in regional tensions

By RORY JONES

The loss of an Israeli military jet to Syrian fire over the weekend has raised the chances of a more forceful response from Israel to deter Iranian military expansion across its border, which could open up another front line in war-torn Syria.

The clash began on Saturday morning after Israel said it intercepted an Iranian drone that had infiltrated its airspace from Syria. Israel responded that day with airstrikes on Syrian military positions, and Syria shot down one of the Israeli warplanes, which crashed in Israeli territory.

Israel then carried out more-extensive airstrikes on Saturday deep inside Syria targeting what its military said were Syrian and Iranian military positions.

Israel’s pilots ejected from

the F-16 aircraft as it crashed, with one taken to a hospital in serious condition. Pro-regime Syrian media reported that about 25 people died in the Israeli strikes.

This is the first time in more than 30 years that Israel has lost a fighter aircraft, and its strong reaction illustrates how the competing aims of Iran and Israel could lead to a war between the two Mideast powers—as Tehran increases its military presence in Syria, a move Israel has warned it won’t allow.

“We will continue to strike

at every attempt to strike at us,” Israeli Prime Minister Benjamin Netanyahu said on Sunday at his weekly cabinet meeting, according to a statement released by his office.

A representative for the Syrian regime couldn’t immediately be reached for comment on Saturday’s incident. Syrian state media called the strikes a “new Israeli aggression.”

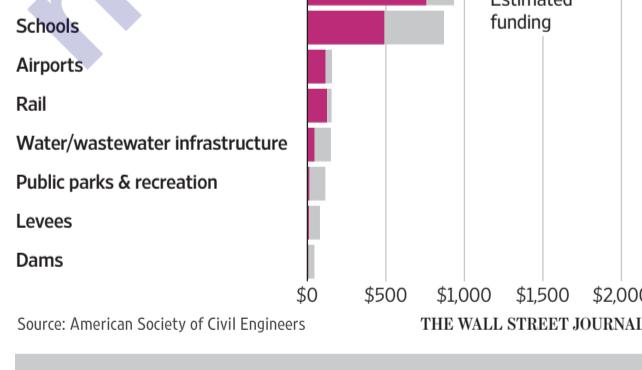
The White House on Sunday Please see SYRIA page A6

◆ **NATO to address U.S., Turkey tensions**..... A6

Infrastructure Plan to Be Unveiled

President Trump is set to announce Monday a program to change how roads and other infrastructure are funded and developed, but questions remain over congressional approval and how to pay for it. A4

Cumulative U.S. infrastructure needs, 2016 to 2025, in billions of dollars



Who's at the Door? Butler Blue With Your College Acceptance Letter

* * *

Schools bring the good news in person, helped by balloons, bands and mascots

By DOUGLAS BELKIN

Evanston, Ill.—Two men and a bulldog showed up unannounced at Caitlin Strickland’s afterschool job on a Friday afternoon. One held a video camera. The other held a leash attached to the burly dog with a pronounced underbite.



Butler Blue III

across her face as she wondered if she had done anything wrong. Then the man holding the leash spoke.

“My name is Michael, this is Butler Blue III, we call him Trip, and we came here to congratulate you on being admitted to Butler!” he said.

“Whoa,” Ms. Strickland said. “I’m shook.”

Admissions officers are traveling hundreds of miles Please see MASCOT page A10

Higher Taxes Await ‘Inverted’ Companies

By JONATHAN D. ROCKOFF AND NINA TRENTMANN

The new U.S. tax law has something in store for some “inverted” companies, which signed mergers overseas that lowered their U.S. taxes: higher taxes.

Companies that engineered so-called inversion deals in recent years have been able to reduce their tax rates and take certain deductions by shifting their tax homes to other nations.

Now, provisions in the new tax code restrict some of those deductions, like the interest payments American subsidiaries pay on loans from

overseas parents, according to tax experts and companies.

Some inverted companies including Johnson Controls International PLC and Eaton Corp. announced in recent days the new law will raise their effective tax rates. Valeant Pharmaceuticals International Inc., which moved to Canada in 2010 after buying a company based there, said it expects to pay “slightly more” in U.S. taxes.

Companies that used intercompany debt as part of their tax structure are likely to be impacted negatively,” Paul Her-

Please see TAXES page A4

Investors Brace for More Market Turmoil

Markets are struggling to find a new equilibrium after plummeting shares and soaring volatility drove billions of dollars out of global stock markets.

By Ira Josebashvili, Amrit Ramkumar and Riva Gold

Sparked by signs of increasing inflation, the Dow Jones Industrial Average last week fell more than 5%, extending a fortnight-long sell-off totaling 2,400 points. Investors withdrew \$22.9 billion from U.S. stock mutual funds and exchange-traded funds in the seven days that ended Wednesday, according to fund tracker EPFR Global, the highest total on record.

Intraday stock market swings have also surged, with the Cboe Volatility Index, or VIX, a measure of expected swings in the S&P 500, closing Tuesday at its highest level since August 2015 before ending the week up nearly 70%.

The scale of the selling after two years of nearly consistent rises is prompting many traders and analysts to look closer for underlying cracks in the market.

Signs in the futures and options markets were still skewed toward bullish positions, suggesting to some analysts and investors that more selling would come.

“There definitely are more warning signs,” said Thomas Martin, senior portfolio manager at Globalt, an Atlanta money manager. “It’s not as simple as, ‘Everything is fine,’ Please see STOCKS page A2

◆ **Investors discern parallels with 1987 market**..... B9

◆ **Heard on the Street: Beijing hasn’t forgotten markets**... B10

Rapid Reversal

A record \$23 billion flowed out of U.S. stock funds in the seven days ended Wednesday.*



THE WALL STREET JOURNAL.

There's a Global Race to Control Batteries—and China Is Winning

It's locking up the supply chain for cobalt, essential to lithium-ion batteries

By SCOTT PATTERSON AND RUSSELL GOLD

KOLWEZI, Democratic Republic of Congo—Miners push bicycles piled high with bags of a grayish-blue ore along a dusty road to a makeshift market. There, they line up at wholesalers with nicknames such as Crazy Jack and Boss Lee.

Most of the buyers are Chinese. Those buyers then sell to Chinese companies that ship the bags, filled with cobalt, to China for processing into rechargeable, lithium-ion batteries that power laptops and smartphones and electric cars.

There is a world-wide race to lock up the supply chain for cobalt, which will likely be in even greater demand as electric-car production rises. So far, China is way ahead.

China is by far the biggest consumer of cobalt from Congo, the world’s biggest producer. Chinese refiners import about 94% of their cobalt from the West African nation, according to Darton Commodities.

“We’re realizing that the Congo is to [electric vehicles] what Saudi Arabia is to the internal combustion engine,” says Trent Mell, chief executive of exploration company First Cobalt Corp., based in Toronto. Chinese firms are keenly aware of Congo’s importance to electric vehicles, he says, and “trying to control the whole ecosystem...from cobalt mining to battery production.”

China already is the world’s largest electric-car market. In 2011, Beijing listed electric- Please see COBALT page A10

U.S. NEWS

THE OUTLOOK | By Nick Timiraos

Trump Gambles on Deficits, Inflation



Two of the biggest legislative deals in Donald Trump's presidency—a \$1.5 trillion tax cut and a \$300 billion spending package—illustrate an emerging feature of Trumponomics: a willingness to tolerate larger budget deficits deep into an economic expansion.

Deficits normally swell during downturns, when tax receipts fall and spending rises on unemployment insurance and other safety net programs, and they shrink when the economy grows. The last two years are unusual because deficits have edged higher as the expansion advanced.

Now they're set to go higher still.

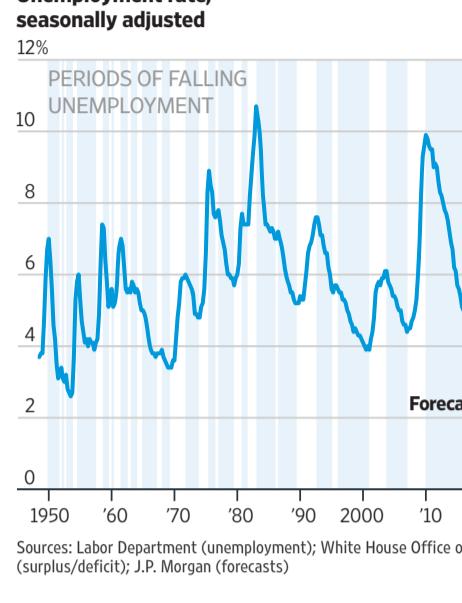
The budget deficit fell to 2.4% of gross domestic product in 2015 before rising to 3.4% last year. Economists at J.P. Morgan expect the tax cuts and spending deal will boost that to 5.4% of GDP next year, or \$1.2 trillion.

By adding to deficits, Mr. Trump has undertaken a fiscal policy experiment with little precedent for a peacetime U.S. economy, and one with risks. Fiscal largess risks adding upward pressure on inflation and interest rates that could boomerang and undercut the growth the Trump administration has set out to achieve.

A related risk for Mr. Trump's experiment: It could be for naught if it prompts the Federal Reserve to raise short-term interest rates even faster because officials worry the economy will overheat. The Fed is already raising rates and gradually winding down a large portfolio of

Out of Sync

Deficits as a share of economic output normally get smaller during peacetime when the unemployment rate is falling, which makes the recent increase in deficits highly unusual.



Sources: Labor Department (unemployment); White House Office of Management and Budget (surplus/deficit); J.P. Morgan (forecasts)

Treasury and mortgage bonds to prevent overheating. It could act more aggressively if officials fear fiscal stimulus goes too far.

The jobless rate is at 4.1%, a 17-year low, and economists at J.P. Morgan project it will fall to 3.2% next year, a level not seen since the Korean War. Such a low rate is likely to make the Fed nervous.

During the recession, there was a large gap between the economy's output and its potential given available workers and productivity. The Congressional Budget Office estimates that gap has closed and the economy is expanding at a pace that exceeds its potential. That's a combination that could cause overheating.

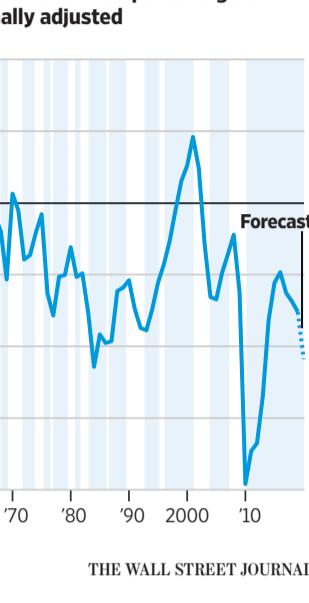
"It is a mistake to add on tremendous stimulus when

the output gap has already closed," said David Rosenberg, chief economist at Gluskin Sheff & Associates in Toronto. He estimates around three quarters of the stimulus could be offset by higher interest rates borrowers may have to pay and stock declines.

"The biggest risk is the bond market revolts, sort of like it did in the early 1990s," said Jim Millstein, a financier who led the Obama administration's recapitalization of American International Group after the financial crisis.

Another risk: Larger deficits give the federal government less flexibility in the future to cut taxes or boost spending should the economy sink and need stimulus in the next downturn.

But not everyone is as con-



THE WALL STREET JOURNAL

cerned. Mr. Trump's focus on stronger growth follows a decade that shows what happens without it: Trust in institutions suffers, inequality rises and central banks face enormous pressures, said Mohamed El-Erian, chief economic adviser at Allianz SE, the German insurance giant.

Mr. El-Erian has been considered for a Fed post by White House officials.

While fiscal stimulus "would have been better timed a few years ago," he said, the U.S. is still better off with it than without it.

Mr. El-Erian said he sees little sign of a so-called return of bond vigilantes who will demand higher yields to compensate for risks of fiscal profligacy. U.S. and German bonds have been moving in

sync lately, which suggests U.S. yields aren't rising because of U.S.-specific deficits concerns, he said.

Even though the economy doesn't need stimulus right now, there's a strong case for both cutting corporate taxes to make the U.S. more competitive and boosting military spending, said Andy Laperrière, a policy analyst at Cornerstone Macro. "We are making military spending more consistent with the reality of what we're asking the military to do," he said.

The problem, Mr. Laperrière said, is that no one has been willing to address deficits by tackling the biggest driver of spending growth: programs such as Social Security and Medicare.

Tax cuts and government spending could boost the economy in two ways. They give businesses and consumers money to spend on equipment, homes and other goods. That's called demand-side stimulus, and tends to be short-lived. Certain policies also encourage people to work more and businesses to invest more, raising productivity. That's called supply-side stimulus, and in theory has long-lasting benefits that produce growth without inflation.

The Trump administration is betting it is delivering the latter. In addition to tax cuts, a deregulatory agenda and infrastructure spending are designed to make the economy more efficient. If that happens, the Fed won't have to push against fiscal policy and the bond market won't rebel. If not, Trumponomics could lead to trouble after a brief economic burst.

ECONOMIC CALENDAR

TUESDAY: The U.K. reports consumer-price inflation for January. Spurred by the pound's steep depreciation since the Brexit vote in 2016, inflation in the U.K. has accelerated rapidly, squeezing consumers and weighing on the largely domestic-driven economy. To help contain above-target consumer inflation, the **Bank of England** raised borrowing costs for the first time in a decade in November, and signaled Thursday that rates could well rise more rapidly than anticipated. Economists polled by The Wall Street Journal expect Tuesday's inflation data to show a slowdown in January, to an annual 2.9%, from 3% the previous month.

WEDNESDAY: The U.S. Labor Department releases consumer-price index figures for January. The report comes on the heels of ramped-up wage growth that helped send stock markets into correction territory, as investors worried stronger price pressures could push the Federal Reserve to raise rates at a faster-than-expected pace. Tuesday's release could add to that volatility if the American economy experienced sharp price increases at the beginning of 2018.

Japan reports gross domestic product for the final quarter of 2017 on Wednesday local time (Tuesday evening in the U.S.). Economists are expecting an eighth straight quarter of growth, and a tightening job market is fueling speculation about a **Bank of Japan** rate increase late this year—assuming global markets calm down.

FRIDAY: The University of Michigan publishes consumer sentiment data for February after previous readings showed it slid for three consecutive months from a decade high. Some Americans are beginning to see the fruits of recent tax cuts in their paychecks, which could boost the sentiment numbers to a new high.

Online Schools Face More Scrutiny

BY TAWNELL D. HOBBS

Online charter schools, which are publicly funded but run by private entities, educate the bulk of these students.

The greater flexibility and freedom offered by online classrooms can help some students thrive.

But a Journal review of 468 full-time virtual schools in 34 states and the District of Columbia shows they deliver relatively poor performance and low graduation rates compared with public schools overall.

Data available for 403 of the schools show that about 80% of students attended schools with overall low academic performance. The grad-

uation rate for 240 of the schools that serve high-school students averaged about 52%, lower than the national average of around 83%.

Those performance levels and student-participation concerns have brought the schools under increasing scrutiny.

The California Department of Education ordered California Virtual Academies, or CAVA, to pay back about \$2 million to the state, saying it improperly used state funds. CAVA said there was no misuse and it plans to appeal the decision.

In New Mexico, a state commission voted in December to reject a renewal application

for New Mexico Connections Academy, citing poor academic performance. A school administrator said it has appealed.

Virtual-school operators say they enroll the most challenging students, those behind academically and in danger of dropping out, and states should take that into account when rating them. "The people who are attracted to us, understandably, are the ones who have been challenged the most by the traditional system," said Kevin P. Chavous, president of academics, policy and schools at K12 Inc., the nation's largest for-profit manager of public online schools.

U.S. WATCH

Some 1,300 flights were canceled Friday at the airports.

—Associated Press

PUERTO RICO

Explosion Knocks Out Power in San Juan

An explosion and fire in a power facility in Puerto Rico Sunday night knocked out power to a densely populated corridor of the island, which is still getting back on its feet from last summer's devastating hurricanes.

The outage, which struck around 9 p.m. local time, plunged much of San Juan and surrounding neighborhoods into darkness and served as a reminder of the island territory's vulnerability to power interruptions. The explosion caused no injuries, officials said.

The cause is under investigation.

Outages were expected to last a day or so for most affected.

Six months after hurricanes Irma and Maria, a quarter of the customers of the Puerto Rico Electric Power Authority, or Prepa, remain without power.

The latest outage occurred after a mechanical failure caused a power switch to explode.

—Jim Carlton

STOCKS

Continued from Page One
jump back in."

Despite the headspinning action, many investors remained cautiously optimistic.

Gold, a traditionally popular holding during periods of market turmoil, posted its largest price decline in two months, a sign that fear of a deeper market plunge is muted.

Long-term Treasury yields were little changed, suggesting that the stock fall hasn't dented expectations that strong economic growth would eventually cause volatility to subside.

But the stock market sell-off has prompted investors to boost their selling of high-yield bonds on fears of a broad plummet in risky assets.

Investors overall pulled more than \$5 billion out of high-yield bond funds during the week ended Wednesday, according to EPFR. In 2015, big declines in high-yield energy bonds and other junk debt rattled financial markets.

Net flows into emerging-market funds got off to a weak start in February at \$19.4 million for the seven days ended Wednesday, compared with the multiyear high of \$25.7 billion for the month of January.

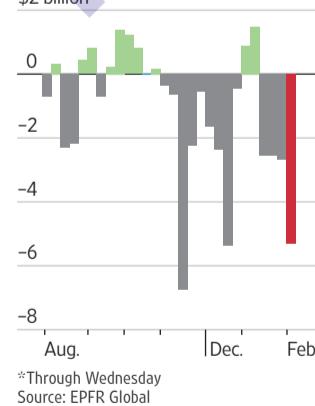
Some investors have said the stock-market volatility could be affecting the appetite for risky assets like commodities. The price of copper, a popular barometer of global growth, has fallen to its lowest level in two months, while oil slipped below \$60 for the first time this year.

Investors have sought shelter

Changing Appetite

Investors pulled billions from high-yield bonds and stopped putting money in emerging markets as stock volatility surged. Meanwhile, in a surprise to some, money was taken out of gold funds.

High-yield bond flows



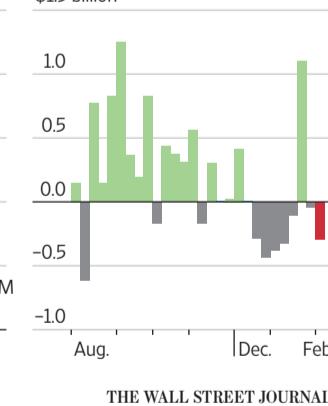
*Through Wednesday

Source: EPFR Global

Emerging-markets flows



Gold-fund flows



THE WALL STREET JOURNAL.

Continued from Page One
jump back in."

Despite the headspinning action, many investors remained cautiously optimistic.

Gold, a traditionally popular holding during periods of market turmoil, posted its largest price decline in two months, a sign that the volatility hasn't yet raised concerns about the creditworthiness of invest-

ment-grade companies. The gap widened only slightly this week from its lowest level in more than a decade.

"The equity market seems to have a higher amplification of nervousness, whereas the bond market, if there is an idea the [Federal Reserve] is going to go so much faster than expected, the 10-year Treasury [yield] would have to be higher," said Nandini Ramakrishnan, global market strategist at J.P. Morgan Asset Management.

Bond funds had positive inflows for the third consecutive week in the period to Wednesday, data from EPFR showed, easing selling pressure on the bond market. Nearly \$300 million also flowed out of gold mutual and exchange-traded funds in the same time frame, according to EPFR.

Some analysts said gold's weakness could be a sign of in-

flation worries picking up, since gold struggles to compete with yield-bearing assets when the Fed raises interest rates faster than expected.

Others said it suggested that investor anxiety over stocks wasn't leading to broader economic worries.

Some big emerging markets like South Korea and China enjoyed positive fund flows, and there are few signs so far that credit spreads in developing markets are widening in a sign of deepening risk aversion.

"So far, this has been an equity-centered sell-off, and not hit other markets," said Jason Drahos, head of tactical asset allocation for the Americas at UBS Wealth Management.

Early Monday, gains of at least 0.5% were seen in China, South Korea and Taiwan. Japan's market was closed for a holiday. S&P 500 futures higher.

ILLINOIS

Snow Disrupts Flights At Chicago Airports

Early Sunday snow in Chicago caused flight disruptions at the city's two main airports.

The roughly 3 inches of snow added to the 10 inches that fell in the region on Friday.

The Chicago Department of Aviation said about 215 flights in and out of O'Hare International Airport were canceled Sunday. Nearly 245 flights were canceled at Midway International Airport.

CORRECTIONS & AMPLIFICATIONS

A Page One article on Saturday about the turbulent week for stocks was written by Corrie Driebusch and Riva Gold. Their bylines were omitted in some editions.

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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U.S. NEWS

Carjackings Alarm Chicago

Violence is falling, but stolen vehicles figure in subsequent crimes, social-media bragging

BY SHIBANI MAHTANI

CHICAGO—A rise in carjacking incidents across Chicago has spooked residents even as police celebrate a drop in violent crimes such as shootings and homicides.

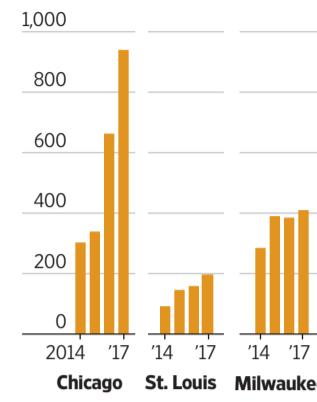
Police and crime experts largely attribute the surge, which is also playing out in St. Louis and Milwaukee, to repeat offenders, many of them juveniles who use the cars to commit other crimes or to brag about on social media.

In Chicago, the carjackings have spread to neighborhoods with historically low rates of violent crime. In one incident downtown earlier this month, officials said a retired police officer managed to catch one of three teenagers who tried to take his car.

Last month, police said that gunmen forced an off-duty Chicago police detective out of his vehicle in an affluent neighborhood near a proposed site for Amazon's second

Taking the Wheels

Carjackings in selected cities



Sources: Chicago Police Department; St. Louis Metropolitan Police Department; Milwaukee Police Department
THE WALL STREET JOURNAL

headquarters and drove off with body armor and ammunition inside.

The growing number of carjackings comes as the city marks success in reducing violence. Murders and shootings were down 16% and 21%, respectively, between 2016 and 2017. But the city saw 939 carjackings in 2017, the highest level in at least a decade and a 42% increase compared with 2016, when there were 663.

So far this year, there have been at least 100, spread across neighborhoods at every income level.

Neither the Federal Bureau of Investigation nor the Major Cities Chiefs Association track carjacking specifically, making it difficult to know whether the crime is on the rise nationally.

Carjacking also has increased in St. Louis, Milwaukee and Baltimore, all cities that have struggled with violent crime in recent years.

Last week, Chicago officials assembled a carjacking strike force with federal representatives from the FBI and Bureau of Alcohol, Tobacco, Firearms and Explosives as well as prosecutors, suburban police and state police. City and state officials also are pushing for legislation that would crack down on such crimes.

In Chicago, police have made more than twice as many carjacking arrests so far this year compared with last year, attributed in part to Strategic Decision Support Centers outfitted with surveillance equipment and computers loaded with crime-predictive software.

Police and crime analysts say that offenders overwhelm-

ingly steal the cars for use in other crimes, often ditching them soon after rather than selling them for parts.

"That crime may be a retaliatory homicide...or the vehicle is sometimes traded for drugs," said Richard Rosenfeld, a criminologist at the University of Missouri-St. Louis.

In St. Louis, which also has established a carjacking task force, police say gang members see vehicle theft as sport and take to social media to boast about their acquisitions.

"You'll have one of them post that they got a Lexus, and then the other responds and says he stole a Mercedes," said Maj. Kenneth Kegel, of the St. Louis Metropolitan Police Department, who sits on the task force. "It is almost like a game, where they want to one up each other."

Chicago police blame the surge on lax punishment for juvenile offenders and light punishments for motor crimes in the state. Chicago's largest police union also cites a pursuit policy that is more restrictive than in other cities, prohibiting officers from chasing a vehicle being driven erratically for fear of injuring bystanders.

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Hawaii's Big Headache: Cesspools

BY IAN LOVETT

HONOLULU—Paradise has a sewage problem.

Cesspools—holes in the ground where untreated human waste is deposited—have become a crisis in Hawaii, threatening the state's drinking water, its coral reefs and the famous beaches that are the lifeblood of its tourist economy.

Sewage from cesspools is seeping into some of Hawaii's ocean waters, where it has been blamed for infections suffered by surfers and snorkelers. It is also entering the drinking water in part of the state, pushing nitrate levels close to the legal limit.

Hawaii has 88,000 cesspools across its eight major islands, more than any other state. Collectively, they deposit 53 million gallons of raw sewage into the ground every day, according to the state health department. More than 90% of the state's drinking water comes from groundwater wells.

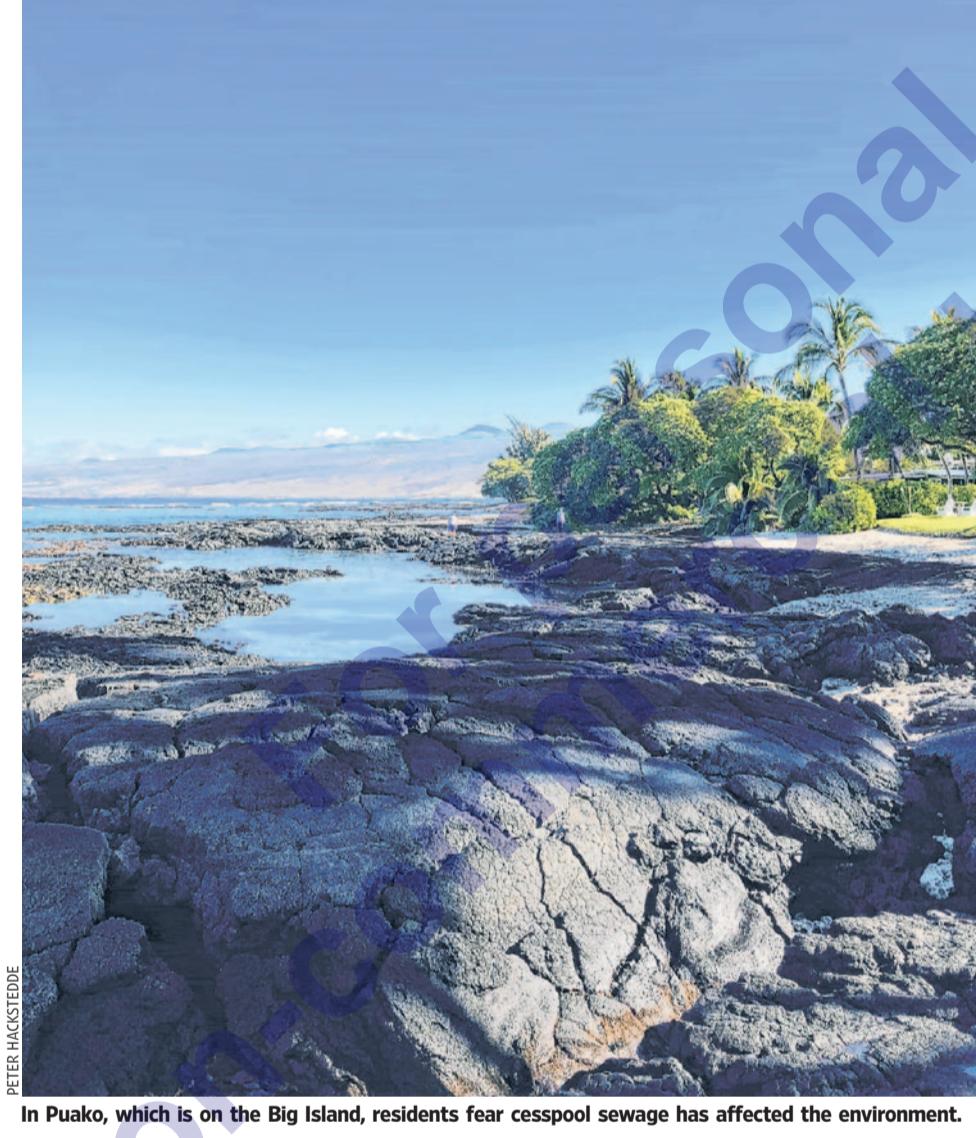
State lawmakers, who outlawed new cesspools in 2016, are scrambling to find a solution to the thousands that exist. Replacing all of the state's cesspools with alternate sewage systems would cost at least \$1.75 billion, according to the health department.

The problem is concentrated in suburbs and rural areas outside Honolulu, where cesspools have long been the primary method for storing sewage from homes.

Most beaches remain safe for swimming, and public water remains safe to drink for now, state officials said. The tourism industry continues to grow each year.

But the problem is getting worse, officials said, as the state's population has continued to grow.

In Upcountry Maui, a rural area in the central part of the island where drinking-water wells are most threatened by cesspools, officials are monitoring water quality closely.



In Puako, which is on the Big Island, residents fear cesspool sewage has affected the environment.

PETER HACKESTEIN

At one groundwater well, nitrate levels are at 8.7 milligrams a liter; the legal limit is 10, and the Department of Health estimated that some parts of the aquifer are already over that limit. Environmentalists say they are worried about the potential effect of the water on infants, who can be killed by high levels of nitrates, which are chemicals found in fertilizer and sewage.

State Sen. J. Kalani English said it can cost as much as \$100,000 to replace each cesspool, a prohibitive figure for

most property owners. There are about 8,000 cesspools in Upcountry Maui alone.

Hawaii's cesspool problem is a remnant of its agricultural past, when many parts of the state were off the electrical grid. Many bathrooms in homes outside Honolulu still pump sewage into nearby holes in the ground.

Last year, the state passed a law requiring all cesspools to be replaced by 2050.

Yet, some residents resist plans to replace cesspools, worried about the expense.

"You may want a clean environment, but you can't afford to pay for it," said Keith Kawaoka, deputy director for environmental health at the state agency.

Lawmakers recently called on engineers to bring them new ideas, adding that simply converting to septic systems—in which solids and liquids of waste are separated and the solids are later pumped out—wouldn't solve the contamination problems in some areas, because nitrates would still seep into the groundwater.

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Former Tufts President to Lead Harvard

BY MELISSA KORN

Harvard University on Sunday named as its new president Lawrence S. Bacow, a former president at Tufts University and previous chancellor at the Massachusetts Institute of Technology.

Dr. Bacow takes the top spot at one of the world's most prestigious universities at a time when traditional higher education is under fire from some corners as too politically liberal and not practical enough.

Dr. Bacow, who is 66 years old, will take the helm in July from Drew Gilpin Faust, who held the top spot for 11 years and announced in June she would step down this summer.

Dr. Bacow, currently the Hauser Leader-in-Residence at the Harvard Kennedy School



Lawrence S. Bacow is set to take the helm at Harvard in July.

of Government's Center for Public Leadership, spent 10 years as president of Tufts and another 24 as an environmental-science professor, faculty chair and chancellor at MIT.

Harvard's main governing board, the Harvard Corporation, voted Sunday to approve

Dr. Bacow's appointment.

Dr. Bacow's academic focus in environmental policy has been on dispute resolution. In recent years, he has targeted issues affecting higher education, including schools' civic responsibilities and expanding access for poor students.

"This is a pivotal moment for higher education...but also a time when the singular value of higher education and university research has too often been challenged," William F. Lee, senior fellow of the Harvard Corporation and chair of the school's presidential search committee, said in a statement. "Such a time calls for skillful leadership, strategic thinking, and disciplined execution. Larry will provide just that."

Dr. Bacow, in a statement said he is "humbled and hon-

ored" by the opportunity, and spoke of the importance of continuing to focus on Harvard's pursuit of truth, commitment to excellence and opportunity. "Those of us privileged to lead this university are invested with a precious trust. I promise to do everything within my power to prove worthy of it," he said.

Dr. Bacow inherits a university system with significant financial resources and ambitious expansion plans. However, the school has made some investment missteps in recent years that led to an overhaul in the office that oversees Harvard's current \$37.1 billion endowment.

Under Dr. Faust, Harvard completed a \$6.5 billion capital campaign, expanded financial aid for undergraduates and expanded its Boston footprint.

U.S. NEWS

Infrastructure Plan to Be Unveiled

Policy would leverage \$200 billion to spark states and investors, but funding is unclear

BY REBECCA BALLHAUS AND TED MANN

WASHINGTON—President Donald Trump is set Monday to unveil a program to transform how the nation's infrastructure is funded and developed, but the initiative faces an uncertain road in Congress over finding the money to pay for it.

Mr. Trump will propose spending \$200 billion over 10 years, most in the form of new, competitive grants designed to encourage states and cities to raise their own money for improving rails, airports, highways and water systems. The proposal also would expand federal loan programs for such projects.

The White House expects the spending to spark hundreds of billions more from local governments and private investors to pay for the upgrades, resulting in \$1.5 trillion in new investment.

The proposal is part of Mr. Trump's fiscal 2019 budget plan, to be released Monday, which the administration said will also request higher outlays for the military, border security and veterans medical care.

Where the federal dollars for infrastructure will come from is unclear. The White House says it will raise the \$200 billion through spending cuts to be outlined in Mr. Trump's budget. But that budget already had been rendered largely obsolete after lawmakers last week agreed to a plan to break budget caps and spend \$300 billion more than previously planned over the next two years—meaning the White House's budget relies on outdated figures.



States would shoulder more of the cost burden for infrastructure under a White House plan; above, a bridge-repair project in Atlanta.

Analysts said Friday that the new two-year agreement, which could boost deficits past \$1 trillion by next year, reduced the chances Congress would pursue an infrastructure package this year.

The White House is also hoping that its related effort to streamline federal permitting will get states to embrace new projects. The administration wants to shorten the permitting process to two years or less by tapping a lead agency to engage earlier in large-scale construction projects, with the goal of eliminating late-stage requests for information or further review.

The \$200 billion under the White House proposal would include \$50 billion for direct grants to rural areas, a move designed in part to bolster the package's appeal for red-state

members of Congress.

Ahead of the White House's unveiling of its proposal, some mayors have been critical. At the U.S. Conference of Mayors last month, Austin Mayor Steve Adler, a Democrat, expressed concern that cities and states would struggle to raise their own funds. "There's going to be many jurisdictions across the country that are desperately in need of infrastructure repair and new infrastructure that have difficulty coming up with" the money, he said.

Mr. Trump is set to host a bipartisan group of lawmakers Wednesday to discuss the initiative, a senior administration official said.

Lawmakers in both parties have expressed skepticism about how the infrastructure package would be funded.

Path Forward Seen For Train Tunnels

with a new approach to infrastructure funding set to be announced Monday by President Donald Trump.

A senior White House official suggested the administration might be open to working with the states of New York and New Jersey on one of the largest proposed infrastructure projects in the country, an Amtrak-backed effort to extend new tunnels under the Hudson River to ease railroad-capacity constraints into New York City.

But project sponsors say the project will require a major commitment of direct federal funding, while the administration has said the states would have to come up with the bulk of the money. The administration's expectation is in keeping

The senior White House official suggested that the project could receive funding from competitive grants, bonds sold to investors, and federal funding for "transformative" projects, though he stopped short of a guarantee the administration would fund the project.

Initiative Relies on States to Do Heavy Lifting

BY GERALD F. SEIB

The Trump administration's new initiative to improve the nation's infrastructure represents a gamble that a small monetary nudge and a smoother regulatory path will be enough to spur cities and states to do big things.

In the plan to be announced Monday, the White House will ask Congress to dedicate \$200 billion over the next decade to improvements for roads, bridges, airports, water projects and digital networks. It is counting on that investment as seed money to spur \$1.5 trillion in overall infrastructure spending nationally over 10 years.

That will happen only if state and local governments take newly available federal

money and supplement it with far bigger investments of their own or with partners.

In spending from the Federal Highway Trust Fund, senior administration officials noted, the federal government provides 80% of the funding for a new highway project, and the states match that with 20% of the funding. The goal in the new initiative is essentially to reverse those ratios, the officials said.

The officials insist that the hunger for infrastructure improvements across the nation is so high that this kind of federal match will be enough to spur the kind of total spending President Donald Trump has been talking about.

They say some 70% of ballot initiatives proposing new projects are winning approval by voters.

They also believe they can

further that trend by providing a significant sweetener to state and local officials considering new projects: a federal promise to dramatically lower the regulatory hurdles that now need to be cleared to get a big project off the ground.

The promise that will be

The administration sees projects eased by a more streamlined permitting process

contained in proposed new legislation is that a single federal agency will be in charge of overseeing all permitting for a new project, rather than the multiple agencies that have to be approached sepa-

rately for various pieces of the permitting puzzle.

The calculation is that a significant change in the permitting process will make state and local initiatives both cheaper and faster to build in the long run, making leaders outside Washington more likely to give them a try, and hold down their ultimate cost.

The administration is including another sweetener that could build broader political support: a promise that some of the new funds would go directly to governors for infrastructure projects of their choice in rural areas, including those to expand broadband access.

That kind of promise of unfettered federal funding is the kind that often wins the backing of governors from both parties who relish the chance for new federal money with no strings attached.

The biggest practical problem the new plan likely faces is limits on resources available from states. Data analyzed by the Pew Charitable Trusts show that state tax revenues have recovered slowly and unevenly since plunging during the recession in 2008, and more than a third have yet to return to the level of inflation-adjusted tax revenues they enjoyed before a drop caused by the recession.

Moreover, at the same time, the administration is trying to coax new infrastructure spending from states, the new tax-cut bill passed by Congress late last year and signed by Mr. Trump limited the federal deduction taxpayers can take for state and local tax payments, which Republican legislators said they hoped would prod states to lower their tax levels.

sheltering provisions, tax experts and companies say.

Under the law, U.S. earnings will be taxed at 21%, down from 35%. Citing the lower rate, Mallinckrodt PLC, a drug company based in the U.K. but with about 90% of its sales in the U.S., said it expects the law to be "neutral to slightly positive."

Mallinckrodt said in a recent securities filing it would get a \$450 million to \$500 million deferred tax benefit from the lower U.S. corporate rate, which would "mostly be offset" by the new limitations on interest-expense deductions.

Similarly, Allergan, a drugmaker that moved its headquarters to Ireland after a 2013 acquisition but gets about 80% of revenue in the U.S., expects the loss of deductions on intercompany loans will largely be balanced out by lower taxes on its U.S. sales.

"A company like Allergan, which has a lot of income in the U.S., benefits from U.S. tax reform," Brent Saunders, chief executive of the Dublin-based company, said in an interview. He said he didn't expect Allergan would return its headquarters to the U.S. because of the tax law. "Ireland is an important place for us," he said. What the U.S. tax law "could do is make the U.S. market more attractive as a place for investment."

—Peter Loftus contributed to this article.

Officials: President Confident In Kelly

BY REBECCA BALLHAUS

WASHINGTON—President Donald Trump has full confidence in John Kelly, White House officials said Sunday, after the president in recent days privately had criticized his chief of staff's handling of domestic-abuse allegations against a senior aide.

Top officials also defended Mr. Trump's recent public statements about abuse, in which he said many people's lives were "shattered" by accusations of abuse, but didn't express concern for abuse victims.

White House adviser Kellyanne Conway said Mr. Trump's view is that his chief of staff is "doing a great job and that he has full faith in him."

"I spoke to the president last night," Ms. Conway said in an interview on CNN with Jake Tapper. "He said, 'Please tell Jake that I have full faith in chief of staff John Kelly and that I'm not actively searching for replacements.'"

On NBC, White House legislative affairs director Marc Short said the president has "absolute confidence" in Mr. Kelly. Mr. Short also disputed reports that Mr. Kelly had told the president he was willing to resign over his handling of the allegations against Rob Porter, the White House staff secretary who resigned last week after reports of allegedly abusive behavior toward his ex-wives.

Mr. Porter has said many of the abuse allegations are false.

The incident has put an uncomfortable spotlight on Mr. Kelly. Mr. Trump started to ask his friends in recent days about Mr. Kelly's performance and sought opinions on potential replacements. The Wall Street Journal reported Friday. He had suggested Office of Management and Budget Director Mick Mulvaney as one possible candidate.



White House Chief of Staff John Kelly initially backed an ex-staffer accused of spousal abuse.

Mr. Mulvaney tried to quash chatter that he could be named chief of staff, telling CBS on Sunday: "I don't want that job," and adding that Mr. Kelly was doing a "really good job."

Mr. Kelly initially defended Mr. Porter, vouching for his integrity publicly, and privately urging him to fight the allegations and remain in the job, according to White House officials. He then reversed himself and accepted Mr. Porter's resignation after graphic photos emerged Wednesday of alleged abuse.

Mr. Trump hasn't publicly condemned the alleged abuse, but has raised concerns about potentially false accusations. On Friday, he said he hoped Mr. Porter "will have a great career ahead of him."

On Saturday, Mr. Trump tweeted: "Peoples lives are being shattered and destroyed by a mere allegation.... There is no recovery for someone falsely accused—life and career are gone. Is there no such thing as Due Process?"

The tweet was seen by some as defending Mr. Porter and criticizing the "Me Too" movement. The movement has prompted sexual-misconduct allegations against men in politics, Hollywood, and other professions. While many of those men are widely believed to have committed egregious behavior and have lost their jobs as a result, there have been concerns that some were being unfairly accused.

Mr. Short said the president—who more than a dozen women have accused of sexual-misconduct, allegations that Mr. Trump denies—was "shaped by a lot of false accusations against him in the past." Mr. Short added: "In talking with president, I think he's sad about what happened with Rob. I think he's very disturbed by it and he's very disappointed in it. I think he thinks the resignation was appropriate."



HOLGER HOLLERMAN/ZUMA PRESS

A Johnson Controls battery plant in Germany. The company expects its effective tax rate to rise.

it restricts things like interest deductions on which inverted companies rely heavily.

The provision known as the Base Erosion and Anti-Abuse Tax limits the degree to which big companies can deduct interest expenses and royalties that U.S. subsidiaries pay to their foreign parents. Another measure caps how much interest a company can deduct at 30% of its earnings before interest, taxes, depreciation and amortization.

Eaton, a maker of electrical gear and truck transmissions that relocated its tax headquarters to Dublin from Cleveland after a 2012 deal, said on an earnings call its effective tax rate will go up by at least 2 percentage points to between

13% and 15% this year, and then stabilize between 14% and 16% in subsequent years.

Likewise, Johnson Controls, which merged with manufacturing rival Tyco International in 2016 partly to move its tax home to Ireland, said it expects its effective tax rate to increase 2 to 4 percentage points starting in its fiscal year 2019 under the tax law.

Some inverted companies with heavy U.S. sales could benefit as much as U.S.-based ones from the overall reduction in corporate taxes, and offset the hit from the profit-

TAXES

Continued from Page One
eenen, Valeant's chief financial officer, said in an interview.

Overall, the new restrictions are estimated to raise tens of billions of dollars in tax revenue, though not all of it will come from inverted companies. Tax experts and companies say the law will reduce the advantages of the corporate relocations, but probably not enough to bring companies back to the U.S.

Dozens of U.S.-based companies, such as Mylan NV, Medtronic PLC and Burger King Worldwide, now called Restaurant Brands International Inc., did inversions in recent years by buying foreign rivals in lower-tax countries like Ireland, Luxembourg and the Netherlands.

The inversions drew the ire of Washington for cutting federal tax revenue. In April 2016, the Obama administration issued rules designed to discourage the moves, including one that scuttled a \$150 billion merger that Pfizer Inc. had pursued with Allergan PLC to relocate its tax home to Ireland, where the corporate tax rate is a comparatively low 12.5%.

The new U.S. tax law doesn't target already-inverted companies specifically, tax experts and companies say. But

U.S. NEWS

Immigration to Get Freewheeling Debate

BY LAURA MECKLER
AND SIOBHAN HUGHES

WASHINGTON—The immigration debate that begins Monday in the Senate promises to be the rarest of things in Washington: a freewheeling, open-ended battle over one of the thorniest subjects, with the expected outcome completely unclear.

Majority Leader Mitch McConnell (R., Ky.) will begin debate on a shell bill that has no immigration provisions, to be filled in with senators' amendments. The process could take days or weeks, depending on the number of amendments offered and the amount of time Mr. McConnell wishes to devote to a single policy area.

It is rare these days for a bill to come to the floor that doesn't have built-in support from the majority party; even rarer still one that is essentially an empty vessel—to be filled with the ideas of whichever group of senators can come up with the needed votes.

The primary goal for many senators is to protect young people brought to the U.S. without legal documentation as children, who will soon lose Obama-era protections. But



Sen. Susan Collins, shown last month, was part of a bipartisan group that forced the Senate debate.

the lawmakers will consider a wide range of other ideas aimed at combating illegal immigration and overhauling the system of legal immigration.

"It's real debate on an issue where we really don't know what the outcome is going to

be," Sen. Jeff Flake (R., Ariz.) told NBC on Sunday.

On one end of the spectrum will be an amendment reflecting President Donald Trump's framework, to be introduced by seven conservative senators. It combines a path to citizenship for 1.8 million young undocumented immigrants with \$25 billion for a border wall and other security measures, and limits that would ultimately reduce legal immigration by about one-third.

On the other end, Democ-

rats are expected to seek a vote on the Dream Act, the legislation that gave "Dreamers" their nickname, which provides a path to citizenship for a larger group of young undocumented immigrants without including border security or other more conservative provisions.

Neither the Trump framework nor the Dream Act are expected to pass. The question is whether anything in between can.

Even if an immigration bill is passed by the Senate, there is no guarantee it will go anywhere in the House. But even if no bill makes it out of Congress, getting lawmakers on the record about such a touchy issue could have wide implications for this year's midterm elections.

It is possible that a solution will emerge from a bipartisan group that forced this week's Senate debate as a way to end last month's brief government shutdown.

Members of the group, which meets in the offices of Sen. Susan Collins (R., Maine), say they are getting closer to releasing one or perhaps multiple amendments.

"The question is, Will we be in a position to be able to bring everyone together

around this proposal at the right moment?" said Sen. Claire McCaskill (D., Mo.).

Lawmakers are working against a March 5 deadline, when the Deferred Action for Childhood Arrivals program expires. A federal court has mandated that the administration continue to accept renewals for now, but it could be overturned.

The debate centers on four areas of immigration, each with its own complications.

Mr. Trump has agreed to go along with a path to citizenship for about 1.8 million people who were eligible for DACA. Border security, the second element, has become less contentious since Senate Democrats made clear they would go along with a substantial amount of money to expand an existing border wall.

Other issues are trickier. One involves family migration policy. Under current law, U.S. citizens can sponsor spouses, children, parents and siblings for green cards. Mr. Trump wants to limit that to spouses and minor children.

Finally, there is a visa-lottery program, which each year makes eligible for green cards 50,000 people from countries that are underrepresented in the immigration system.

White House Says a Revised Memo Could Be Released

BY YUKA HAYASHI

WASHINGTON—The White House signaled Sunday that a classified Democratic memo it blocked last week could see the light of day soon, after changes are made to address concerns raised by Justice Department officials.

The comments from a senior administration official came as Democrats said they were open to making changes to the document, which aims to rebut a Republican memo that alleges the Justice Department relied heavily on in-

formation paid for by Democrats to get a surveillance warrant on an onetime associate of President Donald Trump.

"I think you are going to see us release the memo," said Marc Short, White House director of legislative affairs, on NBC.

The White House had indicated it was inclined to release the memo, but top officials at the Justice Department and the Federal Bureau of Investigation last week identified passages in the Democratic document that they said con-

tained information about intelligence techniques or other sensitive material. The White House cited these findings on Friday in declining to release the memo but said it would review a revised document that addressed the concerns.

Rep. Adam Schiff of California, the top Democrat on the House intelligence committee, expressed frustration over the delay but said Democrats would meet with FBI officials to talk through their concerns.

"Any legitimate concerns over sources and methods, we will redact," Mr. Schiff told

CBS on Sunday.

The Republican memo alleges federal investigators mishandled a secret warrant application to conduct surveillance on Carter Page, who served as a foreign-policy adviser to the Trump campaign, failing to disclose they were relying on information funded by the Hillary Clinton campaign and the Democratic Party. The Democratic document challenges the allegations in the GOP memo by providing greater context on the decisions made by law enforcement during the 2016

campaign, according to people familiar with its contents.

The White House's Mr. Short said the administration asked House Democrats to revise and resubmit the memo, rather than making its own redactions, to avoid accusations that the White House was taking its editing pen to the document.

"We said: 'Take it back, work with the FBI, clean it up, and we'll release it,'" he said.

In his comments Sunday, Mr. Schiff also defended the work of investigators in the Page matter.

"In everything I have seen,

they followed the correct procedures," Mr. Schiff said of the investigators. He called the GOP's effort to raise doubts about their probe as trying to "put the FBI and Bob Mueller's investigation on trial," referring to the special counsel investigating possible ties between the Trump campaign and Russia.

Russia had denied interfering in the U.S. presidential election, and Mr. Trump has denied any collusion with Moscow. Mr. Page has denied wrongdoing and hasn't been charged with any crime.

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WORLD NEWS

NATO Aims to Ease U.S.-Turkey Strife

Western diplomats hope meeting this week will reduce friction over Syria

BY EMRE PEKER
AND JULIAN E. BARNES

BRUSSELS—Western diplomats hope to use a high-level gathering of the North Atlantic Treaty Organization this week to keep members U.S. and Turkey from going to battle against each other in Syria.

They have already come close to direct conflict. Turkey, angered by U.S. support for Syrian Kurdish militants whom Ankara considers terrorists, has been fighting Kurds in one Syrian town and threatened to go after them in another—where several hundred U.S. Special Forces are deployed.

Stoking tensions, Turkish media reports citing unnamed officials have accused the U.S. of giving its Kurdish allies a rocket that killed five soldiers on Feb. 3. Turkey hasn't said where it determined the rocket came from.

Raising the stakes for NATO, Turkey has stepped up its military coordination with



The Turkish military fired toward Syrian Kurdish positions in the area of Afrin, Syria, on Friday.

Russia, the alliance's chief rival. The dispute could push Ankara closer to Moscow's orbit and further fray ties between Turkey and its traditional Western allies.

"The less our allies cooperate with us, the more we have to work with other regional players," said Turkey's ambassador to the European Union, Faruk Kaymakci. "This forced us to get closer with Russia and with Iran."

Turkey's President Recep

Tayyip Erdogan's chief adviser and spokesman, Ibrahim Kalin, met White House National Security Adviser Lt. Gen. H.R. McMaster in Istanbul during the U.S. national security adviser's visit over the weekend. The two sides reiterated their long-term strategic partnership, exchanging views about regional developments.

Defense Secretary Jim Mattis will meet his Turkish counterpart at a NATO meeting that begins on Wednesday in Brus-

sels, and Secretary of State Rex Tillerson is expected to visit Turkey at the end of the week.

NATO is no stranger to internal disputes and can be a forum for resolving them. "This is the kitchen table around which you can discuss things and keep the family together," an alliance official said.

Some participants described a frosty session at NATO's Brussels headquarters on Feb. 7.

Alliance members had convened at the request of Tur-

key, whose representatives explained the threat they saw from Kurds in Syria and avoided mention of whether U.S. weapons were being used against Turkish forces.

U.S. Ambassador to NATO Kay Bailey Hutchison started with sympathetic comments about Turkey's fight against terrorism, but ended with a gentle warning against expanding operations. An escalation would be terrible and it would be "unthinkable to have a conflict" between Turkey and the U.S., she said.

Allies also warned Turkey of possible humanitarian consequences and asked for a pledge that the operation wouldn't adversely affect the coalition campaign against Islamic State.

President Erdogan has vowed to go beyond the offensive in the Syrian Kurdish enclave of Afrin and march on Manbij, a predominantly Arab town now held by Syrian Kurdish forces and host to U.S. special-operations forces.

The U.S. said its troops would stand their ground against a Turkish offensive and wouldn't make Kurdish forces evacuate the region on the west bank of the Euphrates River.

Some allied diplomats said the problem should be solvable because Turkey and the U.S. share a similar long-term vision for Syria and the region: keeping the country intact and deposing President Bashar al-Assad.

But the two hold different tactical priorities. Ankara says it is targeting the YPG, Syrian Kurdish militants it accuses of attacks in Turkey. The YPG is the U.S.-led coalition's most important partner on the ground in Syria.

The YPG are a branch of the Kurdistan Workers' Party, or PKK, a separatist group blamed for thousands of deaths in Turkey since 1984 and designated as terrorists by both Turkey and the U.S. Turkey sees the two groups as one; the U.S. treats them as separate, despite acknowledging links.

Turkey accuses the U.S. of continuing to provide heavy weapons to the YPG, which Trump administration officials deny. The U.S. says it is only providing small arms to help its partners hold Syrian territory claimed from Islamic State.

—Peter Nicholas in Washington contributed to this article.

Israel Has Long Shown Its Presence In Neighbor's War

January 2013 Israel launches a strike in Syria on a suspected shipment of missiles for Hezbollah, officials said. Israel doesn't confirm or deny the attack, and says it is neutral in the Syrian war but won't allow shipments of sophisticated weapons to Hezbollah.

September 2015 Russia launches airstrikes against rebel targets. Israel and Russia agree to a coordination mechanism to avoid potential accidents in Syrian airspace.

June 2017 Syrian opposition media report that Iran is constructing a facility to make precision missiles in Syria. Israeli Prime Minister Benjamin Netanyahu later accuses Iran of setting up arms factories in Syria, which Tehran denies.

August Israeli Air Force Commander Maj. Gen. Amir Eshel says Israel has attacked convoys allegedly bringing arms to Hezbollah and other groups dozens of times in Syria during the past 5 years.

October Syrian regime forces fire at Israeli planes over Lebanon, the Israeli army said. In response, the Israeli military said it struck a Syrian antiaircraft battery.

December Israel hits a military site south of Damascus under Iranian control, according to pro-Syrian regime media. Israel didn't comment on the incident.



Israeli soldiers on Saturday inspected the remains of a jet fighter that crashed after being hit by Syrian antiaircraft systems.

likely to lead to further confrontation, defense experts say, as neither side appears willing to back away from its goals.

"There is a determination by Iran to build a military force in Syria and Lebanon and there is determination by Israel not to let it happen," Amos Yadlin, director of the Tel Aviv-based Institute for National Security Studies and a former air force general, told reporters on a call late Saturday organized by the Israel Project, a nonprofit. "And the two vectors are colliding."

Defense experts said Israel's launching of what it described as a large-scale attack on Syrian and Iranian military sites in re-

taliation for the downing of its jet was meant to demonstrate the power of its air assets and intelligence capabilities, and to warn off the Iranian-backed forces from further conflict.

In response to the Israeli strikes, Hezbollah said the confrontation would mark the beginning of a new strategic phase against Israel, although it didn't take any specific military action.

Israel and Hezbollah have traded barbs in recent months, as Israeli officials have accused Iran of building precision-weapons factories in both Lebanon and Syria for Hezbollah and claim the group in effect controls the Lebanese

government. Hezbollah and the Lebanese government deny the Israeli claims.

Although Israel and Russia have put in place a deconfliction mechanism to ensure their jets don't collide over Syrian skies, Moscow appeared to criticize Israel's actions on Saturday, saying it was "absolutely unacceptable" to threaten Russian troops on the ground.

Mr. Netanyahu visited Moscow in January to meet with President Vladimir Putin and communicate that Israel wouldn't allow Iran to set up permanently in Syria.

Israeli officials have said Russia wants to find a peaceful solution to the Syrian war and

so doesn't want to see a confrontation between Israel and Iran, but Moscow hasn't publicly warned Tehran off establishing military bases in Syria.

In a bid to prevent Iran and Hezbollah from setting up on the Syrian side of the Israeli-controlled Golan Heights, Israel in recent years has supported the Sunni rebels there with money and humanitarian aid with the view of creating a buffer zone of friendly forces.

But Israeli officials don't believe that the fighters there would play a major part in any future conflict.

—Sune Engel Rasmussen and Felicia Schwartz contributed to this article.

Lebanon Is Cracking Down on Speech

BY NAZIH OSSEIRAN

BEIRUT—The case of a popular Lebanese talk-show host charged with insulting the president is the latest sign that a country once held up as a bastion of political freedom in the Middle East is taking an authoritarian turn.

Prosecutors charged the host, Marcel Ghanem, after he allowed two Saudi journalists on his show to accuse the government of supporting terrorism because it didn't crack down on the militant and political group Hezbollah.

His trial, which continues on Friday, is the latest in a string of high-profile cases ahead of parliamentary elections on May 6, the country's first in nearly a decade, as authorities dust off criminal-slander laws from the early 20th century in what critics call an attempt to muzzle dissent.

Until recently, the country boasted a relatively free political culture, with politicians sometimes openly mocked. That began to change after a 2015 popular protest over piling garbage spiraled into broader demonstrations against government



Marcel Ghanem, a Lebanese talk-show host, faces charges.

cause they don't have anyone to support them."

The targets, critics of local politicians and regional powers, including Lebanon's benefactor Saudi Arabia, appear carefully chosen to avoid again inflaming the sectarian tensions. In this environment, Mr. Ghanem appeared to be fare game. Mr. Ghanem's defense attorney called his case "psychological intimidation."

The justice minister, Salim Jreissati, didn't respond to requests for comment. But the

government has argued in court that comments such as those by the Saudi journalists on Mr. Ghanem's show are slander.

Power in the country is widely dispersed and the crackdown doesn't appear to be a coordinated, experts say. Aside from justice ministry's charges, military authorities also have taken aim at what they consider to be insults to the armed forces. The country's cybercrime bureau has been central to the crackdown.

The bureau tracks online dissent for the country's national police and security force, monitoring Lebanese citizens' social media accounts and arresting activists who criticize powerful politicians, according to rights groups. Under the leadership of Maj. Suzan al-Hajj, the bureau became infamous for inviting anti-government activists and dissidents for a "cup of coffee," only to detain and investigate them.

But last fall Ms. Hajj ran afoul of the same laws. When Saudi Arabia granted women the right to drive in September, Ms. Hajj lost her job and was placed under house arrest for "liking" a tweet critical of the monarchy.

Defeat of ISIS Cost Iraq Billions in Damage

By MICHAEL R. GORDON
AND ISABEL COLES

The U.S.-backed military campaign that defeated Islamic State militants in Iraq has resulted in \$45.7 billion in damage to the country's houses, power plants, schools and other civilian infrastructure, according to a new assessment by experts at the World Bank and the Iraqi government.

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The assessment is expected to frame deliberations at a

three-day conference this week in Kuwait on how to rebuild Iraq to be attended by international investors, aid experts and ranking diplomats, including Secretary of State Rex Tillerson.

The rebuilding challenge has enormous implications for Iraq's ability to seal the peace and prevent militants who have already reverted to insurgent warfare from gaining traction again.

"Iraq is emerging from a devastating period of conflict and violence," the study said. "The immediate concern is to restore the productive means of livelihood for millions of people in agriculture, services, and industry."

Most of the fighting was concentrated in seven predominantly Sunni provinces in northern and western Iraq. Failure by the Shia-dominated government in Baghdad to reconstruct those areas so that Iraqis displaced by the conflict can return and rebuild their lives could leave them vulnerable to extremist influences and worsen sectarian tensions.

WORLD NEWS

Activist Dies In Tehran Prison

BY DION NISSENBAUM

WASHINGTON—A Canadian-Iranian environmentalist detained in Iran during a nationwide crackdown on civil dissent in January has died under suspicious circumstances in a Tehran prison, his family said on Saturday.

Kavous Seyed Emami, a 63-year-old environmental activist and sociology professor at Iran's Imam Sadegh University, was detained by Iranian authorities two weeks ago in Tehran as security forces worked to quash simmering protests that have tested the government's grip on power.

Authorities on Friday called Mr. Seyed Emami's wife to say that her husband had taken his own life in Tehran's Evin prison, family members said.

"The news of my father's passing is impossible to fathom," wrote his older son, Iranian musician Ramin Emami, in a post on Instagram. "They say he committed suicide. I still can't believe this."

News of Mr. Seyed Emami's death triggered calls from friends, family members, politicians and human-rights groups for an independent international investigation. Mr. Seyed Emami is at least the third person to die under suspicious circumstances in recent weeks.

during the continuing crackdown, according to the Center for Human Rights in Iran.

Mr. Seyed Emami was founder of the Persian Wildlife Heritage Foundation, an environmental group in Iran.

On Jan. 24, Mr. Seyed Emami and at least eight other members of the group were detained, the Center for Human Rights in Iran said. Mr. Seyed Emami then was taken to Evin prison. Prison officials said Mr. Seyed Emami hanged himself, the human-rights center said.

On Saturday, after the news of Mr. Seyed Emami's death became public, Tehran's chief prosecutor, Abbas Jafari Dolatabadi, said the country had broken up a spy ring that was "collecting strategic intelligence under the guise of environmental and scientific projects."

Mostafa Tajzadeh, a reformist politician and former interior minister, joined the call for an independent investigation into Mr. Seyed Emami's death so that "the truth is revealed for the people of Iran."

Mr. Seyed Emami received his Ph.D. in sociology from the University of Oregon in Eugene in 1991 and returned to teach in Iran. He also fought and was wounded in the Iran-Iraq War, family members said.

—Paul Vieira in Ottawa contributed to this article.

Saudi Hotel Served as a Jail

After being summoned by an aide to King Salman on Nov. 4, a prominent Saudi showed up at the Ritz-Carlton Hotel in Riyadh expecting a royal audience. Instead, armed men took his mobile phone and escorted him to a hotel room.

By Benoit Faucon
in London and
Summer Said and
Asa Fitch in Riyadh

"I was told I would be staying here for some time," the man recalled recently.

Over the next 99 days, the Saudi government would detain 381 people there in an unprecedented anticorruption campaign against its most elite citizens.

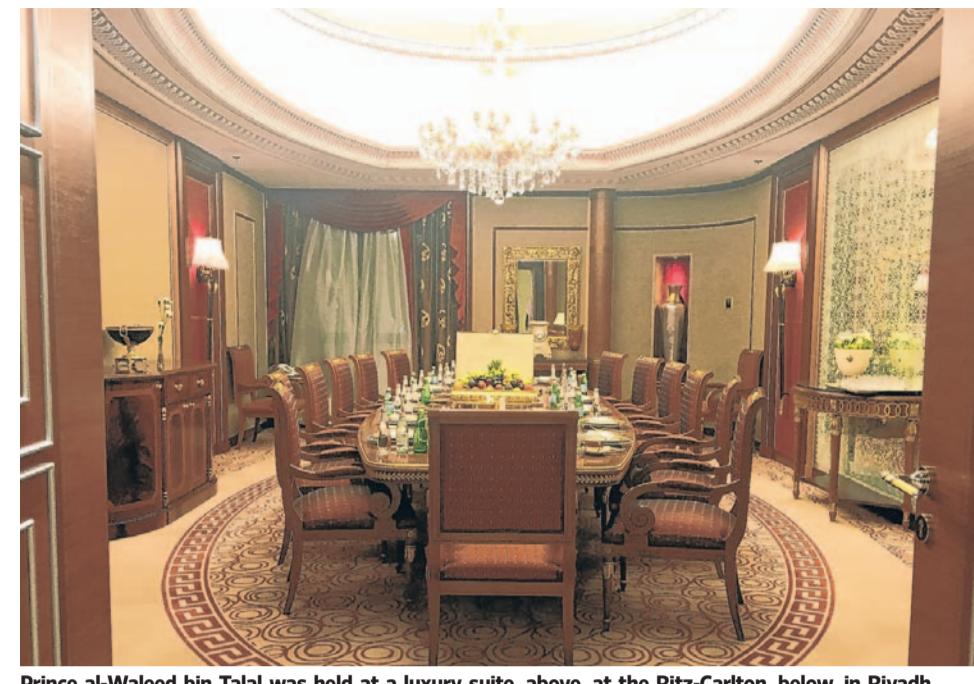
The Ritz-Carlton reopened on Sunday as a hotel, marking the beginning of an uncertain new era for the world's largest oil exporter. The first guests arrived to find the lobby still featuring the same intricately patterned marble-inlay floors and four giant statues of rearing stallions.

The hotel symbolizes the ways in which Saudi Arabia still stands apart from the outside world, as its leadership attempts a historic reordering of society with new freedoms for women, a more moderate brand of Islam and a market-oriented economy less tethered to oil. By targeting Saudi businessmen with deep ties to the West and seizing their assets without publicly detailing any charges beyond unspecified corruption, the purge has raised concerns about the rule of law.

"My guess is that the name of the Ritz will forever be associated with being a Saudi luxury prison," said Simon Henderson, a fellow at the Washington Institute for Near East Policy.

The prominent Saudi said investigators were well-briefed and presented him with large stacks of documents about his financial assets. They went through them all methodically, asking questions in "long, tiring" sessions.

He said he was given few de-



Prince al-Waleed bin Talal was held at a luxury suite, above, at the Ritz-Carlton, below, in Riyadh.



tails beyond that he was part of a corruption investigation and that he could get out if he settled, which he eventually did. He said some Saudis in the Ritz wanted to fight the charges. They began acquiescing as business partners were brought in to testify against them.

Saudi officials say the Ritz was ground zero in a war against corruption, a domestically popular effort the government says netted \$106 billion in settlements and is now moving forward with dozens of prosecutions.

"The Kingdom of Saudi Arabia's leadership is committed to eradicating corruption to ensure transparency, prosperity and an overall healthier

business environment," said Fatimah Baeshen, a spokeswoman for the Saudi Embassy in Washington.

Some Western analysts have called it a power grab by King Salman's 32-year-old son, Mohammed bin Salman, whose appointment as crown prince in June had ruptured the kingdom's power structure.

"This doesn't augur well if you are a potential investor in the country," said Bruce Riedel, a fellow at the Brookings Institution specializing in the Middle East.

Interviews with detainees and people close to them shed light on a monthslong ordeal. Some were served meals by the royal court's own chefs but

allowed only one phone call a day. Some were interrogated for hours but were told all of the corruption charges could disappear—for the right price.

The Ritz-Carlton's rich, famous and powerful denizens soon included Prince al-Waleed bin Talal, the country's richest businessman; Bakr bin Laden, the construction magnate; Waleed bin Ibrahim, owner of the country's largest media company; and the country's economy and state ministers.

Their accommodations were opulent. Built in 2011, the sprawling hotel has more than 500 rooms, including 48 presidential suites, a medical-care unit with doctors on call and 600-year-old olive trees.

Some of the Ritz staff were shuffled out during the hotel's closure. One staff member said about 20% were sent on vacation with reduced pay, while another staff member said some employees were reassigned within the hotel complex.

A spokesman for Marriott International Inc., which runs Ritz-Carlton hotels, didn't immediately return a request for further comment on Sunday about its staff.



Kavous Seyed Emami in a photo released on Sunday by his family

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A handwritten signature of Peter Antonacci.

Peter Antonacci
CEO, Enterprise Florida

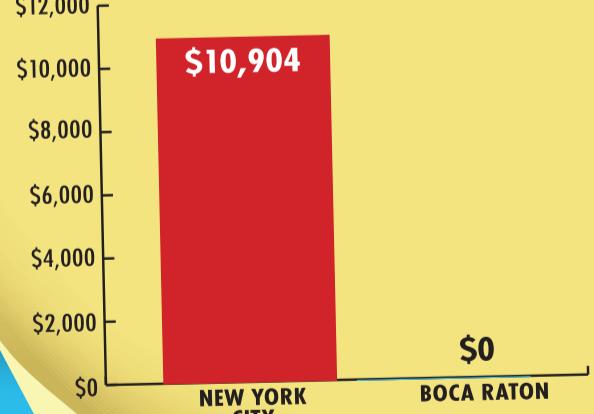
A handwritten signature of Mark Wilson.

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WORLD WATCH

VENEZUELA

Clashes at Mine Leave At Least 18 Dead

At least 18 people were killed at an illegal gold mine in southern Venezuela during clashes with security forces looking to take control of the area, an official said.

An army officer who confirmed the confrontation said it broke out on Saturday when the army traveled to the Cicapra mine after receiving information that an armed gang was threatening wildcat miners in the remote area. Four assault weapons, grenades and several light firearms were seized.

Details of the incident weren't released, though officials said no soldiers were among those killed.

It was the most violent incident at a mine in Bolivar state since the bodies of 17 wildcat miners were found in a mass grave in 2016 after allegedly being killed by a criminal gang.

—Associated Press

GERMANY

Merkel: Conservatives To Still Shape Budget

Chancellor Angela Merkel said her conservatives will continue to shape budget policies and spending on the European level even after the party transfer of the Finance Ministry.

"Of course we have all agreed on the [budget and European] policies," she said in an interview with German broadcaster ZDF, referring to coalition negotiations between her conservative Christian bloc and the center-left SPD that concluded last Wednesday.

According to the agreement, Ms. Merkel's Christian Democrats will control the economic and energy ministry along with a portfolio of secondary ministries. Her conservative Bavarian allies will control Germany's Interior Ministry. The SPD will continue to control Germany's Foreign and Justice ministries along with the finance ministry.

She said trading away the finance ministry was "painful," but added "What was the alternative?...We have to seize the chances presented in the ministries that are ours to occupy."

—Zeke Turner

WORLD NEWS

North Invites South Korea to Visit

By JONATHAN CHENG
AND ANDREW JEONG

SEOUL—North Korean leader Kim Jong Un invited his South Korean counterpart to a summit in Pyongyang, presenting Seoul with a quandary: accept, and risk heightening differences with the U.S. over how to rein in the North's nuclear program, or decline, and risk a chance to build on a thaw in cross-border relations.

The invitation was relayed by Kim Yo Jong, the North's special envoy and sister of dictator Kim Jong Un, to South Korean President Moon Jae-in during a three-hour meeting at the presidential Blue House in Seoul on Saturday, where the two delegations shared lunch.

Mr. Moon steered clear of any immediate commitments in response to the North's offer, telling Ms. Kim that he hoped to "create the environment" for such a summit to take place, according to a presidential spokesman. The South Korean president urged the North's representatives to "actively pursue" talks with the U.S., describing them as necessary for an improvement in inter-Korean relations.

The development extended a thaw in cross-border relations that has coincided with the South's hosting of the Winter Olympics. The night before, Ms. Kim and Mr. Moon shook hands on a dais before a global audience as the two Koreas' athletes marched into the Pyeongchang Opening Ceremony together under a unified flag.

U.S. Vice President Mike Pence, who was sitting a few feet from Mr. Moon and Ms. Kim, appeared stony-faced as the two Koreas celebrated their moment together.

Later, Mr. Pence's spokesman said the vice president "does not applaud [North] Korea or exchange pleasantries [with] the most oppressive regime on earth." The U.S. has expressed skepticism about the North Koreans' intentions



President Moon Jae-in, right, greets North Korea's ceremonial head of state Kim Yong Nam while Kim Yo Jong, center, looks on.

at the Olympics, and has continued to press efforts to isolate the regime even as the South Korean leader has sought dialogue with Pyongyang.

Messrs. Pence and Moon didn't discuss the prospect of talks in Pyongyang, a senior administration official said. Mr. Pence, in remarks to reporters as he was leaving South Korea following his trip, didn't address the invitation in comments to reporters traveling with him, saying only that both the U.S. and South Korea "will continue to stand strong, and work in a coordinated way to bring maximum economic and diplomatic pressure to bear on North Korea" until Pyongyang abandons its weapons program.

"There is no daylight between the United States, the Republic of Korea and Japan

on the need to continue to isolate North Korea economically and diplomatically until they abandon their nuclear and ballistic missile program," he said.

The senior administration official, asked about the pro-

Over the past 20 years, talks have only resulted in lessening pressure, the official said. He added Mr. Moon said that only when North Korea begins to move away from nuclear weapons would pressure be eased.

During the inter-Korean meeting on Saturday, Ms. Kim also conveyed a letter to Mr. Moon from the North Korean leader, and later signed a guest book expressing her wish for "the future of unification and prosperity."

There have been two inter-Korean leadership summits in Pyongyang, in 2000 and 2007, both hosted by Mr. Kim's father, Kim Jong Il. Mr. Moon, the current South Korean leader, rose to national prominence as chief of staff to then-president Roh Moo-hyun, who met with Kim Jong Il at the second of those summits.

Ms. Kim, who is believed to be about 30 years old, is the first member of the North's ruling Kim family to make an official visit to the South. She was accompanied by North Korea's 90-year-old ceremonial head of state, Kim Yong Nam, and other officials.

The North Korean delegation arrived by plane on Friday and attended the Opening Ceremony at Pyeongchang with Messrs. Moon and Pence that evening, but avoided any interaction with the U.S. vice president.

There has been a year of escalating international tension in which North Korea has tested numerous missiles and its most powerful nuclear weapon, leading to several rounds of progressively tighter sanctions on the regime from the United Nations Security Council, the U.S. and its allies.

Russian Plane Crash Near Moscow Kills All 71 Aboard

BY THOMAS GROVE

MOSCOW—A Russian airplane crashed on the outskirts of Moscow on Sunday shortly after takeoff, killing all 71 on board, as Russian President Vladimir Putin demanded an investigation into the disaster.

The Russian-made An-148 had taken off from Moscow's Domodedovo Airport and was flying near the capital when it caught fire and fell from the sky, Russia's state television reported witnesses as saying.

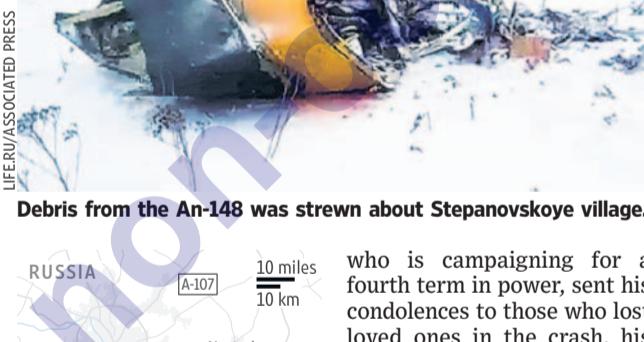
The crash of flight 703 killed everyone on board, Russia's transport minister, Maxim Sokolov, told Interfax.

The airplane, which had made international flights, was operated by regional Saratov Airlines and was carrying 65 passengers and six crew on its way to the city of Orsk on the border of Kazakhstan.

"A few minutes [after take-off] radio communication was lost with the crew of the airplane and sight of the plane disappeared," Russia's Federal Air Transport Agency said.

Flightradar24, a plane-tracking website, said the aircraft descended rapidly about five minutes into its flight after departing Moscow at 11:22 GMT.

The plane was descending at a rate of 22,000 feet a minute when contact was lost.



Debris from the An-148 was strewn about Stepanovskoye village.



Source: Flightradar24

THE WALL STREET JOURNAL

who is campaigning for a fourth term in power, sent his condolences to those who lost loved ones in the crash, his spokesman told Russian agencies, and ordered a government commission be set up to investigate the disaster. He also canceled plans to travel to the Black Sea resort city of Sochi.

"Due to the tragic events, the president has decided to...continue work in the capital, considering the possible necessity of coordinating work of the governmental commission," Kremlin spokesman Dmitry Peskov said.

State TV showed debris from the crash of Flight 703 scattered across snowy fields to the southeast of Moscow, where medical-service workers and rescue teams were looking for victims' remains.

President Vladimir Putin,

Zuma's Future Awaits Resolution

BY GABRIELE STEINHAUSER

CAPE TOWN, South Africa—The leader of South Africa's ruling African National Congress said a protracted battle over the potential resignation of President Jacob Zuma would be concluded on Monday.

Mr. Zuma hasn't publicly commented on the most recent push to remove him. His spokesman didn't respond to a request for comment.

"We know you want this matter to be finalized," Cyril

Ramaphosa, who also serves as Mr. Zuma's deputy and is widely expected to take over the presidency, on Sunday told a Cape Town crowd celebrating the anniversary of the late Nelson Mandela's release from prison 28 years ago. "The [ANC's] National Executive Committee will be doing exactly that," he said.

The national executive committee, the ANC's top decision-making panel, is meeting on Monday in the capital Pretoria. Among the possible outcomes is that if Mr. Zuma re-

fuses to step down voluntarily, the committee could then instruct ANC lawmakers to remove him from office through a vote of no-confidence.

Pressure on Mr. Zuma, whose nine years in office have been plagued by multiple corruption scandals, to relinquish power has escalated since Mr. Ramaphosa was elected ANC leader in December. Mr. Zuma has denied all allegations of wrongdoing.

There is no basis for immunity from prosecution under South Africa's constitution.

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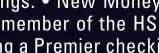
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IN DEPTH

COBALT

Continued from Page One
tric vehicles as one of seven "strategic emerging industries." Developing a home-grown battery industry became a vital part of the government-sponsored push. The Chinese government provides subsidies to domestic battery makers, essentially locking out foreign companies.

Companies from China now dominate the first steps in the lithium-ion battery production process. Such firms produce about 77% of refined cobalt chemicals, up from 67% in 2012, according to commodities researcher CRU Group. George Heppel, a consultant at CRU, says Chinese companies could soon have more than 90% of the market.

About 54% of the global cobalt supply comes from Congo. Chinese companies dominate the network of middlemen who buy cobalt from freelance miners such as those lining up at the market in Kolwezi.

Few commodities have had more dramatic increases in demand than cobalt, primarily a byproduct of copper and nickel mining. Global cobalt production has quadrupled since 2000 to about 123,000 metric tons a year, according to the U.S. Geological Survey.

Demand is growing even faster and is expected to reach more than 200,000 tons by 2025, according to researcher Wood Mackenzie. Electric cars are a big reason why. About 1,300 metric tons of cobalt were used in electric vehicles in 2014, Morgan Stanley estimates. The total is expected to rise to 11,320 tons this year and 62,940 tons by 2025.

Such expectations have caused cobalt prices to more than double in the past year in London trading. Cobalt prices are up more than 230% since the end of 2015, according to Thomson Reuters.

"If our projections for electric vehicles are anywhere near close, there are going to be some serious issues in the cobalt market" after 2020, says Jack Bedder, an analyst who follows cobalt for the London market-intelligence firm Roskill. Tight supply would give China yet another advantage because of its



Miners push their cobalt-laden bicycles through a mine near Kolwezi, Congo, last June. They often sell to Chinese wholesalers.

batteries with less cobalt—or none at all—could make cobalt less important in battery production.

China is lining up behind nickel manganese cobalt batteries. They have a higher energy density than batteries without cobalt, giving cars greater driving range while taking up less space.

Global battery manufacturing capacity is about 110 gigawatt hours a year, mostly for consumer electronics, electric vehicles and electricity storage. In the past year, China has announced plans to add more than 150 gigawatt hours of production in the next three to four years, tripling current capacity. That dwarfs Tesla's "gigafactory" in the Nevada desert, which aims to add 35 gigawatt hours by 2020.

"The Chinese manufacturers have targets set by the government," says Luis Munera, an analyst with the International Energy Agency. "It is not a market response. It is the amount of battery capacity the government wants to have."

Most Chinese battery production is now focused on low-end, low-density batteries, and many battery makers are relatively small. But the Chinese government has made offers of support contingent on the energy density of the battery. That means more nickel manganese cobalt batteries.

U.S. consumers would benefit if the Chinese cobalt push drives down prices. Lithium-ion batteries "are very quickly becoming a commodity," says Sam Wilkinson, an associate director for solar and energy storage research at IHS Markit.

After the Chinese government helped engineer a big export market in the solar industry, the cost of a residential rooftop solar array has fallen to \$16,000 from \$41,000 in 2010, according to the National Renewable Energy Laboratory. A large, 100-megawatt solar installation that cost \$544 million to build in 2010 can now be built for \$111 million.

About 65% of all solar modules are made in China, and seven of the top 10 module manufacturers are Chinese.

That has caused trade friction with the U.S. Last month, President Donald Trump imposed new tariffs of up to 30% on solar-panel imports after an independent panel concluded that American manufacturers were being unfairly harmed by Chinese rivals.

Some technology experts worry about what could happen as China gains more competitive muscle in the battery industry. They say too much price-cutting could stifle the innovation of better batteries.

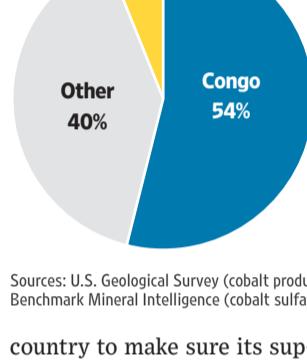
"China controls the majority of global production of solar panels, wind turbines and batteries," says Varun Sivaram, a technology fellow at the Council on Foreign Relations. "Really superior technologies have no chance of breaking in, and that worries me."

—Alexandra Wexler contributed to this article.

From Congo to China

Congo produces more than half of the global supply of cobalt.

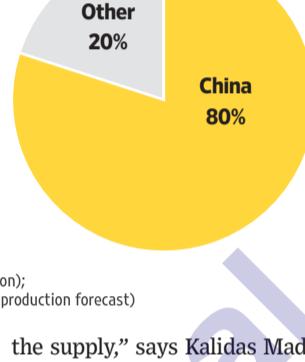
Percentage of raw cobalt production, by country



Sources: U.S. Geological Survey (cobalt production); Benchmark Mineral Intelligence (cobalt sulfate, production forecast)

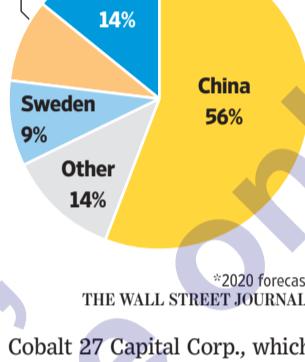
Much of Congo's cobalt winds up in processed cobalt sulfate.

Percentage of world-wide cobalt sulfate production



Lithium-ion battery production is concentrated in four countries.

Percentage of global production capacity*



*2020 forecast

THE WALL STREET JOURNAL.

country to make sure its supply chain doesn't include child labor or cobalt mined by creuseurs. Tesla hasn't said if it made any changes as a result.

For years, traders who bought cobalt from freelance miners often sold it to Congo DongFang International Mining, a unit of Chinese giant Zhejiang Huayou, according to human-rights group Amnesty International and other people familiar with Congo's cobalt market.

A Zhejiang Huayou spokesman says it stopped buying last April from wholesalers who cater to creuseurs and is trying to buy more from industrial miners that have greater control over the production process. The company is making the changes with help from a nongovernmental organization called Pact, the Zhejiang Huayou spokesman adds.

China Molybdenum in 2016 agreed to purchase a giant copper and cobalt mine in Congo from U.S. mining giant Freeport-McMoRan Inc. The mine supplies a Freeport facility in Finland that produces about 20% of the processed cobalt sulfate used to make batteries. Analysts say the rest of global cobalt sulfate production is done in China.

"Some of the biggest American car companies are very pleased about how we manage

the supply," says Kalidas Madhavpeddi, CEO at CMOC International, the overseas operations of China Molybdenum.

Congolese state-run mining company Gécamines SA and China Nonferrous Metal Mining Group, known as CNMC, are jointly developing a cobalt- and copper-rich mine that likely will also help China. CNMC will build and operate the mine, owning a 51% stake, while Gécamines will own 49% and got a loan of \$870 million from the Chinese company.

China lists electric vehicles as one of seven 'strategic emerging industries.'

China's State Reserve Bureau has accumulated about 5,000 tons of cobalt, or about 15 days' global supply, for a reserve stockpile, according to Darton Commodities. In comparison, China has about three days' global supply of crude oil in its strategic reserve.

"It's very clear that the Chinese want to be at the center of electric vehicles. There's no question there's a laserlike focus," says Anthony Milewski, chief executive of

Morgan Stanley says the price of a lithium-ion battery today is about \$200 per kilowatt-hour, down from \$1,200 two decades ago. It expects the price to fall to \$100 by the early 2020s. Electric vehicles will account for 34% of global vehicle sales by 2030, Bank of America analysts forecast.

Battery production and the supply chain behind it remains fragmented, though, complicating efforts by auto makers to ensure supplies.

One company mines the minerals, another refines it, a third makes the cells, a fourth combines the cells into a battery module, and a fifth buys the modules to assemble into a battery. Chinese companies are making major investments in each link of the supply chain.

Some companies and battery experts say technological shifts to make rechargeable



Baojun E100 all-electric battery cars at an assembly plant operated by General Motors Co. and partners in Liuzhou, China.

MASCOT

Continued from Page One

with a live animal to inform high-school seniors they have been accepted to a college—and to urge them to enroll. It's not just the star athletes or scholarship winners who get the treatment. It is pretty much anyone, a tactic driven by competition to snag the declining number of college-bound high-school students.

One of the hardest working college salesmen is Trip, a 6-year-old English bulldog with doleful, dark eyes. His predecessors are retired.

On road trips, he paces himself with long naps in the back seat of the school's car while it shuttles him from Butler University in Indiana to prospective students' homes in Boston, Milwaukee, Orlando and Chicago. Occasionally he hitches an airplane ride if his visits coincide with road games for the school's nationally ranked basketball team.

Trip is "not generally a heavy drooler unless there is a peanut butter and jelly sandwich nearby and then he drools like crazy," said Michael Kaltenmark, his handler and the school's director of external relations. "Unless someone is actively making

dinner in front of him he's going to be fine."

Trip has more than 20,000 Instagram followers, a bobble-head doll in his likeness and a bespoke wardrobe that includes a blue Butler sweater, a white lab coat, a tuxedo and a blue leather and silver collar valued at \$10,000. It sits locked in the president's office and is only taken out for special ceremonies.

When he travels to meet prospective students, his job is mostly to look fetching as he poses on porches, living-room rugs and in front of fireplaces. He gives paw-shakes, or "high-fives" when the acceptance is announced. So far this year, the bulldog has visited about 50 accepted students.

There were 224,000 fewer undergraduates enrolled in colleges and universities in 2017 than in 2016. That decline is part of a larger drop which is forcing enrollment departments to get creative to keep up the flow of applications, acceptances and tuition checks. At many schools the numbers are heading in the wrong direction. Moody's recently downgraded its outlook for the higher education sector to negative.

"I would hope that no one would base their college attendance decision on swag, or a

visit from a dog," said Dina Berne, whose daughter Miriam was greeted by the trio from Butler after Ms. Strickland. "But it was really sweet."

Several schools surprise students with in-person announcements. The goal isn't just to convince the few who get the special treatment, but to capture the student reaction and feature it on social media to induce their friends to apply.

A team from the University of Maryland last month pulled up at the homes of four prospective students in a massive bus decorated with the school's name and proceeded to unload a marching band, cheerleaders and a 6-foot tall mascot. (A terrapin, but not a real one.)

"That's what everybody shoots for, that surprise of the student being caught off guard," said Joe Cardona, vice president for University Relations at Rowan University in New Jersey. "If you get it right, you can't help but get a little emotional and a little choked up."

Grant Gosselin, dean of admission at Wheaton College in Massachusetts, said students are sometimes confused when admissions officers show up with balloons and gift bags filled with coffee mugs and T-shirts.

In 2016, one family thought the team's blue jackets meant they were canvassing for Hillary Clinton. "They said they weren't interested," he said.

Kirk Brennan, the director of admission at the University of Southern California, said he once had a student take the admissions package from his hands and slam the door in his face "like I was a UPS guy." The reason: "I think he didn't get a scholarship he wanted; I think he felt like we were rubbing salt in a wound."

Mr. Brennan said USC started the surprise visits about five years ago, but he is considering stopping them.

"It sort of feels like it's

more for us than the kids," he said. "Some are embarrassed, they don't know how to react. They feel awkward, maybe they're more interested in another school."

The visitors from Butler dropped in on half-a-dozen homes north of Chicago one day in January. When they showed up at David Mababi's house to tell him he had been accepted and post his photo on the school's social media site, they hit a snag.

Mr. Mababi, 17, was wearing a Northwestern University sweatshirt.

No problem, said Evan Krauss, one of the marketers on Butler's team. He handed

Mr. Mababi a large cardboard sign with the words #ButlerBound and asked him to hold it up in front of the Northwestern lettering.

Trip, wearing a Butler sweater, posed with him. A photo was snapped and posted on Instagram with the caption "David Mababi, you are #ButlerBound! #GoDawgs."

At the time, Mr. Mababi had not yet decided where he was going to enroll. (He has since chosen Butler.)

After each visit, Mr. Krauss asked the student or a parent to sign a release so they could use the picture on social media. No one said no.

Once back in their car with the wraparound Butler signage, they posted to Snapchat and Instagram (for the students) and Facebook (for their parents). A typical picture generates about 3,500 views on each medium, they said.

Not bad for "two dudes and a dog," said Mr. Kaltenmark.

Within a few minutes of Trip's visit with Ms. Strickland, she had heard from friends who saw the pictures on social media. The visit "made me feel like Butler really cares," she said. "It's a special feeling."

Ms. Strickland said she isn't yet sure where she will attend. She is waiting to hear from four more schools.



Kailyn Scobie pets Butler University's mascot, Trip, at her home. Admissions officers bring him along on acceptance visits.

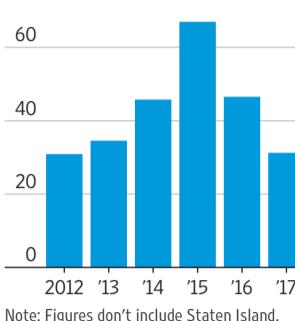
KRISSIE LEE FOR THE WALL STREET JOURNAL

GREATER NEW YORK

Steady Slide

Commercial-property sales in New York City

\$80 billion



Note: Figures don't include Staten Island.
Source: Ariel Property Advisors Investment Research division

THE WALL STREET JOURNAL.

New Hope In Sagging Real Estate Market

By KEIKO MORRIS

After a two-year sales plunge in New York City commercial real estate, signs are emerging that a bottom could be near.

Brokers are optimistic that more deals will take place in 2018, pointing to an expected economic boost from the new law cutting corporate taxes, as well as an up-

tick in signed contracts in the fourth quarter, which could lead to an increased number of deals completed this year.

In addition, property values, a lagging indicator that usually falls after sales and the number of transactions drop, appear poised for a decline, a broker said, with the average price per square foot already falling in Manhattan—a harbinger of what could be to come city-wide.

Some brokers expect the number of sales to stabilize and possibly increase this year.

Expectations of stabilizing sales in commercial real estate come after an accelerated slide. Sales fell 33% to a five-year low of \$31.3 billion in 2017, according to Ariel Property Advisors, a brokerage that tracks sales in all boroughs except Staten Island.

In all, sales of properties including development sites, office towers and residential rental buildings have dropped more than 50% since the most recent peak in 2015, according to reports.

While brokers and analysts aren't calling for a vigorous bounceback, they do think the worst is coming to an end.

"I am not sure we are turning a corner in terms of transactions, but it's hard to believe 2018 is going to be lower than 2017," said Shimon Shkury, president of Ariel.

Since 2015, the gap between bids and the prices sellers wanted has widened, and many sellers decided to wait, analysts said. New developments added to the supply of luxury condominium and rental apartments, putting pressure on landlords to lower prices and offer concessions.

This year, some brokers are expecting the number of sales to stabilize and possibly increase, with prices per square foot declining slightly or remaining steady. However, fears of spikes in borrowing costs as a result of higher inflation could temper those prospects.

Generally a low-interest-rate environment is regarded as good for real estate because of the availability of cheap money to finance deals.

But even in a period of rising rates, the pace at which they rise and the reasons they go up matter, said Bob Knakal, chairman of New York investment sales for real estate services firm Cushman & Wakefield.

"If [interest rates] are going up because of tangible traction in the economy, GDP growth is strong, jobs are being created at a very good rate, then that is a healthy thing," Mr. Knakal said.

Cuomo Rival Gathers GOP Backing

John DeFrancisco now clear front-runner for Republican nomination in the governor's race

By MIKE VILENSKY

Upstate New York legislator John DeFrancisco is sewing up Republican support in his bid to unseat Democratic Gov. Andrew Cuomo as other GOP rivals drop out or decline to run for governor this year.

Over the weekend, Assembly Minority Leader Republican Brian Kolb of Rochester ended his gubernatorial bid after just two months, saying he didn't want to spend the time away from his family. Since Mr. Kolb left the race Friday night, nine Republi-

can county chairs—all from areas outside New York City—threw their support behind Mr. DeFrancisco, who is deputy majority leader of the Senate.

"The time for our party to unite behind John DeFrancisco is now," said Broome County GOP Chairman Bijoy Datta in a statement. A DeFrancisco spokesman said he "appreciates the strong support he has received" and looks forward to more party backing in the months ahead.

A Cuomo campaign spokesperson said Sunday: "DeFrancisco as the best the Republican Party can do shows their total collapse."

Mr. DeFrancisco—known in Albany as "DeFran"—is a 71-year-old Syracuse legislator known for his conservative positions, zingers with the press

and adversarial relationship with the governor.

His sudden front-runner status isn't what analysts and GOP leaders predicted a few months ago. Many New York Republicans had said they were pinning their hopes on businessman Harry Wilson, a Republican former Obama aide who pledged to pour millions of his own money into the race against Mr. Cuomo if he ran. Mr. Wilson recently said he wouldn't run.

On Saturday, Mr. DeFrancisco debated two other GOP gubernatorial hopefuls, former Erie County Executive Joel Giambra and former Gov. George Pataki aide Joseph Holland.

Mr. Holland said Sunday that he has been meeting with party leaders and that big counties, including on Long Is-

land, are still up for grabs. He said he is planning a formal campaign announcement within the next two weeks.

Mr. Giambra's campaign spokesman said Sunday: "We're going to continue in our campaign to convince Republican leaders across the state that Joel's candidacy offers the most hope of success in the November election."

Republicans cautioned there is still time for another candidate to jump in or pull ahead before the party's nominating convention in May. Another former aide to Mr. Pataki, John Cahill, is considering throwing his hat in the ring, said people familiar with his thinking. Mr. Cahill didn't respond to requests for comment Sunday.

Democrats on Sunday said they welcomed the challenge from Mr. DeFrancisco and began trying to tie him to President Donald Trump. "Their nomination fights have been a battle of the Trump Mini-Mes," said New York Democratic Party spokesman Geoff Berman of New York Republicans.



State Sen. John DeFrancisco

from Mr. DeFrancisco and began trying to tie him to President Donald Trump. "Their nomination fights have been a battle of the Trump Mini-Mes," said New York Democratic Party spokesman Geoff Berman of New York Republicans.

Mr. Cuomo is the front-runner in his race for a third term, with 55% of New Yorkers in a recent poll saying they support his re-election and a \$30 million campaign war chest.

Murders Rattle Neighborhood Believed to Be Safe

By ZOLAN KANNO-YOUNGS AND MARA GAY

Even when the Brooklyn neighborhood of Prospect Lefferts Gardens was known as Flatbush years ago and the city was in the midst of a crime wave, Marie Reid didn't look back as she walked home.

The 72-year-old Ms. Reid did just that on Thursday when she passed a taped-off crime scene on the 200 block of Winthrop Street, just two blocks from Prospect Park, one of the borough's crown jewels. The previous evening, a married couple was walking on the quiet, residential street outside their home when a man in a ski mask stabbed them both in the neck.

At the scene, the police found the bloodied bodies of Stephenson Bonaparte, 65 and his wife, Hazel Brown, 59. No suspect has been apprehended.

"You got to look back and see who's coming behind," said Ms. Reid, who has lived in the neighborhood for 39 years. "That's how I feel. I'm very nervous."

In recent days, residents have found themselves shaken by the homicides, in some ways more reminiscent of the neighborhood's gritty past than its present as a rapidly gentrifying enclave in one of America's safest big cities.

The Prospect Lefferts Gardens neighborhood stands as a prime example of the sometimes dizzying changes that have come to Brooklyn over the past two decades, residents, business owners and real-estate officials say. As the cost of housing has surged across the city, young professionals and families with higher incomes have flooded into Prospect Lefferts Gardens, along the southwest corner of Prospect Park,



Parkside Avenue in Brooklyn's Prospect Lefferts Gardens neighborhood. Two people were fatally stabbed in the area last week.

pushing rents and home prices higher.

Police don't have an official motive in the case but investigators are looking into someone who had a business dispute with the couple, officials said.

Mr. Bonaparte and Ms. Brown ran a store about 2 miles east of their home called King Solomon Religious Store, which sold religious artifacts and merchandise.

The day after the crime, some community members said the event evoked memories of a time when murders were commonplace in the neighborhood, which was then often considered to be part of Flatbush, a less-affluent area nearby that has gentrified more slowly. In

1990, 36 people were killed in the precinct that covers Prospect Lefferts Gardens, compared with three in 2017.

"Back in the day, somebody being killed wouldn't be shock-

ing for anybody because it is Flatbush," said Patrick Burgess, the 26-year-old owner of a trendy pizzeria-café down the street from the crime scene.

Mr. Burgess said he grew up in the area when it was known as Flatbush as opposed to Prospect Lefferts Gardens. He said because the neighborhood is more gentrified and safe, the homicides are now "a huge threat to people."

The median asking rent for an apartment in the neighborhood was \$2,100 last year, up from \$1,725 in 2015 and \$1,475 in 2010, according to StreetEasy. The median sales price hit just over \$1 million last year. In 2014, it was less than half that figure. In 2010, it was \$373,195.

Real-estate officials said as long as crime remains a one-off incident, the economic progress of the neighborhood should continue.

"It will give people pause momentarily," said Andrew Hoan, president and chief executive officer of the Brooklyn Chamber of Commerce. "But the trends are undeniable."

Still, Mr. Burgess said most of his customers, including many young people who have recently moved into the neighborhood, were anxious.

Next door, one of the owners of Vyne Yard, a wine shop, said he was "on pins and needles" all day. "As a business owner and someone working in the shop today, I'm a little apprehensive," said Damone James, 45.

Mr. James said he was experiencing one of the slowest days in his wine shop since it opened in 2015.

Museums Cut Stragglers Some Slack

By CHARLES PASSY

Art lovers can be procrastinators. Art museums know this.

That is why the city's most prominent art institutions often extend their hours on the day a major exhibition ends its run to accommodate crowds streaming in at the last minute.

In the latest example, the Metropolitan Museum of Art's main Fifth Avenue location will be staying open until 9 p.m. on Monday—more than three hours past its usual closing time—to allow stragglers to catch the final day of its blockbuster "Michelangelo: Divine Draftsman & Designer" exhibition.

The show has drawn more than 600,000 attendees since it opened in November, making it one of the most visited in Met history. Met officials noted that the Monday extended hours apply just to the Michelangelo exhibit, not to the rest of the museum.

In instances of other high-profile shows, the Met has extended the run by as much as a few weeks to meet demand. That wasn't possible with Michelangelo because of the fragile, light-sensitive nature of the artwork.

Still, the Met hasn't gone as far as other museums in the city in trying to appease procrastinators. Both the Museum



'Bust of Brutus,' part of the Metropolitan Museum of Art's Michelangelo exhibit, which will open late on Monday, its last day.

of Modern Art and the Whitney Museum of American Art have stayed open around the clock for select shows during their final days, welcoming patrons even in the wee hours of the morning.

Adrian Hardwicke, the Whitney's director of visitor experience, said attendance for museum exhibits has a predictable pattern, with a "huge demand" in the beginning, followed by a "soggy middle." Near the end, he said, people suddenly realize that

their time is almost up and they start to panic.

"They come in droves," he said. "It's really just human nature."

For those planning to make their way to the Met on Monday, the museum adds a further caution: Even though the exhibition will stay open till 9 p.m., the last admission will be at 7:45 p.m.

And what if a Michelangelo maven shows up at 7:46? A Met official said the museum staff will be as flexible as possible.

Charter Schools Face Suit Over Certifying of Teachers

By LESLIE BRODY

New York's top education officials have sued the State University of New York to block new rules that would let many charter schools certify their own teachers.

In a lawsuit filed against the SUNY Board of Trustees in Supreme Court in Albany last week, the state Board of Regents and Education Commissioner MaryEllen Elia claim the new rules would erode teacher quality and hurt disadvantaged students. The suit says SUNY's charter-oversight body overstepped its authority in voting to let charters certify their own instructors.

Holly Lippis, a spokeswoman for SUNY, said by email that its officials were reviewing the filing, and the university system "believes it is within its legal right to implement these regulations."

The new rules apply only to charters overseen by SUNY, which authorizes 185 charters statewide, with 86,000 students.

The SUNY board's Charter Schools Committee voted in October to let high-achieving charters certify their own staff if candidates received 160 hours of instruction in behavior management and other skills; had 40 hours of experi-

ence in the field under a supervisor's oversight; and passed one exam. Those criteria are less time-consuming than the regular route to certification by the state.

Supporters of the new rules, including leaders of Success Academy Charter Schools, have said strong charters deserved more flexibility to develop a talent pipeline, especially during a teacher shortage in some subjects.

But teachers' unions and the Board of Regents said charter students would be subjected to unqualified instructors. So did the state education commissioner, who oversees teacher licensing and approves coursework for state-run teacher-preparation programs, which might lose enrollment if more prospective teachers head to charters' training pathways.

Joseph Belluck, chair of the SUNY Board of Trustees' Charter Schools Committee, said he was still reviewing the filing and was unable to comment on the specifics, "except to say that at a time when all schools across the state are asking for additional resources to support children and instruction, diverting those resources to these kind of lawsuits are a waste of New York State taxpayer money."

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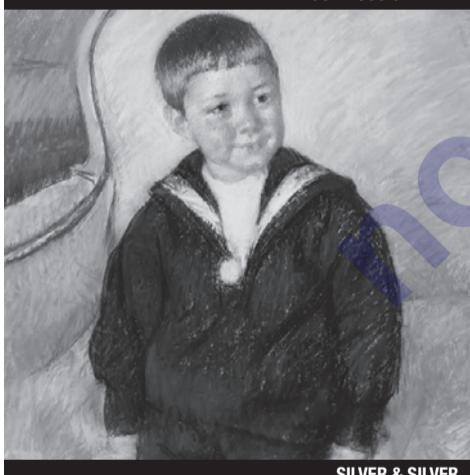
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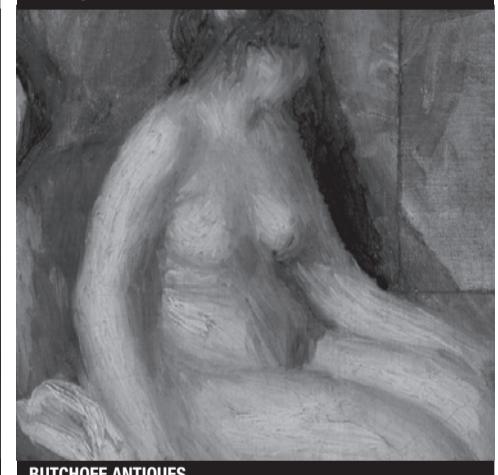
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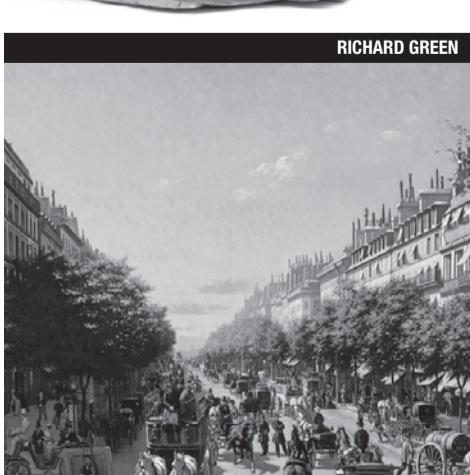
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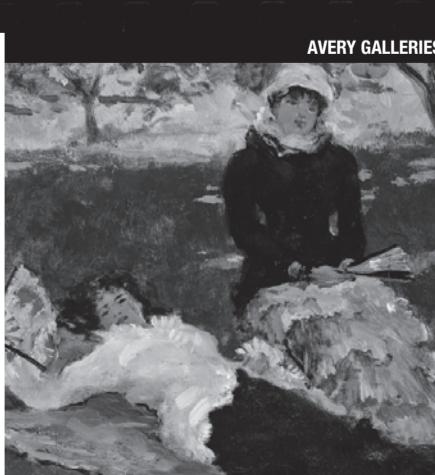
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FRED LEIGHTON



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LIFE & ARTS

FOOD

The Elusive American Black Truffle

FROM TOP ALAN CAMPBELL PHOTOGRAPHY; EMMA N. HURT; PAUL WAGTOWICZ



Three decades after farmers first cultivated Périgord truffles in the U.S., no one has succeeded commercially. These intrepid growers are still pursuing the prize.

BY EMMA N. HURT

ON A FRIGID winter day in southern Kentucky, Margaret Townsend crisscrossed her family's farm, following Monza, a truffle-sniffing dog hired for the day.

They were hoping to find black Périgord truffles growing in the roots of the 4,800 hazelnut and oak seedlings Ms. Townsend planted in 2011, after her father read an article about cultivating the fungi. Ms. Townsend, an industrial engineer and a former executive at Microsoft Corp. and General Electric Co., hasn't had a harvest yet from the trees, inoculated with truffle spores before planting. But she's undeterred as truffles take on average five to seven years to come to fruition.

"There have only been two times I sat down in the field and cried," she says. "Only two in six years is not bad. It has been more fun than not."

Three decades after farmers first cultivated truffles in the U.S., no one has had long-term success growing them commercially. Those in the business estimate that only around 25 orchards in the U.S. are producing any volume of Périgord truffles today, most bringing in just a few pounds per season. The venture is expensive. It costs \$12,000 to \$14,000 per acre to establish an orchard, plus \$2,000-\$3,000 per acre annually to maintain, says Charles Lefevre, a mycologist and founder of the seedling nursery New World Truffieres in Eugene, Ore.

Finding the formula for successful truffle farming is a tantalizing goal for would-be growers in the U.S., who range from fungi sci-



Top, Jackson Family Wines in Santa Rosa, Calif. harvested a Périgord in January; Margaret Townsend, Lois Martin and Tom Michaels on the hunt; a truffle dish from New York chef Gabriel Kreuther.

tists to vineyard owners to former tech executives. Among the hundreds of species of these underground fungi, only a handful have true culinary value. Two, with earthy aromas, are prized above all: the French black Périgord, or *tuber melanosporum*, which sells for \$800-\$900 per wholesale pound and the Italian white Alba, or *tuber magnatum pico*, which runs \$3,000-\$4,000 per pound.

Traditionally these delicacies were only found in the wild. Today, the white truffle continues to elude cultivation. However, outside of the



black Périgord's native France, producers in Spain and Australia have succeeded in growing large volumes of the truffles also known as black diamonds.

American demand is growing. About 426 tons of fresh, canned and dried truffles were brought into the U.S. in 2017 according to the Department of Agriculture, up

75% from 2010. Fresh imported truffles usually take at least four days to get to the U.S., giving chefs a short window to use the highly perishable commodity.

Aspiring U.S. truffle farmers have faced steep hurdles. Getting a foothold in this risky venture requires big money up front and the ability to wait years for a crop that may never materialize. Many blame the lack of large American volume on the challenges presented by indigenous pests, natural fungi competitors and diseases. Reliable scientific information on basics like soil chemistry needed for truffles is hard to come by, and there is little funding for U.S. research on this exotic crop.

Ms. Townsend says she has

struggled to find a consensus on basic techniques among successful growers around the world.

Even in Manjimup, Australia, a hotbed of truffle production, opinions vary.

Al Blakers, owner of Manjimup Truffles, has had a commercial Périgord truffle harvest for 12 years,

producing just under 2 tons last year. Even though he and a nearby grower do things quite differently, he says they

are both getting good results. "The actual truffle growing is not that difficult," he says. "It's all the other aspects that come into it, like weed and pest control that will affect how your truffle comes out."

Back in 2007, it seemed that

Tom Michaels, an expert in button mushrooms, had cracked the code

for producing American truffles. He

planted his truffle orchard in Tennessee where he believed the soil and climate echoed that of the Périgord region of France. His bet paid off, for a time. The Chuckey, Tenn., operation produced about 200 pounds per season at peak and seemed to prove the possibility of commercial viability.

He also showed Tennessee truffles could hold their own against the international incumbents. Gabriel Kreuther, the French chef and owner of his eponymous New York restaurant known for his truffle dishes, says he was "beautifully, pleasantly surprised" by the quality of the Tennessee Périgords.

Then a hazelnut blight hit the East Coast, and by 2016 nearly all of Mr. Michaels's truffle-producing trees had died. He is disappointed in the state of the industry. "There are so many unknowns. You're dealing with such a paucity of knowledge," he says. Basic soil chemistry that traditional farmers normally know off the tops of their heads like proper nitrogen and phosphorous levels are still up for debate when it comes to truffle cultivation, he says.

Does Mr. Michaels really understand how to grow truffles, for all his experience? "Kind of," he says.

"We're sort of writing our own book right now," says Brian Malone, truffle orchard and vineyard manager at Jackson Family Wines in Santa Rosa, Calif. The farm harvested its first truffles last February after six years.

Robert Chang, who founded the American Truffle Company in 2007 after leaving his director post at Yahoo Inc., touts a scientific approach. "I think we still have a ways to go, but we are definitely well past the first adoption," he says. The company offers a partnership model to its clients.

Mr. Michaels's success continues to spur hope. In Kentucky, Ms. Townsend hired him in December to consult on her first truffle hunt, along with the dog Monza and her trainer from Truffle Dog Company. Monza is a curly-haired Lagotto Romagnolo, an Italian breed that has been truffle hunting for centuries.

Ms. Townsend, a senior vice president at J.B. Hunt Transport in Arkansas, leased 48 acres of land from her parents and planted the seedlings on 24 acres to allow for a buffer from the native woods nearby. Her late father shared her enthusiasm for the venture she named NewTown Truffiere, building a noise-making device to scare off deer nibbling the fledgling trees.

On this debut outing, Monza didn't find any Périgords, though she did sniff out one native truffle without much value. She's scheduled for another visit this month.

Ms. Townsend says she set aside \$250,000 for her truffle-growing venture and has spent twice that. "I'm still happy with the investment and having fun with it," she says. "Like anything, you've got to be sure you've got wiggle room because whatever you think it's going to be, you've got to figure it's going to be more."

TURNING POINTS | By Clare Ansberry

WHY TEENS NEED A SENSE OF PURPOSE

TEENS WITH A SENSE of purpose do better in school, are more resilient and healthier. They are also a minority.

About 20% of teens are considered purposeful, which means they have identified something that really matters to them and are doing something about it. Joel Hartmann, a 14-year-old in Shepherdstown, W.Va., is among them.

Mr. Hartmann volunteers at Good Shepherd Interfaith Volunteer Caregivers, doing things like delivering Christmas gifts to older adults who live alone to help meet his school community-service requirements. He is close to his grandparents, and his grandmother lives with his family. "I know I would want someone to help them if they needed it," he says. For another project, he plans on working for housing nonprofit Habitat for Humanity to combine his interest in building and woodworking and helping others.

"I've always loved to be around people and help them get what they need," he says. "It gives you a really good feeling." His parents,

he says, are active community volunteers. "I learn from them."

Mr. Hartmann is doing something that is meaningful to him and helps others. It is also something he wants to continue doing throughout his life. That is what purpose is all about, say experts.

Purpose is a particular kind of goal, says William Damon, director of the Center on Adolescence at Stanford University and author of "The Path to Purpose: How Young People Find Their Calling in Life."

It doesn't have to be heroic. Regularly shoveling an older neighbor's walk when it snows for free is a small, purposeful act that helps someone in need. Making honor roll, being starting pitcher for the high-school baseball team or landing the lead in a school play are admirable goals, but they aren't necessarily purposeful. Playing the piano can turn from a personal passion to a purpose when it benefits others.

Developing a sense of purpose is one of the most important but overlooked aspects of adolescent

Please see PURPOSE page A13



Mikayla Davic, a high school junior, has written, produced and directed school musicals to raise money for Make-A-Wish Foundation.

STEPHANIE STRASBURG FOR THE WALL STREET JOURNAL

EXHIBITION REVIEW

The First Icon Of Fashion Avenue

BY LAURA JACOBS

New York

MILLENNIAL FASHIONISTAS may think that Calvin Klein and Donna Karan are the formative names of high-end American ready-to-wear, but how would Mr. Klein and Ms. Karan have fared—or, before them, Geoffrey Beene, Bill Blass and Halston—had Norman Norell not cut the path? Norell was America's first Fashion Avenue icon, a designer who negotiated his name onto the manufacturer's label in 1941 (it read "Traina-Norell") and began turning out ready-to-wear clothes of improbable custom quality. By the time he got his own backers in 1960—the label now reading "NORMAN NORELL New York"—it was a name that meant faultless proportions and extravagant attention to detail, stitched, no less, by the ladies of the garment workers' union. Born in Indiana (like Cole Porter), Norell was The Top, his work synonymous with New York, its matter-of-fact glamour and singular sophistication. So it's no surprise that Norman Norell is a continuing obsession of those in the know.

For those not in the know, the Museum at FIT's retrospective exhibition, "Norell: Dean of American Fashion," is a wake-up call. Guest curator Jeffrey Banks, a longtime Norell devotee who is himself an award-winning designer, has teamed with MFIT's deputy director Patricia Mears, and together they've arranged 100 ensembles and accessories into a salute that is as direct and distilled as a Norell design. Indeed, the introductory gallery is staged with a pageant of garments, "snapshots" that display the handful of themes upon which Norell would spin infinite variations. Norell knew what he liked and worked it. Sailor suits and full skirts. Big bows and big belts. The drop-waisted flapper shape of the '20s and the silken slink of the

CLOCKWISE FROM TOP LEFT: THE MUSEUM AT FIT; MILTON H GREENE/JOSHUA GREENE/ARCHIVEIMAGES.COM; © MARC FOWLER

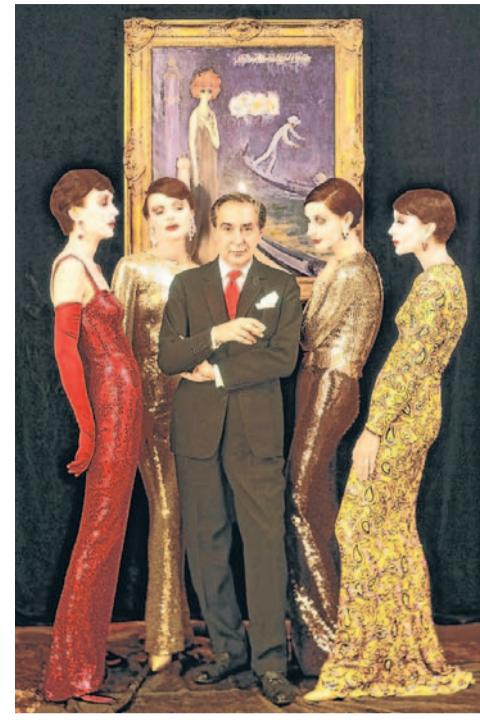


'30s. Menswear-wool suits of crisp hand and impeccable hang. Cocktail dresses of sleek self-containment. And for stopping the show? Upside-down ostrich feathers, mink trim, color blocks of bugle beads and galaxies of sequins.

Asked how he fell for Norell, Mr. Banks answers: "My first Norell in person, in the corner window of Julius Garfinkel, was a sequined black turtleneck top with a huge layered tulle ballgown skirt. In-between the layers of tulle was sequined embroidery resembling exploding fireworks. I went by that window every day for a week—to gaze."

And gazing is what this show is about. The curators have kept the mise-en-scène simple, bathing the space in a moody marine blue that stands up to Norell's saturated color palette and feels like twilight in the city, when lamplights are just coming on. The garments are grouped according to theme, and while there are eight Traina-Norells, most of the work comes from the 1960s, Norell's glory years.

The two earliest pieces in the exhibition—a candy-striped silk gown with deep godets and a white capelet (1932) and a teal gingham sheath (1939)—come from Norell's



Clockwise from far left: Traina-Norell black cocktail dress (c. 1953); Traina-Norell yellow cocktail dress (1956); Norman Norell olive dinner dress (1962); Traina-Norell navy cocktail dress (1956-57); Norman Norell and his models, c. 1960; Norell double-breasted wool melton cape (1962)

compass curve, it falls in perfect plumb, amazingly free from the body.

Fascinating, too, is the air of innocence that attends so much of Norell's work. This worldly man loved to appropriate tropes from children's clothes, tucking women into little cape jackets and big pilgrim collars, and oh those rows of buttons on double-breasted coats and suits, like "little

girls in two straight lines." Even when Norell swings from day to night it feels less like a move from innocence to experience than from composition to cadenza.

Which brings us to the "mermaids," Norell's incomparable body-skimming gowns of silk jersey, hand-stitched with sequins so that the dresses shimmer richly and

move with the musculature. In lore, mermaids symbolize imagination, a swim in the subconscious, and whenever a Norell mermaid turns up in a fashion exhibition it steals the show for sheer purity of design. Grouped in the center of the gallery under a huge waterfall chandelier, Norell's mermaids flash violet, silver, dark blue, forest green, black and gold, the stuff of myth.

Women clothed in planes of light—no one has done it better than Norell.

Norell: Dean of American Fashion

The Museum at FIT, through April 14

Ms. Jacobs writes about culture and fashion for *Vanity Fair*.



PURPOSE

Continued from page A11
development, according to Dr. Damon. Many teens, while doing well enough in school and staying out of trouble, have little direction, he says.

Based on his survey of 1,200 Americans ages 12 to 26 that was published in 2008, he found that teens fall into four categories. About 25% are disengaged. They are interested in having fun and making friends. When asked to define a good life, they respond that it is doing things to make them happy. Dreamers are the 25% who think about purpose, care about things like the environment but don't do anything about it or try to find ways to do something. Dabblers, the largest group at 30%, are those who get involved in a few causes but don't follow through.

Only one out of five is purposeful. Among them are teens passionate about teaching, volunteering, becoming involved in civic or international causes and a host of other activities. "No two people have the same purpose," Dr. Damon says, and purpose can evolve through life depending on new life experiences. What each had in common, though, was a parent, teacher or friend, as a role model.

As young boys, New Jersey twins Max and Jake Klein, 15, liked to spend Sunday afternoons at the home of a neighbor, who was a retired chef, and help him in the kitchen. They discovered that the man was preparing food for a homeless shelter. The boys, curious and then eager 7-year-olds, wanted to come along and serve food but found they were too young.

Disappointed, they talked with their parents. Together, they came up with ways to raise money and collect food for shelters, asking friends and family to bring canned goods or donations, rather than gifts, to their birthday parties and for Hanukkah and Christmas. As part of their bar mitzvah project, they created a website called Kids That Do Good listing volunteer opportunities for children based on age, interest and location. "Our parents taught us that we were blessed to have what we have and to find ways to give back," says Jake.

Often teens don't think about purpose until they have to apply to college and write an essay, says Kendall Bronk, a developmental psychologist at Claremont Graduate University and head of the Adolescent Moral Development lab. She wants to change that and has developed online tool kits, the Fostering Purpose Project, with three 15-minute activities to be completed on three different days, to help teens think about their strengths, their values, and how they can use their



Jake (left) and Max Klein created a website listing volunteer opportunities for children

skills to practice those values.

In one exercise, they send emails to five adults outside the family—coaches, teachers, employers—and ask them to take 5 minutes or less to describe what the teen is particularly good at. "Trusted adults in their lives can help them think things through," she says. They watch a short video of comedian and television host Jimmy Fallon, who learned at a young age that he wanted to make people laugh.

Schools can play a big role, says Randal Lutz, superintendent at Baldwin Whitehall School district in Pittsburgh. The high school sponsors the local Special Olympics Summer Games and encourages community-service projects. At the end of their senior year, students spend 45 minutes being interviewed by a panel of adults. Although much of the focus is on careers, they always begin with questions about the student. "How often do we take a step back from content, like English and math, and just say let's talk about you. What makes you you?" says Dr. Lutz. "Maybe we wait too long."

Ms. Davic, a junior at Baldwin High School, wrote, produced and directed her first musical "A Not-So-Magical Story" in eighth grade as part of a gifted student program. She donated ticket and concession sales to Make-A-Wish Foundation because she wanted to help children dealing with serious illnesses. Since then, she has raised more than \$45,000 and expects to surpass her goal of \$50,000 by graduation. "Before I did this, I was just another kid who took what I had for granted," she says. "I began to see how lucky I was and it's motivated me even more."



AMERICAN SPLENDOR RHINOCEROS BY ZADORA

Breathtaking artistry. One-of-a-kind sculpture. Brilliant *objet d'art*. Andreas von Zadura-Gerlof, the premier gemstone artist of the late 20th century, hand carved this monumental rhinoceros of solid rutilated quartz. The rutile veins that make this sculpture so exquisite also make it a medium only the most gifted artisan could master. Based upon the 1515 woodcut by famed Renaissance engraver Albrecht Dürer, this sculptural tour de force is entirely unique and absolutely breathtaking in its quality. 14"l x 5"w x 8 3/4" h. #30-7344

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PYEONGCHANG 2018

SNOWBOARD

The Descent of the Halfpipe

BY RACHEL BACHMAN

PYEONGCHANG, South Korea—In the halfpipe's biggest moment, snowboarder Shaun White flipped and twisted above the 2010 Vancouver Olympics, grabbing the gold and beating TV juggernaut "American Idol" in the ratings.

Eight years later, that halfpipe is gone, and many more are vanishing.

Only 13% of U.S. ski resorts last season had a halfpipe, the giant, open-faced cylinder through which riders swoop and fly. That was down from 34% a decade ago, according to the National Ski Areas Association. Only 8% of ski areas last season had a superpipe, a halfpipe that's Olympic sized or close to it.

An appetite for bigger and bolder tricks fueled a near doubling in size of Olympic halfpipes to 22 feet high from 11.5 feet at the event's 1998 debut. Ski resorts upgraded to bigger halfpipes, which are pricier to build and maintain. But far fewer riders dare plunge down the larger pipes' walls, so many resorts have stopped building a halfpipe altogether.

"It breaks my heart to see the amount of halfpipes decline," says American David Wise, who won the men's gold at the 2014 Olympic debut of the ski halfpipe event. "It's kind of an ironic situation that we put ourselves in: The reason that there are less halfpipes being built is because we decided on an industry standard of 22 feet."

It can cost \$150,000 to \$400,000 to build and maintain a halfpipe for a season, depending on size, location and other variables, says Gen Gunnarson of Snow Park Technologies, a long-time builder of halfpipes and other resort features. They often require extensive grooming and snow-making.

This is not only an American issue. Of the five Olympic halfpipes in history, only two—from the Sochi and Salt Lake City Games—still exist. The Olympic halfpipe in Vancouver was simply too big for most to ride, a spokesman said.

Aside from occasional one-off projects, the winter-sports empire of Canada is down to one Olympic-size halfpipe, at Calgary's Canada Olympic Park.

"With most resorts no longer building smaller halfpipes, we are seeing a major skill gap and decrease of halfpipe athletes," says Canadian Mercedes Nicoll, who will compete in her fourth Olympics. She's one of the founders of Halfpipe CAN, which raises money for elite-athlete coaching through donations and golf tournaments.

The 2012 death of Canadian halfpipe skier Sarah Burke after a training fall and other high-profile crashes made parents hesitant to

U.S. snowboarder
Shaun White trains
on the halfpipe in
Pyeongchang,
South Korea.

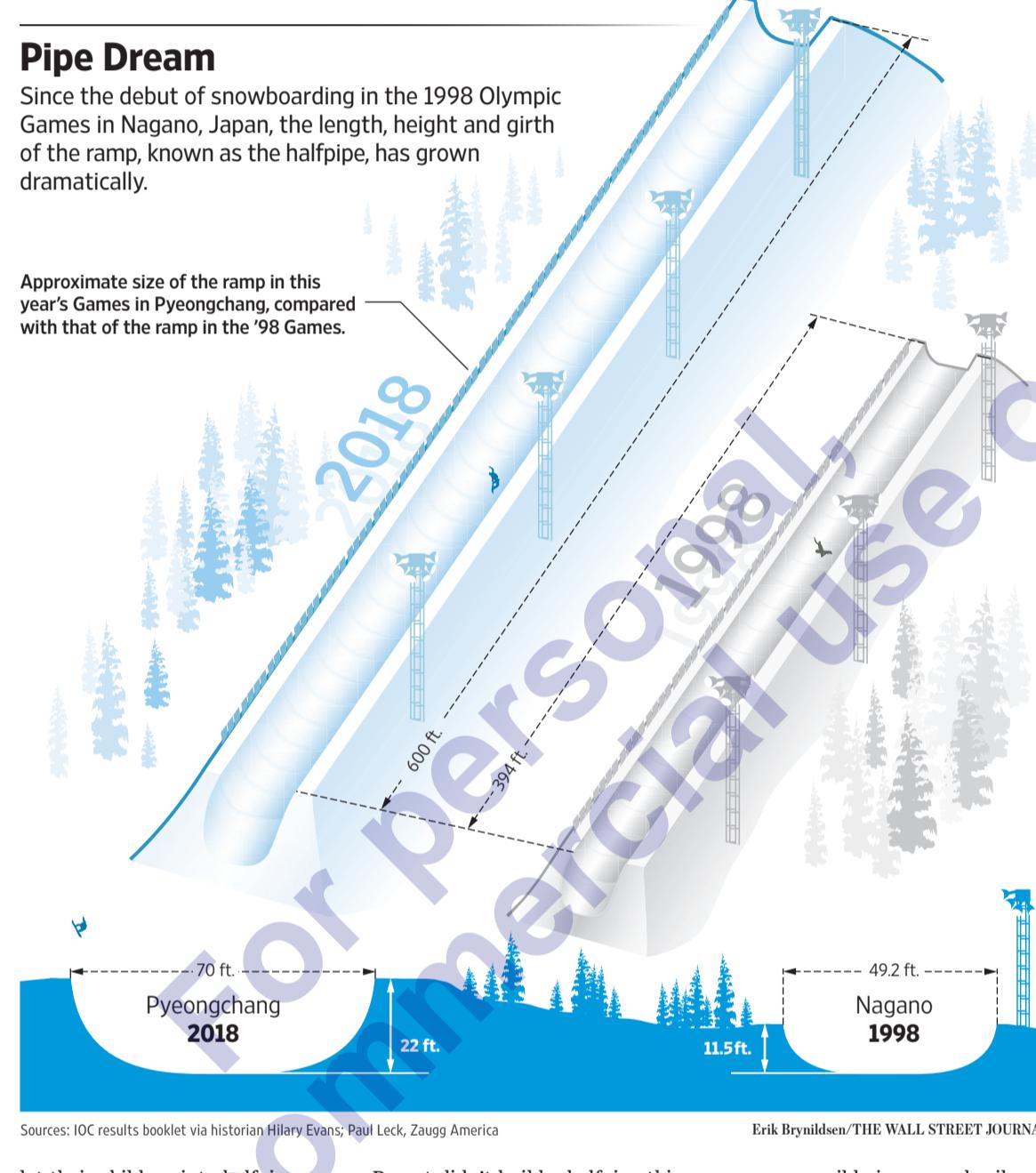


MIKE BLAKE/REUTERS

Pipe Dream

Since the debut of snowboarding in the 1998 Olympic Games in Nagano, Japan, the length, height and girth of the ramp, known as the halfpipe, has grown dramatically.

Approximate size of the ramp in this year's Games in Pyeongchang, compared with that of the ramp in the '98 Games.



Sources: IOC results booklet via historian Hilary Evans; Paul Leck, Zugg America

Erik Brynildsen/THE WALL STREET JOURNAL

let their children into halfpipes, says Phil McNichol, athletic director at the Sun Valley (Id.) Ski Education Foundation. Sun Valley Ski

Resort didn't build a halfpipe this year, a spokeswoman says. It's one of many resorts focusing on expanding terrain parks with smaller,

more accessible jumps and rails used for performing tricks.

White, a favorite to win a third Olympic gold at the Pyeongchang

Games, says he thinks 22-foot-high halfpipes actually are safer than smaller ones.

"If you think about an airplane going to land, it's nice to have a bigger runway than a shorter one," he says. "So when we're going this high in the air and we're doing multiple flips and things, it's nice to have a bigger landing to catch us."

"I would think that in the future, they might even have bigger halfpipes."

Still, White has crashed numerous times in the halfpipe, including a headfirst slam onto a pipe edge in October that required 62 stitches and, he says, left him questioning whether he wanted to keep riding.

Swiss snowboarder Iouri Podladchikov, the defending Olympic gold medalist in halfpipe, slammed his head in a crash that hushed the crowd at last month's X Games. He tweeted Saturday that "my brain needs time to recover from the bruises" and that he was pulling out of the Pyeongchang Olympics.

Kelly Clark, who has three Olympic medals in women's halfpipe as she enters her fifth Games, says even she finds the sight of a 22-foot halfpipe formidable.

"There's days when I show up and I think, really? This is what I do?" she says. "We need to make halfpipe snowboarding approachable. I think it's essential to the future of the sport. Every resort should have a 12-foot halfpipe."

The biggest decline in halfpipes has come at the local and regional ski areas where much of the public first tries them. Peak Resorts, which owns or oversees 14 ski areas from Missouri to New Hampshire, has just two halfpipes. A decade ago, it had a halfpipe at nearly half of its resorts, says Elia Hamilton, Peak Resorts' VP of terrain development.

Hamilton says bigger halfpipes have driven down use and made resort owners question why they're making them. He compared halfpipes' decline to that of the ski jump—an Olympic event in which the U.S. hasn't won a medal since 1924.

"In the '60s and '70s, every small town in New England had a local jumping facility," Hamilton says. "They were approachable to the average person. As the competition grew, it's a much more specialized discipline now. You don't see those ski jumps anymore."

American Todd Richards, who competed in halfpipe at snowboard's inaugural Games in 1998 and now does Olympic commentary for NBC, predicted a similar decline for 22-foot halfpipes.

"I think it's going to be, you're going to have three spots in the U.S. maybe that have them, and those are going to be the spots," he says. "Maybe even one spot."

JASON GAY

THE OLYMPIC GAMES' MOST STYLISH TEAM



PYEONGCHANG, South Korea—Russian athletes are competing under a cloud at these Winter Olympics, sullied fairly or not by a state-sponsored doping scandal at Sochi 2014 that continues to reverberate in South Korea.

But yadda, yadda, enough about all that.

I'm here to tell you: The Russians look good. Really good.

I'm calling it now: In the underground but wildly important fashion show that is the Winter Games, the Russians may wind up being the most stylish athletes in Pyeongchang.

It's shaping up to be the upset of the Olympics.

Technically the Russians are not the Russians here. The Russian national team is banned, so Russian athletes who passed drug screenings and are allowed to participate are competing under an outfit called the Olympic Athletes from Russia, or OAR.

I thought OAR sounded kind of sad, didn't you? I just assumed that their outfits would be as melancholy as their bureaucratic name. Maybe they'd have a Bad News Bears-style "PUTIN'S BAIL BONDS" printed on the back.

Then I saw the athlete uniforms. Dang, OAR! Designs I've seen from the Russian brand Zasport and Nike are impressively sharp, sim-

ple and—what's the word?

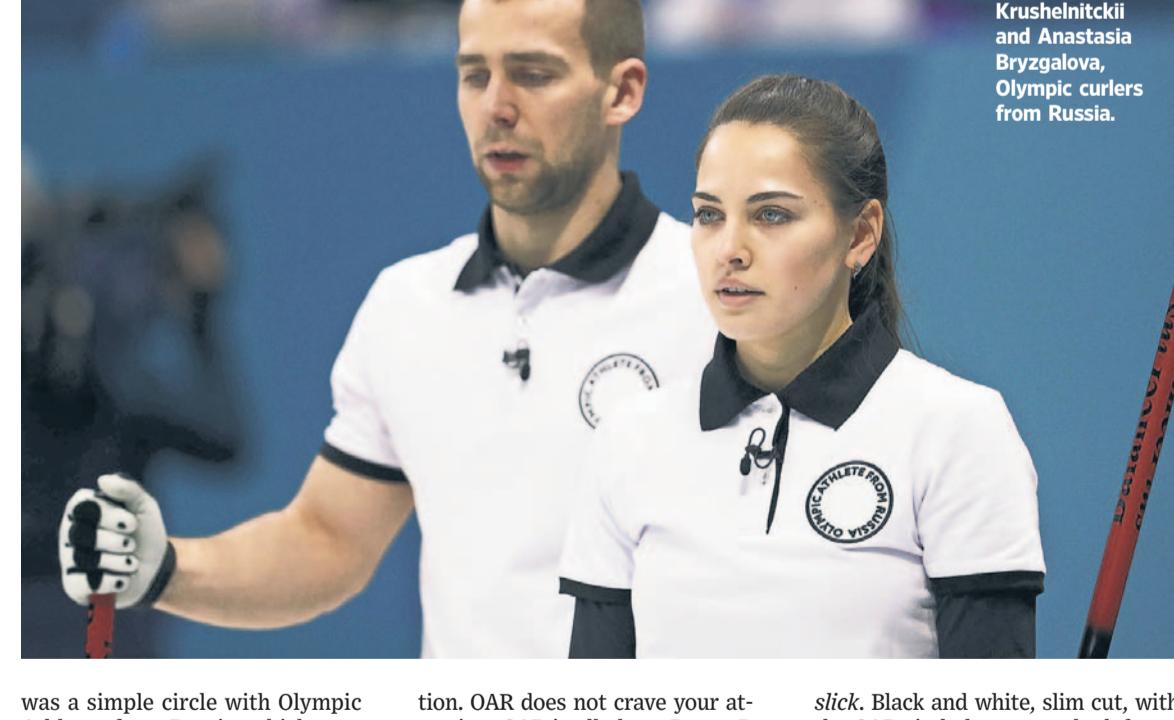
Clean.

It's a thrilling development. Every sports fan knows less is always more when it comes to uniform design. Less is the Yankees, the Celtics, Rod Laver at Wimbledon. More—plus three margaritas—is how you end up looking like the Jacksonville Jaguars.

Team USA got solid reviews for its Ralph Lauren get-ups at Friday's Opening Ceremony, but I'd put it on the busier side of things. The frilly gloves, the sweater, the hat, the belt, the \$125 bandanna—they looked like your friend who doesn't ski, overdressed for a ski weekend, which in reality is probably what the market for the stuff is.

Team OAR, on the other hand, was low-fi. Past Russian Olympic outfits have been ornate, even flashy, with the imperial double-headed eagle, but these were not that. They don't even feature the Russian flag, because...well, they're not allowed to feature the Russian flag. At the Opening Ceremony, the OAR athletes wore plain gray jackets, jeans and gray scarfs. There wasn't a lot going on. It was unpretentious, easygoing, not trying too hard. They didn't really look like they were at the Opening Ceremony. They looked like they were going to the mall.

And there was no logo clutter. OAR's white hats were just white hats! The only identifying marker



Aleksandr Krushelnitckii and Anastasia Bryzgalova, Olympic curlers from Russia.

RONALD MARTINEZ/GTY IMAGES

was a simple circle with Olympic Athletes from Russia, which seems to be the OAR logo and probably arose from the world's shortest design meeting:

Hey, how do you think we should make the logo?

I don't know, maybe just wrap "Olympic Athletes from Russia" into a circle?

Sounds good. Done.

I sound like I'm making fun. I'm not. I know a parka and jeans isn't as exciting as, say, Bermuda shorts, like the Bermuda national team wore, or going shirtless, as done by the Tongan cross-country skier and unofficial Wall Street Journal sports editor Pita Taufatofua.

But those athletes were eager to be eccentric. They crave your atten-

tion. OAR does not crave your attention. OAR is all about Pret-a-Porter. Sensible. Wearable. Even Nike's kept its cool with admirably spartan hockey sweaters. There's some blue camouflage on the OAR speedskating skinsuits, but those are as understated as blue camo gets.

What really sold me on Team OAR's style, however, were its curling outfits. You probably watch curling for the feats of athleticism, but I watch it for the style, and curling has had a surprisingly large number of style highlights. The Norwegian curling team has revolutionized party pants. Team USA curler Matt Hamilton's mustache could basically be the Wisconsin state flag.

But the OAR curling outfits are

slick. Black and white, slim cut, with the OAR circle logo over the left breast—it's reminiscent of early Helmut Lang, or Hedi Slimane's influential run at Dior Homme. Yes, you're reading an article in the sports section, but stay with me. It's conspicuously good clothing—you'd wear this stuff. I, on the other hand, would probably have to stop eating pizza for a year.

It's admirable. Given all the pre-Games madness, OAR could have just given up on the clothes, wandered out there in sweatpants and a backwards baseball cap. But they've made an effort, and they could win the style competition at the Winter Olympics. I'm not saying that's better than a gold medal. But it's close.

PYEONGCHANG 2018



Olympics Medal Count

As of 11:40 p.m. ET Sunday

Simen Hegstad Krueger
Men's cross-country

Norway



Canada



Netherlands



Germany

Redmond Gerard
Men's slopestyle

U.S.



Czech Republic



Athlete from Russia



Finland



Austria



France

Lim Hyo-jun
Men's short track speedskating

Republic of Korea



Sweden



Italy



Kazakhstan



Photos: Norway: CHRISTOF STACHE/AFP/Getty Images; USA: Dylan Martinez/Reuters; Korea: ARIS MESSINIS/AFP/Getty Images

FIGURE SKATING

Skating's 'Moulin Rouge!' Mania

Why did so many skaters pick music from the same movie's soundtrack?

BY LOUISE RADNOFSKY
AND BEN COHEN

GANGNEUNG, South Korea—Vincent Zhou had a problem. When the American figure skater scrapped his long program right before this season, he needed new music, and it needed to be good enough to carry him in an Olympic year. He experimented with several pieces in the canon of skating music before he found the one that felt right.

It was a medley from the soundtrack of "Moulin Rouge!"

The oddest thing about Zhou skating to "Nature Boy" and "Your Song" from "Moulin Rouge!," the Baz Luhrmann movie musical set in the famous Paris cabaret, is that it's not even the slightest bit odd. Songs from "Moulin Rouge!" will be playing on repeat at the 2018 Olympics. The jukebox musical romantic comedy from 2001 has become the soundtrack of an entire sport this season.

"Everybody and their uncle is skating to 'Moulin Rouge!,'" said up-and-coming American ice dancer Joe Johnson, who skated this season to "Moulin Rouge!"

These are the first Winter Games that all figure skaters can perform to music with lyrics and not merely instrumentals. They can choose pretty much any song ever written. An incredible number of them chose music from the "Moulin Rouge!" soundtrack. In ev-

ery skating event here—women's, men's, pairs and ice dance—music from "Moulin Rouge!" will blare from the Gangneung Ice Arena's loudspeakers.

There are enough Americans skating to "Moulin Rouge!" this season to field an entire U.S. team—including alternates. It accompanies the free dance of Canadian gold-medal contenders Tessa Virtue and Scott Moir, and it will be performed by competitors from the Philippines to Australia.

It's not just one or two songs, either. "Come What May" is responsible for at least three Olympic programs. "El Tango de Roxanne" is a staple of figure skating. "Hindi Sad Diamonds" and "One Day I'll Fly Away" with a touch of "The Show Must Go On" were popularized by U.S. skater Ashley Wagner, who used them for three seasons before she switched to a "La La Land" program in an unsuccessful bid to salvage a spot on the 2018 Olympic team.

That so many skaters are skating to the same music, when they can pick any music, is one of the sport's many peculiarities that are revealed at the Winter Olympics every four years. Skaters have long endured the indignity of a competitor using their music—the equivalent of showing up to prom and finding someone else in your dress—because there is no formal registry of program selections and no limit on how many can use mu-

sic before it's subject to a moratorium. In fact, when one musical program works, that only makes its spread more likely.

So why the sudden outbreak of "Moulin Rouge!"?

"I wish I knew," said Jackie Wong, who knows pretty much everything in figure skating as the founder of a website called Rocker Skating.

It isn't like skating audiences haven't been held captive to the same music before. It happens almost every season. There was the "Battle of the Carmens" in 1988 between Katarina Witt and Debi Thomas, though new Carmens appear every year. There have been balletic duels of "Swan Lake" and "The Firebird" and a soap opera's worth of melodrama set to "Les Misérables." There is music now best known to skating audiences, like the ever-popular soundtrack of the 1986 film "The Mission." And there was "Phantom of the Opera."

Wong shudders at the memory of the "Phantom" epidemic that swept figure skating in 2014-15. Over the course of that season, the number of "Phantom" programs slowly drove him to madness.

But figure skaters are not trying to torment their fans. They understand that the easiest way to win the crowd's support is to pick a catchy, recognizable song, a task that only becomes more important and difficult before an Olympic audience. The music has to play in

Peoria—and Pyeongchang.

"If you choose some emo, Brooklyn-based indie artist," said NBC Sports analyst Johnny Weir, "most likely it isn't going to go over to the whole world."

Wong's leading theory for "Moulin Rouge!" creep is that song choices are subject to a trickle-down effect. A generation of skaters grew up admiring Michelle Kwan's program to "Concerto de Aranjuez," for example, and revived it because of those fond memories. The same thing is happening with "Moulin Rouge!"

Andrey Torgashev, a 16-year-old junior skater, couldn't escape the music from "Moulin Rouge!" at his rink when he was younger. He vowed to himself that one day he would pull off a great program to the soundtrack.

There was only one thing Torgashev had to do before he was finally comfortable skating to "Moulin Rouge!" He had to actually see "Moulin Rouge!"

"I thought it was going to be some serious movie about love," he said. That it was so upbeat was one of the many things about the film that surprised him.

"Moulin Rouge!" wasn't exactly what Zhou thought it would be, either, though he reached an entirely different conclusion. His review: "It was...oh, man," Zhou said. "To be able to make such a deeply emotional story out of a very shallow premise is amazing."

FIGURE SKATING

ADAM RIPPON: A COMPLICATED OLYMPIAN

BY LOUISE RADNOFSKY
AND BEN COHEN

GANGNEUNG, South Korea—The elder statesman of the U.S. men's figure skating team is a 28-year-old first-time Olympian who competes in the short program to what he calls a "trashy club mix" wearing a tight mesh shirt and pretends he is a bird for his long program.

Adam Rippon is the first openly gay U.S. figure skater at the Winter Games. He made it here in part by popping back in his own dislocated shoulder—during a performance. And he recently offered this public clarification in response to questions about whether he wears butt pads.

"I'd like to set the record straight and let it be known," he said. "It's just my real butt."

Rippon is also the Olympian who has found himself in a political drama with the White House. It began before the Pyeongchang Games, when Rippon accused U.S. Vice President Mike Pence of supporting gay conversion therapy. Pence's staff denies that he has ever backed the widely rejected idea that sexual orientation can be changed and says he offered a meeting with Rippon to discuss the issue.

Rippon told a reporter he wasn't interested until his competition was over.

The back-and-forth continued as Pence found himself aboard Air Force Two on the way to Seoul,



Adam Rippon is the first openly gay U.S. figure skater. He found himself in a political drama with Vice President Mike Pence ahead of the Winter Games.

touting the diplomatic hard line on North Korea while tweeting a message of support for Rippon.

"I want you to know we are FOR YOU," Pence wrote on his official account. "I am proud of you and ALL OF OUR GREAT athletes."

But lost in the spectacle of a conservative U.S. vice president praising an openly gay U.S. figure skater was a far more complicated question: Who is Adam Rippon?

"I'm trying to think," Rippon said in an interview last month. "It's so hard to explain the unexplainable."

Rippon isn't expected to contend for an individual medal next week, but on Monday he helped lead the U.S. to a bronze medal in

the team event with a clean performance in which he landed eight triple jumps, four of them in difficult combinations, and concluded with his signature layback spin, a move more typically performed by female skaters. In the last few seconds of his program, he thought to himself: "Baby, you better keep it together."

Getting to Pyeongchang in the first place required one of the more improbable roads of any U.S. athlete. Rippon was deaf until his first birthday, grew up in small-town Pennsylvania, and began skating at the relatively late age of 10 years old. His career was marked by rapid but uneven progression under a series of coaches,

as well as failed Olympic bids in 2010 and 2014, when Rippon himself says he crumbled under pressure.

His coach, Rafael Arutunian, asked Rippon a question others might have considered rude after he was left to watch the Sochi Games from home: Did he actually like competing? Rippon had to think about it, but decided that he liked it enough to take one last shot at the Olympics.

He did it on his terms. Rippon came out publicly in the U.S. Figure Skating Association's official magazine in 2015, making him one of the first gay athletes to compete while open about his sexual orientation.

Rippon is as outspoken in person as he is on Twitter, more comfortable than most skaters of any generation in expressing political views on issues such as gay rights and women's rights, and he was perfectly willing to use his platform to make his objections to the Trump administration known. "I'm glad that my voice is being heard," he said.

The result: Rippon found himself the subject of chyrns on cable news, campaigns from activist groups and the tweets from the vice president, but he promised to steer clear of political controversy before his performance if he could help it.

"I am trying to train for the biggest competition of my life," he said. "I'm not trying to pick a fight with the vice president of the United States."

Team Gold for Canada, While U.S. Wins Bronze

The U.S. secured a bronze medal in the figure skating team event, as Canada dethroned Olympic athletes from Russia to take gold in a competition that showcases the strongest skating nations in the world.

Canada had finished second in 2014 at Sochi, a product, some athletes said, of being divided over how seriously to take the team event.

Four years later, Canadians put out a no-holds-barred effort led by 2010 Olympic champions and 2014 silver medalists Tessa Virtue and Scott Moir in ice dance and world champion pairs skaters Meagan Duhamel and Eric Radford.

The U.S. kept alive its podium hopes with an assured, clean performance by Adam Rippon. He was eclipsed by Mirai Nagasu, who became one of a tiny number of women to land a triple axel in competition. Ice dancing siblings Maia Shibutani and Alex Shibutani took the team across the finish line.

The inclusion of a team of Olympic Athletes from Russia was a surprise to some, amid a ban only allowing individual Russian athletes to compete by invitation under the Olympic flag. They were led to silver by Evgenia Medvedeva and Alina Zagitova, expected to go head-to-head for gold in the women's individual event later in the Games.

—Louise Radnofsky

PYEONGCHANG 2018

SPEEDSKATING

USA Speedskating's Olympic Loner

Shani Davis has not been shy expressing displeasure over the Opening Ceremony, where to train or the Sochi skinsuit debacle

BY JOSHUA ROBINSON AND SARA GERMANO

GANGNEUNG, South Korea—Team USA was choosing its Opening Ceremony flag-bearer on Thursday when it ran into a dilemma. The field was down to two candidates: Erin Hamlin, a four-time Olympic luger, and Shani Davis, a veteran speedskater with two gold medals.

The U.S. Olympic Committee's solution: a coin flip. And when Davis lost, he tweeted his displeasure: "Team USA dishonorably tossed a coin to decide its 2018 flag bearer," he wrote. "No problem. I can wait until 2022."

Davis's beef with his national sporting authorities is much greater than a matter of heads or tails. He has spent the past four years stewing over the American debacle at the 2014 Olympics in Sochi, where a string of calamities by U.S. Speedskating, including a choice to race what some skaters believed were flawed Under Armour skinsuits, torpedoed U.S. hopes.

Originally aiming for six medals, Davis and the American long-track speedskating team wound up with zero.

Because of Sochi, Davis, 35, hasn't worn an Under Armour suit in years. For at least a season, he wore custom skinsuits by another manufacturer, affixed with an Under Armour patch when he competed. Then in November, he signed a deal to wear suits by Fila, while the rest of his teammates continue to compete in Under Armour.

"It took me a long time to process what I wanted to do after Sochi," he told reporters here, "but I knew that I wouldn't have wanted to end it on those terms."

Davis's terms over the past year have been to deliberately distance himself from the program. While his fellow American skaters went through their Olympic preparation in the States, remaining close to the speedskating ovals in Salt Lake City and Milwaukee, Davis relocated as far away as he could, to a



Shani Davis, seen here training in South Korea on Saturday, lived there while preparing for the Winter Games.

Armour since 2014. Ahead of the Sochi Olympics, the Baltimore-based sportswear brand was looking to grow its sales overseas, and thought getting its logo on speedskating gear would propel interest in Europe. The company went all-in, enlisting Lockheed Martin to help engineer what it hoped would be the fastest suits ever, and spent nearly \$1 million on the project, according to a person familiar with the matter.

"If they can invade Afghanistan, they can build a speedskating suit," Patrick Meek, a member of the 2014 U.S. speedskating team, said at the time.

Today, Under Armour is in the doldrums after a dismal 2017, reporting declining sales and losses, shedding several top executives, and is scaling back its products and sponsorships. Among the first items on the chopping block: Olympic endorsements. Under Armour has already ended its relationship with USA Gymnastics two years early, and sponsorships with its winter sports associations, including U.S. Speedskating, may be up for review after the Pyeongchang Games depending on their performance, according to a person familiar with the matter.

This time around, Under Armour and U.S. Speedskating were more careful. The suit that most of the team will wear when competition begins on Saturday is the same suit the Americans have competed in for the past 18 months. In holding the squad's pre-Olympic camp on familiar ice in Milwaukee, the federation also sought to avoid the 2014 mistake of taking the team to an outdoor oval in Collalbo, Italy, where conditions were nothing like those in Sochi.

Still, for all of its efforts to draw a line under Sochi, 2014 remains impossible to ignore—and not just for Davis.

"It's definitely in the back of my mind," said U.S. medal hopeful Brittany Bowe. "You don't want that to happen again, and that's only human for that to come up every now and then."

country where speedskating isn't an every-four-years kind of sport: South Korea.

Living in a modest apartment with barely more than a twin bed, a fridge and a hot plate, he hoped a more monastic existence would put him in a more focused, higher-performance environment than four years ago.

"I wasn't here for luxury living," he said. "I was more here to get the training, and I couldn't get the training like that in America."

But distance didn't equate to silence. Davis's anger routinely spills out on Twitter, where he aims

broadside at U.S. Speedskating, the USOC and American media over topics from federation governance to his own Olympic history. Over the weekend, Davis appeared to take his Twitter account private.

Davis, U.S. Speedskating and NBC can't even agree on the number of times he has been to the Games. Team USA and NBC have called it four, counting every occasion since 2006 that he has been selected and competed for the long-track team. Davis calls it five, because he was selected for the short-track squad in 2002, but didn't race.

In 2016, Davis's mother, Cherie,

went further than picking fights on social media and rekindled the battle over the Sochi disaster with an ethics complaint against executives at U.S. Speedskating and the U.S. Olympic Committee. She alleged that they knew the skinsuits were defective, allowed the skaters to compete in them anyway, and then covered it up in the interest of preserving the relationship with Under Armour. U.S. Speedskating denied any wrongdoing. Under Armour said in a statement at the time that it was "confident in the performance innovation featured in the suits."

Much has changed at Under

America since 2014. Ahead of the Sochi Olympics, the Baltimore-based sportswear brand was looking to grow its sales overseas, and thought getting its logo on speedskating gear would propel interest in Europe. The company went all-in, enlisting Lockheed Martin to help engineer what it hoped would be the fastest suits ever, and spent nearly \$1 million on the project, according to a person familiar with the matter.

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SNOWBOARD

GOLD? NOT BAD FOR A 17-YEAR-OLD

BY BRIAN COSTA

BONGPYEONG, South Korea—Four hours before the biggest competition of his life, 17-year-old American snowboarder Red Gerard was having a very 17-year-old problem. His alarm was going off. It was 6 a.m. He did not feel like moving.

"Red, you out of bed yet?" asked his roommate and teammate, Kyle Mack, at 6:20 a.m. Sunday.

"Ahhhh, fine," Gerard replied.

"I'm getting there."

Minutes later, Gerard realized he had another very 17-year-old problem. He couldn't find his jacket. The temperature outside was in the single digits. "I gave him my jacket and sent him on his way," Mack said.

And that was about the last time Sunday that Gerard acted his age.

On a blustery morning at Phoenix Snow Park, he became the first American in any sport to win gold at these Winter Olympics by taking the top spot in the men's slopestyle contest. He is the youngest American male to win gold at the Winter Games since bobsledder Billy Fiske in 1928. He is the youngest Olympic snowboarding gold medalist ever.

In a 12-man final that counts only the best of each rider's three runs, Gerard sat in last place after his first two. But his last run was nearly flawless. He posted a score of 87.16 out of a possible 100 to finish ahead of Canadians Max Parrot and Mark McMorris.

"I'm just mind-blown," Gerard said. "I can't believe everything worked out."

For the U.S., it had a similar feel to the 2014 Olympics, where slopestyle snowboarding made its debut. In Sochi, American Sage Kotsenburg pulled off an upset to win gold. Likewise, Gerard was not favored to win gold—no U.S. snowboarder so young had ever even reached the podium—but he dazzled judges with his creativity and execution.

No one was happier or more boisterous than the group of 18 family members and friends waiting for him at the bottom of the run. Some held up cutouts of Gerard's face. One held a sign that read, "We're here to get Gerarded." By the time Gerard found



Red Gerard of the U.S. during his gold-medal-winning slopestyle performance.

them afterward, empty cans of Korean beer were scattered on the snow around their feet.

"I saw a video of them shotgunning beers at 8:30 a.m.," Gerard said. "I'm pretty sure they're doing just fine."

Friends and family describe Gerard, who was born in Cleveland and moved to Colorado when he was 7, as being the epitome of laid back in a famously laid-back sport. His cultural exploration of the Korean Peninsula has so far largely entailed watching episodes of "Brooklyn Nine-Nine" with Mack at their room in the athletes' village.

But what distinguishes him is his originality. A slopestyle course features a mix of jumps and rails, which riders use to perform tricks. A panel of nine judges scores them based on a blend of overall impression and individual attributes such as height of jumps, difficulty and variety.

Gerard thrives simply by trying things his competitors do not—and being good enough to pull them off.

Take the second jump at the Olympic slopestyle course. It features one big ramp up the middle—the most popular choice among rid-

ers—and a smaller ramp to each side. Then there is a quarter pipe in between, which allows riders to come at the jump from a side angle.

An on-site official with the Pyeongchang Organizing Committee said that feature was included mostly with the freestyle ski slopestyle contest in mind. The designers didn't imagine snowboarders making much use of it. Gerard was the only rider in Sunday's final to go off that quarter pipe.

Initially, he struggled with it. As he prepared for his last run, he considered taking the conventional path up the middle instead. But he realized his preferred trick off that ramp wasn't as good. It might have been enough to get him into fourth or fifth place, he reasoned, but what fun would that be?

"Might as well try to do good if I'm here," he said. On his last run, taking the quarter pipe again, he nailed the trick and the landing.

By Sunday evening, Gerard was only beginning the endless stream of interviews and media appearances that await a fresh American champion.

"I'm not sure he's going to sleep," Mack said.

PYEONG CHATTER

THIS DEFINITELY ISN'T RUSSIA'S OLYMPIC HOUSE

A shining samovar, Soviet-era songs alternating with disco hits and hypnotic red paint on the walls: Welcome to Sports House, an attempt to host Olympic-size parties without infuriating the Winter Games' governing authorities.

While it has banned Russia over a doping scandal, the International Olympic Committee has allowed its athletes to come to Pyeongchang as long as they agreed to hide their citizenship.

That compromise has yielded a tortured designation—Olympic Athletes from Russia—and an intricate set of guidelines the IOC issued in January.

Russian athletes aren't allowed to carry national flags in public but can have one in their bedroom. Supporters are allowed to display Russian flags during official competitions but are expected to keep their fandom under control, according to the IOC.

"I dare them to try grabbing my flag," said Nikita Nikitin, a demonstrative Russian supporter standing on his chair at Friday's opening cere-



People pose with images of former Soviet hockey greats during a Friday ceremony to open the Sports House in Gangneung, South Korea.

OPINION

The Secret to Midcareer Success

By Michael S. Malone

Why are some top professionals able to maintain peak performance throughout long careers, while others who may be even more talented quickly fade and fall behind? And why do some lesser performers suddenly take off in midcareer and accomplish astonishing things? Two successful tech leaders offer remarkably similar answers to these questions.

Anil Singhal was born in India but emigrated to the U.S. before co-founding NetScout Systems in 1984. Based in Massachusetts, NetScout helps companies and government agencies manage their information-technology networks. A key part of Mr. Singhal's management strategy has involved helping top young employees make the transition to midcareer success. In particular, he believes that employees' "primary skills" can take them only so far.

"Those talents by which you earned your college degrees and first made your professional reputation," writes Mr. Singhal in his upcoming book, can drive success for the first 10 years of a career. After that, "secondary skills"—social qualities like the ability to interact well with colleagues—

become the key to continued success.

Mr. Singhal believes that most employers mistakenly nurture primary skills at the expense of secondary ones. This is especially true for employees who are highly productive right off the bat. Unless they move into management or

Star employees can rise only so far unless they develop social, or 'secondary,' skills.

mentorship roles, these increasingly expensive employees can become a drag on employers as their productivity naturally falls off.

That's where leadership comes in. Facing a career plateau is hard, especially for star employees. But developing the ability to lead creates an avenue for sustained success.

Silicon Valley icon John Hennessy was a successful engineering professor at Stanford before being promoted in quick succession to department head, dean, provost and president. "I had to learn a new set of skills in a very short amount of time," he recalled in a recent interview. Those skills were more social than technical. "When you

move from the field in which you built your career and step into leadership, your technical talent becomes less important, and data becomes just another tool."

In early midcareer, says Mr. Hennessy, professionals must develop the ability to bring people together and become mentors. They must learn how to unify a team around a single vision. "The ability to tell appropriate, compelling and inspiring stories" is essential, he says. Describing work as a journey shared among colleagues helps bring employees together in a common cause.

Leadership skills won't develop on their own—they must be actively cultivated. That's one reason why even students who are preparing to enter technical and scientific fields should pursue a well-rounded education, including the liberal arts.

These transitions can be rocky. Without the right preparation, highly talented employees may turn out to be more resistant than their less-talented peers to adopting new roles. The secondary skills that will help them succeed in midcareer are radically different from the primary ones that brought them success in the early days. "You have to learn now enough to ask intelligent

questions, not find the answers yourself," writes Mr. Hennessy in a book on leadership to be published this fall. A mediocre technologist who is open to learning can become a great corporate executive, while a superstar scientist can turn out to be a lousy boss.

Shifting focus from personal productivity to supporting subordinates is a major part of the transition to management. Similarly, good managers must turn their attention away from the measurable metrics of the present toward a vision for the unpredictable future. For an employee looking to grow into a leadership role, these changes in perspective are as important as learning to communicate.

Why, besides the threat of declining productivity, should employers support the development of secondary skills? Because, according to Mr. Singhal, secondary skills have broad positive effects on the office as a whole. Skills like coding and accounting create value in an additive way. Communication and leadership skills are multiplicative—they help make the whole team more valuable.

Mr. Malone is dean's executive professor at Santa Clara University.

BOOKSHELF | By Randall Stross

A Startup In Focus

How to Turn Down a Billion Dollars

By Billy Gallagher

(St. Martin's, 287 pages, \$26.99)

Dude, I have an awesome idea!" The idea—sending disappearing photos—belonged to Reggie Brown, a Stanford junior. When he shared it one day in the spring of 2011 with Evan Spiegel, also a junior, Mr. Spiegel declared: "That's a million-dollar idea."

Or so the story is told in Billy Gallagher's breezy company history, "How to Turn Down a Billion Dollars: The Snapchat Story." The two students recruited a third co-founder, Robert Murphy, and launched an iPhone app named Picaboo. Mr. Brown wanted to promote it with this line: "Picaboo lets you and your boyfriend send photos for peeks and not keeps."

The original idea was expanded into a host of ways to adorn and share smartphone snapshots and short videos, not all consigned to instant erasure. Along the way, Picaboo was rebranded as Snapchat, and the parent company was named Snap Inc., becoming a publicly traded company in early 2017. Today Snapchat boasts 187 million daily users.

Billy Gallagher is aware of the paradox that he must use words to describe a product for sharing images, a product that is not easy for the uninitiated to master. "It was easier for me to write this book than teach my mom how to use Snapchat," he writes.

Snapchat's beginnings bear some resemblance to Facebook's. It was born on a campus, and the most prominent co-founder, Mr. Spiegel—like Mark Zuckerberg at Harvard—decided to drop out of college to work full-time on the startup: It was an odd decision in Mr. Spiegel's case, since he had only a few weeks remaining in the spring semester of his senior year.

And what origin story would be complete without a messy falling out among the co-founders? Mr. Brown was pushed out by the other two, and he sued in 2013. In the meantime, the company became so valuable that he was able to wrest a settlement of more than \$157 million.

Snap Inc. provides a remarkable story, not only because it has accumulated so many users so rapidly but also because it has remained an independent company in the shadow of Facebook, which in 2012 acquired Instagram, also photo-centered, for \$1 billion. A year later, noticing Snapchat's power to attract young users, Facebook offered Snap's founders \$3 billion for the company, a figure that the book's publisher has rounded down for the title. Mr. Spiegel, the chief executive, said "no," and Snap's current market capitalization, around \$23 billion, would seem to be sweet vindication. But Snap has yet to figure out how to convert its many users into net profits, and Instagram has shown no compunction about copying Snapchat features and has grown even faster.

Snapchat was born when casual photos replaced text messages among Stanford students. It now boasts 187 million daily users.

Billy Gallagher was a sophomore at Stanford when Messrs. Spiegel and Murphy were seniors, and he can write with authority about the initial appeal of Snapchat, when casual photos replaced text messages among Stanford students. In the spring of 2012, when Mr. Gallagher was contributing to the blog TechCrunch, he was able to persuade Mr. Spiegel to sit for an interview, partly, Mr. Gallagher says, because Mr. Gallagher understood that the app was not primarily being used for sexting, the focus of non-student reporters examining the Snapchat phenomenon. Mr. Spiegel told him that sexting "doesn't seem that fun when you can have real sex." In Mr. Spiegel's view, sharing snaps—of anything—was enjoyable because the images were ephemeral and didn't have to be composed for posterity. "It seems odd that at the beginning of the internet everyone decided everything should stick around forever," he said.

Mr. Gallagher is a passionate advocate for Snapchat. He sees Snapchat as a pioneer in "augmented reality," describing the whimsical overlays this way: "teenagers vomiting rainbows, wearing dog ears, and turning themselves into taco shells with Taco Bell stamped on them." When he reaches the moment in 2013 when Snapchat began to allow users to designate snaps as elements in so-called Stories—images that didn't disappear after a single viewing but remained available for 24 hours and were displayed chronologically, forming a story-like compilation—he enthuses about the idea: "With no permanence, fancy editing, likes, follower counts, or comments, users could post whatever they wanted." He recalls viewing his friends' Stories, set at the campus pool or on a golf course or posted by someone "bored to tears sending goofy selfies from the library."

But Mr. Gallagher, who refers to Evan Spiegel mostly by his first name, as if they are old roomies, breathlessly serves up Mr. Spiegel's bivolutions about how sending snaps represents a new form of conversation: "We are able to communicate through photos, not just communicate around them like we did on social media." And he talks over-excitedly about Snapchat's Spectacles, sunglasses with a built-in video camera. Calling up the Snapchat app on a smartphone "takes you out of the moment," he says, because users must raise their smartphone's camera to eye-level to capture an event. But "if you and your friends have Spectacles, none of that happens," he writes. Perhaps, he wonders, Spectacles will replace the iPhone as users' primary camera. I would point to the reports of warehouses filled with unsold pairs of Spectacles as evidence that they are not likely to feature in our immediate future.

The book goes no further than Snap's IPO in March 2017. Later in the year, several members of the small group of senior executives whom Mr. Gallagher describes as Mr. Spiegel's stalwart lieutenants departed. Working under Mr. Spiegel can't be easy. In 2015 he remarked at a conference: "I think our team would say that I'm very decisive but I change my mind a lot."

"How to Turn Down a Billion Dollars" ably if uncritically chronicles the short history of a young company catering to young users, with a young chief executive, and reveals, intentionally or not, the limitations that come with that combination.

Mr. Stross's most recent book, "A Practical Education," is centered on Stanford University and its humanities majors.

Inflation Stalks Macri in Argentina

AMERICAS
By Mary Anastasia O'Grady

Buenos Aires Mauricio Macri shocked Argentina—and even his own supporters—by winning the presidency in 2015 in a runoff against a Peronist party rival. But if the founder of the young Republican Proposal Party is still in office when his four-year term ends in December 2019, it will be an even greater accomplishment.

The last non-Peronist president to finish his elected mandate was Marcelo T. de Alvear in 1928. Two years later the military removed President Hipólito Yrigoyen in a coup, the first since the 1853 constitution was approved. A culture of political instability survives to this day.

True, there hasn't been a military coup in Argentina since 1976. Democracy was restored in 1983. Nevertheless economic crises forced the early resignations of the only two non-Peronist presidents elected in the most recent democratic period. Now Peronists claim that they are the only ones who can govern the country.

Mr. Macri could break the spell. But it is far from certain that he will, and because he underestimated the magnitude of the problems he inherited from former President Cristina Kirchner, the case for smaller government now requires even bolder leadership.

When Mr. Macri took the oath to uphold the constitution, the presidential discourse went from imperial and vengeful to civil and conciliatory overnight. Argentina's international image was also instantaneously upgraded. The Kirchners' most important alliances were with totalitarian Cuba, authoritarian Venezuela and theocratic Iran. Mr. Macri symbolizes a renewed commitment to Western democracy, including the re-establishment of relations with the U.S.

Argentines describe their country as "normal" again. Yet to succeed, Mr. Macri also has to keep his pledge to slay inflation and restore economic growth. On this score he is running behind and risks running out of time.

The long-term challenge is to liberate an economy shackled by high taxes, heavy regulation and trade protectionism. These are economic policy questions but they are fundamentally cultural hurdles in a nation with deeply rooted political traditions of

populism, mercantilism, crony capitalism and an outsize role for organized labor.

Only a system that guarantees economic freedom can produce fast growth and the wealth creation that Argentines yearn for. The country needs reliable laws that encourage risk taking and competition, and a new narrative in which entrepreneurial success is celebrated and businesses are allowed to fail.

The Peronists hope to end his presidency prematurely. They may well succeed.

This is a generational project. In the meantime, Mr. Macri faces a precarious fiscal situation caused by runaway government spending and slow growth. Total government spending at the federal, provincial and local levels, including debt service, now generates a staggering annual fiscal deficit of 8% of gross domestic product. Inflation has fallen to 25% from 40%, but bringing it down further requires a more courageous policy mix.

Mr. Macri has promised to curtail government spending. But without majorities in Congress, he has taken a gradualist approach. He imagines he's erring on the side of caution, but he's actually playing with fire.

The primary deficit, which excludes the cost of servicing the debt, was 3.9% of GDP

last year. If the government's forecasts are correct, this year it will remain stubbornly high, at 3.3% of GDP, and it will drop to 2.2% of GDP in 2019.

These large deficits are putting pressure on the central bank to print money. It has partially resisted by sterilizing some dollar inflows but, according to the Buenos Aires-based think tank Libertad y Progreso, last year the monetary base increased at the same rate as inflation.

In a country where union power is legendary, this is particularly pernicious because it fuels inflationary expectations. Mr. Macri will face his next big test when the government negotiates salary increases with the teachers unions in March. In anticipation of that showdown, union activists—Mrs. Kirchner's most important constituents—have organized a nationwide mobilization for late February. They hope to paralyze the country, push wages to match current inflation, quash Mr. Macri's agenda and add his name to the Peronist list of interrupted presidencies.

Mr. Macri's party did well in midterm elections last year, which means the nation backs his efforts. But today's benign global-market conditions will not last forever and punishingly high interest rates, now around 28%, stifle growth. Argentina needs a decisive strike against inflation. So does Mr. Macri's presidency if it is to survive and thrive.

Write to O'Grady@wsj.com.

It's Too Hard to Search the Cloud

By Michael Chertoff

Conflicts of law in cyberspace have grown worse in recent years. Multinational technology companies now regularly fight costly legal battles with the U.S. government. Both sides want to know: Can a U.S. warrant compel the disclosure of data stored abroad and subject to foreign law? Whose law takes precedence? What can be done to prevent such conflicts?

A significant increase in the use of cloud services has also made the situation more complicated. Data once physically stored in a filing cabinet is now on a server located anywhere in the world. Mail once in a desk drawer is now "shredded" into thousands of pieces spread across servers in multiple countries. The details of people's lives, earlier confined to their homes and offices, are spread around the globe.

Foreign governments naturally take interest in this data. They often have legitimate

reasons to compel service providers to turn over information stored abroad, especially when it is relevant to a criminal investigation. But legal conflicts between countries also create perverse incentives. Some countries may pursue unfettered access to data stored abroad while requiring their own citizens' data to stay within their borders.

Congress takes up international conflicts of law in cyberspace.

What does this balkanized internet look like in practice? Companies subject to competing legal demands must choose which country's law they will violate. Deciding where to locate servers becomes a matter of legal gamesmanship rather than technological efficiency. The outlook for such an internet is grim.

Writing in these pages three

years ago, I called for an international rule of law for cloud data. Last week, a bipartisan group in Congress took the first step in building such a system. The Clarifying Lawful Overseas Use of Data Act—or Cloud Act—seeks to resolve these conflicts of law while balancing them with the legitimate investigatory needs of law enforcement.

The legislation encourages the negotiation of bilateral data-access agreements between the U.S. and like-minded countries, such as the United Kingdom. Such agreements would allow foreign law enforcement to pursue data stored in the U.S. through their own legal processes—and vice versa—provided the country meets necessary legal and civil-liberty requirements.

Beyond bilateral agreements, the bill embraces the concept of data citizenship. This means applying U.S. warrants to data belonging to "U.S. persons," even when that data is stored abroad or concerns foreign nationals.

It also allows providers to challenge a U.S. warrant when the target is a foreign data owner. Finally, it allows providers to notify foreign countries when they receive an order to turn over data stored within that country, affording countries the opportunity to protect.

While the bill does not eliminate all conflicts of law within the cloud, it still helps reduce them. This act, and the bilateral agreements it enables, is a first step in the development of a broader transnational agreement on data availability. It's not perfect, but Congress's latest effort may be the next step toward an international rule of law for the cloud.

Mr. Chertoff was secretary of homeland security, 2005-09. He is executive chairman of the Chertoff Group, a security and risk-management firm, and author of a forthcoming book, "Exploding Data: Reclaiming Our Cyber Security in the Digital Age."

OPINION

REVIEW & OUTLOOK

The Pyongyang Olympics

The winter Olympics are under way in South Korea, and the big winner is... North Korea. Thanks to an appealing government in Seoul and a gullible Western media, the prison state in Pyongyang is getting a public-relations makeover worthy of the 1936 summer games in Berlin.

"Kim Jong Un's sister is stealing the show at the Winter Olympics," said an actual headline on CNN Saturday. The story was an encomium to the heretofore undetected charms of North Korea's first sister, who is the North's lead emissary to the games.

"With a smile, a handshake and a warm message in South Korea's presidential guest book, Kim Yo Jong has struck a chord with the public just one day into the PyeongChang Games," said the story. "Seen by some as her brother's answer to American first daughter Ivanka Trump, Kim, 30, is not only a powerful member of Kim Jong Un's kitchen cabinet but also a foil to the perception of North Korea as antiquated and militaristic."

Ah, the North Korean Ivanka. What's she wearing—Armani Privé? How does she keep that youthful, glowing complexion on a starvation diet?

The Western media also went ga-ga for the North Korean cheerleaders waving flags in sync at a hockey game. A tweet from @NBCOlympics showed a video of the red-dressed Reds with the caption, "this is so satisfying to watch." Yes, and if any of them gets out of line, her family could be sent for an extended stay at one of the exquisitely outfitted villas at a work camp, perhaps with a lovely mountain view.

But back to the charming Kim Yo Jong, whose smile was contrasted with the white male visage of Vice President Mike Pence, who led the U.S. delegation. Philip Bump, a Washington Post reporter, tweeted a photo with Ms. Kim looking from behind at Mr. Pence with the caption, "Kim Jong Un's sister with deadly side-eye at Pence." You go, girl.

Mr. Bump has since pulled the tweet, but his willingness to favorably contrast a member of a despotic family clan with an American Vice President was typical of the weekend's Olympics coverage.

For the record, Ms. Kim's brother ordered

The Western media discover the hidden charms of North Korea.

the murder of their half-brother last year using the VX nerve agent at the Kuala Lumpur airport. He then held Malaysian diplomats hostage until Malaysia turned over Pyongyang's agents who plotted the assassination. In 2013 he killed his uncle with antiaircraft fire.

The media's dictatorship indulgence might not matter if it didn't seem to be having diplomatic consequences for the U.S.-South Korean alliance. South Korean President Moon Jae-in treated Ms. Kim like a visiting princess, and she invited him to visit Pyongyang, which the global press corps treated as a genuine breakthrough for peace.

Never mind that Pyongyang staged a military parade the day before the Olympics opened, showcasing a new ballistic missile. Or that the North still insists it will never negotiate over nuclear weapons or the missiles it now launches over Japan.

Mr. Moon deserves much of the blame for this week's charade. He set the tone by inviting Ms. Kim and North Korean head of state Kim Yong Nam to sit with him at the opening ceremony. He then invited them to the presidential mansion the following day, opening the door to the summit invitation.

Mr. Moon didn't immediately accept. But the offer is an attempt to drive a wedge between the U.S. and South Korea and secure concessions from Mr. Moon, who suspended sanctions and paid the North's expenses to secure its participation in the Olympics. The invitation opens the door for more propaganda blaming the U.S. for tensions created by the Kims.

The one leader who behaved with dignity this weekend is Mr. Pence. He was put in the awkward position of following what has been the joint U.S.-South Korean policy that the North must stop its nuclear program before a rapprochement can happen.

While Mr. Moon was toasting Ms. Kim, Mr. Pence met with North Korean defectors. But that meeting received less coverage than North Korea's cheerleading squad. Mr. Pence stood with the victims of the Kim regime, even as the North pressures Mr. Moon to return defectors to almost certain death.

The Anthem Class-Action Con

Plaintiff attorneys aren't easily shamed, but they should be after a rebuke by a federal judge in California for trying to con class-action victims.

Four law firms last year negotiated a \$115 million settlement with insurer Anthem to cover a 2015 data breach that compromised 79 million birth dates, Social Security numbers, addresses and income data. Yet a mere \$51.4 million would go to victims—\$0.65 on average per member, including the cost of free-credit monitoring. Attorneys demanded \$63.6 million because of what they called their "exceptional results" and the "extremely risky nature" of the case.

In addition to demanding a large contingency fee, attorneys managed to produce some astonishing billable hours. The four lead firms—Altshuler Berzon (San Francisco), Lieff Cabraser Heimann & Bernstein (San Francisco), Girard Gibbs (San Francisco), Cohen Milstein Sellers & Toll (Washington, D.C.)—farmed out work to 49 other firms including some that federal Judge Lucy Koh, an Obama appointee, excluded from the case. This resulted in duplicative work and increased the fee by \$13.6 million.

"I never would have approved 53 law firms in my case. If I thought eight was too many,

Judge Lucy Koh exposes what amounts to legal looting.

what made you think I wanted 53 firms churning on this case?" Judge Koh scolded the attorneys recently. This profit-sharing agreement may be an antitrust violation if they colluded to carve up other cases or raise their rates.

The judge also asked why 100 of the 329 attorneys who performed routine tasks like document review were partners at their firms and a couple dozen were contract attorneys charging \$300-\$400 an hour. The prevailing wage for contract attorneys is \$25 to \$50 per hour. "I would like you to find a single paying client that would have approved these type of markups in a contract attorney," she told the attorneys. "I'm entitled to know how much profit you think you're entitled to with regard to every one of these people."

The judge intends to direct a special master to investigate the billing records. Credit to Ted Frank of the Competitive Enterprise Institute for objecting to the settlement and blowing the lid off the scam. Plaintiff attorneys are this brazen because their chicanery rarely draws judicial scrutiny, particularly in the Ninth Circuit Court of Appeals where judges generally rule in their favor. The U.S. could use more Ted Franks and Lucy Kohs.

Release the FISA Documents

President Trump Friday refused to declassify the Democratic memo on the Federal Bureau of Investigation and the Foreign Intelligence Surveillance Court (FISA), sending it back for negotiation with the Justice Department over intelligence sources and methods. This intelligence memo feud has become a frustrating political back and forth that needs to be trumped with more transparency.

Mr. Trump claimed in a tweet on Saturday that Democrats laid a trap with their 10-page memo, deliberately adding classified material that they knew "would have to be heavily redacted, whereupon they would blame the White House for lack of transparency." That may be true, but it worked. Senate Democratic leader Chuck Schumer quickly sent out a statement, "what is he hiding?"

Our sources say the Democratic memo—six pages longer than the GOP version released a week ago—has three main themes. The first argues for the credibility of Christopher Steele, the former British spy who compiled the dossier that the FBI used as the bulk of its justification for a wiretap on Trump campaign adviser Carter Page. The second is that the FBI had good reason to surveil Mr. Page, and third is that the GOP memo is partisan.

None of this sounds like earth-shattering news since Democrats and their media echo chamber have been saying it for days. But keeping the memo classified plays into the Democratic narrative because the public can't see

The public deserves to see the full record on the FBI wiretap request.

the evidence behind their public claims. Let's see what they've got.

The better remedy for these competing claims is to declassify all of the documents that House Intelligence Committee Members and staff used to compile the memos. This includes the full FBI application for a wiretap order from the FISA court—the original application and the three extensions. This would let the public see the full record and judge who is closer to the truth.

The FBI and Justice will claim this compromises intelligence sources and methods, but that's what they said about the original GOP memo. It did not. They said the same about a letter from Senators Chuck Grassley and Lindsey Graham concerning Mr. Steele's credibility. That also didn't spill any essential secrets, though it did provide crucial information to help the public understand what happened.

Anything that did betray U.S. intelligence-gathering sources could be redacted, though the FBI has to be checked for trying to redact information that is merely embarrassing to the FBI, not damaging to national security.

The questions surrounding the legitimacy of a U.S. presidential election and potential abuse by the FBI are too important to public trust to keep mired in partisan claims based on a hidden public record. If that record vindicates Mr. Trump, as he claims, then he has further incentive to get everything out. Americans can handle the truth, and they deserve to see it.

LETTERS TO THE EDITOR

Why Would the Pope Trust China for Bishops?

Your editorial "The Bishops of Xi Jinping" (Feb. 2) reports Pope Francis will soon sign an agreement with China that will "allow" the pope to appoint all bishops in China, but only from a candidate list chosen by the atheist communist government. That is organizational madness.

Consider a Catholic bishop's powers: He ordains all priests, operates seminaries, elementary schools, high schools, colleges and universities, including all that is taught and who teaches it. He appoints leaders of all church organizations, interprets church law, hears confessions and controls the money. Archbishops and cardinals come from the ranks of bishops, as do popes.

Some questions: Since bishops would come only from the Communist Party candidate list, can they really have primary loyalty to the pope? Might these Chinese government-picked bishops be transferred around the world? Can confessional confidentiality be trusted to bishops or the priests they ordain, whose allegiance is to the Communist Party? Will church laws be interpreted to conform to communist tenets? Will such a pope-approved power shift from church to state be open only to China or will other governments ask for this?

What will happen to the 10-million-member Vatican-run church in China and to its bishops? That much-abused underground Catholic Church now competes with a much larger govern-

ment-run Chinese Catholic Patriotic Association Church and a Chinese Catholic Bishops' Conference that are answerable directly to the Communist Party, not Rome.

JOE MORAN
Orinda, Calif.

The concession of allowing the Chinese government to place bishops is a violation of Vatican II's declaration on religious freedom, which proclaims the autonomy of the sacred and secular realms. Pope Benedict XVI warned in his pastoral letter to China (2007) that bishops sustained and controlled by the government become state officials.

THE REV. MICHAEL P. ORSI
Naples, Fla.

This act seemingly contradicts almost everything Pope Francis preaches every day about surrendering things of this world for the things of heaven. This act of expediency harks back to the political maneuvering of the 1400s and 1500s that led, in no small measure, to the Protestant Reformation and schism in the church. I stand in solidarity with Cardinal Joseph Zen and am highly, highly, disappointed. What would Saints Thomas More or Pope John Paul II say?

WAYNE CIMONS
Alexandria, Va.

Many of us Catholics miss our German shepherd.

JONATHAN ORAM
South Bend, Ind.

Past No Help on Who Will Control the House

It is true that no one can predict what will occur in this year's elections, and Daniel Henninger could be correct that Republican control of the House is in jeopardy ("Can Trump Hold the House?", Wonder Land, Feb. 1). He refers to Lyndon Johnson's Democratic House losses in the midterms of his first term and those of George W. Bush in the midterms of his second term in office. This difference is significant.

President George W. Bush is the only president in modern history to see his party gain seats in both houses in his first term. This is important because of the parallels between Mr. Bush's and President Trump's first terms.

President Bush's first term was marked by repeated claims by the opposition, including the media, that he wasn't legitimately elected. His opponents also took to demonizing everything he said or did, claiming, repeatedly, that he and his supporters were not only wrong, but in effect, immoral. If this sounds familiar, it should. The Republicans bucked history and romped through the 2002 midterms precisely because the vot-

ers were sick and tired of being called names by the media and Democrats for nothing more than believing in traditional values, and voted accordingly. The disingenuousness of Democrats and the media today is essentially the same, but greatly amplified. There is every reason that the Republican wave of 2002 (and of 2016) will continue this year.

GEOFFREY C. PRICE
Austin, Texas

One reason President Clinton was able to gain congressional seats in 1998, despite the Lewinsky scandal, was that voters resented the GOP's overreaction to what most people considered a private matter (lying about an extramarital affair). As troubled as voters may have been by Bill Clinton's poor judgment, they were even more annoyed that a do-nothing Republican Congress led by Henry Hyde and Newt Gingrich had chosen to sabotage this very popular president's second term by conducting a never-ending series of partisan hearings and investigations.

RICHARD FEINBERG
Boston

Let the Noble but Aged A-10 Enjoy a Well-Deserved Rest

In "Why Illinois Got Out of the Hedges" (op-ed, Feb. 1), Marc Levine criticizes the hedge-fund industry, asserting that its "strategies seem better suited to generating publicity than great returns." While I respect Mr. Levine's opinion and his dissatisfaction with the Illinois State Board of Investment's portfolio, many of his pension-investor colleagues seem pleased with how hedge funds help them better meet the needs of the workers, retirees and taxpayers who rely on their success. Hedge funds improve portfolio performance and diversify risk, important reasons why 72% of investors met or exceeded expectations in 2017, according to a new report from independent data provider Prequin.

While hedge funds may not fit into everyone's portfolio, they continue to be an important tool for keeping the retirement income promises made to America's workers. The firms that I represent participate in one of the world's most intensely competitive industries, work hard to achieve the complex objectives of our clients and, we believe, have largely succeeded.

RICHARD H. BAKER
President and CEO
Managed Funds Association
Washington

I would like to address Phil Mooney's Jan. 30 letter suggesting that the Air Force pull A-10s out of bone-yards. This may sound like a great idea, but it isn't cost effective or in most cases even possible.

I have worked in aerospace for 38 years and on eight different military airplanes. Companies assign each airplane a lifetime number of hours the planes can fly safely. The amount of stress each warfighter's internal metal structures experience within each flight is astonishing. Each flight can cause very small amounts of metal fatigue and internal metal breakdown until the plane is parked or remanufactured or, heaven forbid, there is an in-flight failure. To remanufacture a bone-yard plane would entail tearing into the core of the plane and then replacing all parts at today's labor cost and with available technologies. You may be able to search boneyards to locate planes that were parked for a reason other than reaching maximum flight hours, but then engineers still would need to evaluate whether a plane could be reworked in a cost-effective way.

ALLEN RAPERT
Lake St. Louis, Mo.

Pepper ... And Salt

THE WALL STREET JOURNAL



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ANTHONY ADOLPH

Austin, Texas

"I hope we're the people who get fooled only some of the time."

OPINION

The Iran-Israel War Flares Up

By Tony Badran
And Jonathan Schanzer

The conflict between Israel and Iran may be heating up after a half-decade simmer. On Friday night Iran dispatched a drone from Syria that penetrated Israeli airspace in the Golan Heights. Israel destroyed it with an Apache helicopter. Then on Saturday Israel sent eight F-16s across the border to strike the airfield in the Homs governorate, called the T-4 base, where the drone originated, as well as a handful of other Iranian targets. Although the mission was a success, one F-16 was shot down by Syrian antiaircraft fire—though the pilot made it back to Israel, where he and his navigator ejected successfully.

The fight is over a Qods Force presence on the Syria-Israel border. How will the U.S. respond?

This was the most significant clash to date between Israel and the so-called Axis of Resistance—Iran, Syria's Assad regime and Hezbollah—since Iran began deploying soldiers and proxies to Syria six years ago. Israel insists its response was limited and its intent is to contain this conflagration. Its critics worry that the skirmish could explode into one of the worst wars

the Middle East has ever seen.

The Iranians have been exploiting the chaos of the Syrian civil war to build up military assets there that target Israel, all the while sending advanced weaponry to Lebanon by way of Damascus, also under the fog of war. The Israelis have been vigilant; they have destroyed some of this hardware in Syria with one-off strikes. In December they struck an Iranian base southwest of Damascus, some 30 miles from the Golan Heights. But they had never entered Syria with the kind of overwhelming force seen on Saturday morning.

What prompted this level of response is still unclear. Israeli military officials won't say whether the Iranian unmanned aerial vehicle was armed. It would be a surprise, though, if Israel's reprisal was prompted by an unarmed UAV. Indeed, this was not the first drone incursion into the Golan Heights. Last year, Israel's missile defenses intercepted several Iranian-built drones, operated by Hezbollah, attempting to enter Israeli airspace from Syria.

The Israel Defense Forces had warned that the T-4 base was crawling with fighters from Iran's Qods Force, an arm of the Islamic Revolutionary Guard Corps. Prime Minister Benjamin Netanyahu had paid multiple visits to Moscow hoping to convince President Vladimir Putin to curb the threatening activities of Iran and its proxies. Mr. Putin has established a formidable presence in Syria since 2015, when his forces entered the country ostensibly to combat Islamic State.



ABIR SULTAN/REUTERS/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY
Israeli soldiers inspect the wreckage of the downed F-16 Saturday.

The Israelis took a significant risk Saturday of rankling the Russians, especially since they reportedly did not warn Moscow of the attack in advance. Russian personnel sometimes embed with Syrian air-defense units and are sometimes present at the T-4 base. Thus the strike might have been intended as a message to the Russians as much as to the Iranian axis.

Whether Russia had advance knowledge of the Iranian drone operation isn't clear. Nor do we know whether Russia was involved in unleashing the Syrian surface-to-air missiles that downed the Israeli F-16. What we do know is that after many Israeli airstrikes in Syria over many months, this was the first time Syrian antiaircraft weapons managed to hit a target. That points toward Russian involvement.

Even so, the Israelis were not deterred from launching, within hours, a second wave of airstrikes against additional Iranian and Syrian targets, including air-defense sites, many of which likely had been monitored for months. According to Israeli sources, the second wave was the largest aerial attack against Syria since the Lebanon war of 1982, when the Israeli Air Force hammered Syria's Soviet-built surface-to-air missile batteries in the Bekaa Valley.

Now all eyes are on Israel as it mulls its next moves. For Jerusalem, the status quo is unsustainable. The Iranians are clearly willing to absorb tactical strikes so long as they are able to consolidate their strategic

position, which will prepare them for a future conflict with the Jewish state. So while Israel's political leaders are eager to avoid conflict, the military brass may soon determine that postponing it would be the riskier course.

The Israelis also are working the phones with the Trump administration, which has affirmed Israel's right to defend itself. That declaration will carry significance as Israel considers its options. Washington continues to tweak its new policy of targeting Iran with multiple instruments of American power. But this policy is encumbered somewhat by the White House's agreement with Russia to maintain a "de-escalation zone" in southwest Syria—an agreement that clearly benefits Iran and the status quo.

The Pentagon and State Department have already condemned Iran and thrown their support behind Israel. The question now is whether the Trump administration will go further. In a speech last month unveiling the administration's strategy for Syria, Secretary of State Rex Tillerson affirmed that the U.S. seeks not only to ensure its allies' security but to deny Iran its "dreams of a northern arch" from Tehran to Beirut. A good way to achieve both objectives would be to back Israel's responses to Iran's aggression—now and in the future.

Mr. Badran is a research fellow and Mr. Schanzer senior vice president for research of the Foundation for Defense of Democracies.

An Honest Federal Budget Would Help Control Spending and Debt

By Glenn Hubbard

Congress and President Trump finally agreed Friday to a spending bill reopening the federal government after another brief shutdown. Success? No. The deal's spending boost—ahead of large deficits to appear in Monday's White House budget—should ring alarm bells. What Americans need from our leaders is a new kind of budget.

The debates over taxes, spending, infrastructure and health-care financing center on policy arguments. They pay too little attention to the big picture—a framework for budget choices, how government makes those choices, and who is accountable for them. The political process avoids those questions not because they are insignificant but because they are difficult, and because no institutional mechanism mandates their debate.

For most of American history, balancing fiscal trade-offs was more straightforward. From 1789 until the 1960s, substantial accumulations of public debt were byproducts of wartime. Postwar spending restraint and economic growth reduced the debt

significantly as a percentage of gross domestic product. Such outcomes reflected an agreement across party lines that ordinary operations of government were to be funded by balanced budgets. Ordinary operations of government included "public goods" like defense, civil service, and national infrastructure. During peacetime, debt was used only to finance major investments in the nation's expansion.

The ratio of federal debt held by the public to GDP has skyrocketed, from 26% in 1970 to 75% in 2017. Our present-day arguments over tax burdens notwithstanding, this shift reflects changes in spending. And spending has shifted away from traditional public goods toward private benefits in the form of transfer payments like Social Security and Medicare, while no mechanism forces tax changes to fund current and projected spending.

This observation is not meant to suggest simply that "spending is too high." Rather, the issue is one of accountability for spending choices.

Historically, spending on war or territorial expansion was conceptualized as "capital" spending—benefiting current and future generations, who

shared the costs. Regular operations were borne by the people alive at the time. Such an approach does not necessarily mean lower spending, but it does require current taxpayers, not future ones, to pick up the bill.

Our present budget institutions are not up to the task. While vigorous debates occur over individual policies, no real constraints operate

Lawmakers argue over policies, but no one wants to be held accountable for overall priorities.

on the budget in toto. Attempts to do so in recent years have failed.

The first step toward a remedy is the provision of information to the public about the state of public finances, the future federal debt relative to GDP, and the economic impact of that debt. But this change by itself is likely insufficient for ensuring that today's taxpayers fund today's services and transfer payments. To accomplish this shift requires a more rules-based approach.

In recent decades, discussion of this idea in the U.S. has focused on forms of a balanced-budget amendment to the Constitution.

Such constraints, of course, raise legitimate concerns about needs for spending in extenuating circumstances beyond regular operations and exacerbating business cycles. But that doesn't mean a reasonable rule cannot be formulated. One could define a budget rule as a spending limit, rather than a balanced-budget limitation.

The Hoover Institution's Tim Kane and I have offered one idea—that each year's total federal spending be limited to the average annual inflation-adjusted revenue of the previous seven years. This formulation attenuates problems posed by inflation and the business cycle. Temporary spending increases could be approved by legislative supermajority votes, with increasing supermajorities required for longer departures from the rule. Such departures would be up to the Congress at the time, as opposed to predefined categories.

A focus on spending necessarily confronts transfer payments, which loom large in current and future budgets. A welfare state financed by

current taxpayers could well be smaller than the present one. But that is not an automatic consequence of a spending rule. Voters may like higher spending enough to agree to higher taxes. If, for example, an aging society is deemed to warrant more spending going forward, voters as taxpayers can agree to finance it. Put this way, a spending rule is not a partisan restraint on government. While advocates on the left for higher transfer payments will feel the pinch of a spending rule, so too will tax cutters on the right feel the pinch of explaining spending cuts as a consequence.

The fights over the budget deal and the contentious scramble for revenue to finance tax cuts, all while problems of long-run fiscal sustainability loom large, likely signal a last gasp of our current approach to budgeting. Adding to a discussion of individual policies a deeper conversation about budget institutions is important if we are to balance spending desires with their funding.

Mr. Hubbard, dean of Columbia Business School, was chairman of the U.S. Council of Economic Advisers under President George W. Bush.

Lincoln Wasn't Handsome, but He Had a Great Sense of Humor

By Richard Carwardine

Abraham Lincoln was a compulsive teller of stories and jokes, the first president to make laughter a tool of office. No occupant of the White House has since surpassed his comic talent. Franklin D. Roosevelt's lightheartedness seemed undignified, while the youthful John F. Kennedy often felt compelled to suppress his sense of humor in public. Ronald Reagan came closest to Lincoln in his skill as a raconteur, but his critics saw his humor as a vaudevillian substitute for thought.

Lincoln's humor was a habit of mind. His laughter and melancholy were two sides of a coin. His friend Justice David Davis recognized that Lincoln's stories "were done to whistle off sadness." Ground down by the cares of wartime office and personal tragedy, Lincoln the president found a lifeline in humor.

His tastes were inclusive. He loved Western tall tales, bawdy

jokes, linguistic tricks, absurdities and sharp wit. Nothing gave him more pleasure than satirical work lampooning the American republic's ethical double standards. He knew, following Plato, that serious things cannot be grasped without ridiculous ones.

As a younger man, he sometimes indulged in cruel sarcasm. That once led a political rival to challenge Lincoln to a duel, which was aborted only as the parties reached the dueling ground. At its gentlest best, however, his humor reflected an appreciation of the foibles, weaknesses and absurdities of humankind.

Lincoln was as clever in using humor as he was resourceful in political management. Mostly it was a weapon to win political or personal advantage, sometimes by frontal assault on opponents, but much more commonly by lucid exposition through parable, refusal through wit, and diversion through cunning.

Stories made his points with simple economy. When Maj. Gen. John Pope telegraphed that he had captured 5,000 Confederates, the cabinet asked the president's opinion. He told the story of an old woman whose doctor prescribed medicine for constipation. The next morning, he found her "fresh and well getting breakfast." He asked, "How many movements?" Her reply: "142." He didn't believe her and repeated the question several times. "I tell you 142," she finally said—"140 of them wind." Lincoln: "I am afraid Pope's captures are 140 of them wind."

Lincoln, with his strong sense of self-worth, saw advantage in self-mockery. Conscious that many considered him an ugly man, he faced the fact head-on. He cast himself as the subject of an incident involving a man with "features the ladies could not call handsome." Riding through the woods, he met a woman on horseback. He waited for her to

pass, but instead she stopped and scrutinized him: "Well, for land sake, you are the homeliest man I ever saw." "Yes madam . . . but I can't help it," he replied. "No, I suppose not," said the lady, "but you might stay at home."

Among Presidents, only Reagan could match Abe's skill as a raconteur and wit.

No elegant drawing-room wit, Lincoln was still a clever conversationalist capable of swift rejoinders. A delegation called to urge the appointment of an acquaintance as commissioner to the Sandwich Islands (Hawaii). They emphasized his fitness for the post and his poor health, which would benefit from the balmy climate. The president

closed the interview with affected regret: "Gentlemen, I am sorry to say that there are eight other applicants for that place, and they are all sicker than your man."

Over time Lincoln's humor has come to be regarded with a fondness that was far from universal among his contemporaries. Those who warmed to his wit as president were matched by those who judged him a "smutty joker" capable only of telling "little stories" while the republic pursued its blood-soaked struggle.

Yet we should take Lincoln's ability to see the absurd side of life as a measure of his well-developed humanity. We may also reflect that it gave him the sense of proportion all presidents need if they are to elevate their office into the realm of statesmanship.

Mr. Carwardine is author of "Lincoln's Sense of Humor" (Southern Illinois University Press, 2017).

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Notable & Quotable: What We Need Now

Steve Malanga writing at CityJournal.org, Feb. 8:

Tom Brokaw wrote *The Greatest Generation* two decades ago to pay tribute to those who had to come of age during World War II, a time "buffeted by winds of change so fierce that they threatened not just America but the very future of the planet." If anyone understood the stark contrast between what that generation confronted and what America today is like, I would have thought it would be Brokaw. But several weeks ago, I saw some posters for a new Broadway show, *Come From Away*, that's pitching itself as an inspirational take on the days after September 11, which came with a blurb from Brokaw: "We need it, especially now."

More recently, I saw ads touting a very different musical, *Once on This Island*, a love story set in the Caribbean. Again, the blurbs from critics proclaimed that the show was "Just what the world needs now." Sensing a trend, I began counting up the "We need this now" references and quickly accumulated dozens of them. Apparently, the Age of Trump is so distressing that we need emotional support from storytellers, encompassing a broad range of genres and motifs—melodramatic TV escapism, dark dystopian fiction, gender-bending protest film, inspirational Broadway musical, unacknowledged 1970s sci-fi classic, World War II historical drama, gangster movie, and more besides . . .

I'm not the only one to notice this

trend. Tired of reading movie reviews employing the "what we need right now" phrase, a Guardian writer admonished critics . . . to stop categorizing every movie they like in this manner, because believing that films can change an apparently awful reality is just "wishful thinking." I can see how he would be pessimistic; he admits that he saw the popularity of *The Hunger Games* as a signal that "Americans were finally ready to fight back against our oligarchic leaders and oppressive culture of wealth and celebrity." He clearly misjudged the films' success, which obviously signaled that America wanted to elect a Reality TV show host as president. All of which puts me in mind of *The Apprentice*. Now there's a show that we need right now!



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THE WALL STREET JOURNAL.

Monday, February 12, 2018 | B1

Broadcom Lines Up Qualcomm Financing

By DANA CIMILLUCA

Broadcom Ltd. secured as much as \$100 billion of debt financing for its hostile bid for **Qualcomm** Inc. and enlisted two more big private-equity firms, strengthening the chip giant's hand in the takeover battle.

A dozen banks—including **Bank of America** Corp., **Citigroup** Inc., **Deutsche Bank** AG, **JPMorgan Chase** & Co. and **Morgan Stanley**—have agreed to provide up to \$100 billion of committed credit facilities, including a \$5 billion revolver and bridge financing, according to people familiar with the matter.

Private-equity firms **KKR** & Co. and **CVC Capital Partners** agreed to join **Silver Lake** in providing \$6 billion in convertible debt for the deal and post-closing working-capital needs, the people said.

Broadcom has been in pursuit of Qualcomm since November and has nominated a slate of directors that would be voted on at a meeting in early March. Broadcom a week ago raised its bid to \$82 a share in cash and stock, or more than \$120 billion.

The commitments would enable Broadcom to fully fund the \$60 a share cash portion of the bid.

Locking down funding for the deal would remove a major question mark over Broadcom's bid for Qualcomm, which, if successful, would be the biggest technology takeover ever.

Adding two sophisticated investors could also help propel the effort.

But it still faces major hurdles. Qualcomm has said the price is still too low and faces steep regulatory risks. It has agreed to discuss the takeover attempt with Broadcom, and the two sides were expected to convene early this coming week.

Comcast Eyes Rekindling Fox Bid

By AMOL SHARMA
AND SHALINI RAMACHANDRAN

Cable giant **Comcast** Corp. is contemplating reviving its pursuit of **21st Century Fox**, after its bid for the company's entertainment assets was turned down despite being over 15% higher than that of eventual buyer **Walt Disney** Co., according to people familiar with the situation.

Disney struck a deal with Fox in December, agreeing to pay \$52.4 billion in stock. Fox

turned down a Comcast offer that was in the low-\$60 billions range, the people said. The assets on the table in both offers were essentially the same, including the Twentieth Century Fox movie and TV studio, international pay TV properties and some U.S. cable networks.

Fox's primary concern about the Comcast bid was that a tie-up between the companies would face significant antitrust risks, people familiar with the discussions said.

A Comcast acquisition of Fox would be a "vertical" deal adding more cable TV channels to a company that also is a powerhouse in channel-distribution.

The government signaled concerns about vertical deals when it sued to block **AT&T** Inc.'s acquisition of **Time Warner** Inc., a case that heads to trial next month. Some Wall Street analysts noted the potential roadblocks in Washington to a Comcast-Fox deal.

Comcast believed it had of-

fered substantial protections in its offer against antitrust risk, some of the people familiar with the situation said.

Fox executives positioned the Disney deal as a chance for its investors to benefit from Disney's vast content machine and plans to battle the likes of **Netflix** Inc. with direct-to-consumer streaming services. After an asset sale, the remaining "new Fox" would have properties including the Fox broadcast network, Fox News and Fox Sports 1.

21st Century Fox Chief Executive James Murdoch, son of Executive Chairman Rupert Murdoch, may get a position at Disney if the deal is completed. It is also possible the younger Mr. Murdoch could strike out on his own.

The Murdoch family controls a 39% voting interest in both **21st Century Fox** and **Wall Street Journal** parent **News Corp.**

A Disney spokeswoman didn't immediately respond to *Please see FOX page B2*.

Rural Northwest Spawns a Bitcoin Hot Spot



Bitcoin miners like Giga Watt have flocked to rural Washington state to take advantage of the region's low electricity prices. B4

Bitcoin mines pack a lot of power consumption into small spaces. Their energy use per square foot far surpasses other users in Washington's Chelan County.

Power use per square foot, per year

Public school		Residential home		Hotel		General hospital		Grocery store		Computer data center*	
10	kWh	12		18		32		40		2,100	

*Includes crypto mining facilities

Source: Chelan County Public Utility District

Wells Errs In Effort To Make Amends

By GRETCHEN MORGENSEN
AND EMILY GLAZER

Wells Fargo & Co. is having trouble doing right by the customers it has wronged.

The big bank acknowledged that it recently sent out 38,000 erroneous communications to customers that it forced to buy unneeded auto insurance.

In some cases, according to two people briefed on the matter, Wells Fargo has also sent refunds to people who weren't the bank's customers; notified those who were harmed of incorrect amounts to be paid; and told people of coming refunds though they had never gotten the insurance.

In another matter, Wells Fargo has yet to begin a broad-based reach-out related to refunds for as many as 110,000 customers who were charged improper fees to extend interest-rate commitments they received from Wells Fargo on their mortgages, people familiar with the matter said.

Please see WELLS page B2

Unilever Threatens to Pull Ads

By SUZANNE VRANICA

Unilever PLC is threatening to pull back its advertising from popular tech platforms, including YouTube and **Facebook** Inc., if they don't do more to combat the spread of fake news, hate speech and divisive content.

"Unilever will not invest in platforms or environments that do not protect our children or which create division in society, and promote anger or hate," Unilever Chief Marketing Officer Keith Weed is expected to say Monday during the Interactive Advertising

Bureau's annual leadership meeting in Palm Desert, Calif.

"We will prioritize investing only in responsible platforms that are committed to creating a positive impact in society," he will say, according to prepared remarks.

Unilever, one of the world's largest advertisers, is leveraging its spending power to push the digital media industry to weed out content that funds terrorism, exploits children, spreads false news or supports racist and sexist views. The consumer-products giant spent more than \$9 billion marketing its brands such as Lipton, Dove

and Knorr last year, according to the company's annual report.

In the wake of the 2016 election, YouTube, Facebook and other tech companies have come under scrutiny for allowing the spread of misinformation—criticism partly fueled by evidence that Russian actors used their platforms to disseminate information designed to manipulate U.S. voters.

Meanwhile, YouTube, which is owned by **Alphabet** Inc.'s Google, has taken plenty of heat for running ads alongside extremist, racist and hateful videos, forcing brands to sus-

Please see ADS page B5

INSIDE



INVESTORS SEE A BIT OF 1987 IN 2018

STOCKS, B9

Deal for Weinstein Co. Falls Apart After Suit

A deal to sell troubled **Weinstein** Co. fell apart Sunday after the New York attorney general filed a lawsuit against the independent movie studio and its co-founders, Bob Weinstein and Harvey Weinstein.

By Ben Fritz,
Keach Hagey
and Mike Vilensky

A group led by businesswoman Maria Contreras-Sweet was close to a deal to buy Weinstein Co. for close to \$500 million, including the assumption

of debt, when the attorney general filed the suit Sunday, said a person close to the transaction.

Though the attorney general didn't seek a restraining order halting the sale, the lawsuit introduced too much uncertainty for the deal to go ahead, people close to the talks said.

"The board's whole purpose here was to try to keep this a going concern, save jobs—there's over 100 people's jobs at stake—and we were taking

Please see SUIT page B5

Midcap companies know how to carpe diem.

And carpe decade.

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MDY is one of the many first-to-market ETFs from State Street Global Advisors.

Source: Morningstar as of 12/31/17. Based on funds in the Morningstar Mid-Cap Blend Category (oldest share class). Rankings are based on returns after taxes that are net of all fees, maximum federal tax rate (39.6%) and applicable sales loads. Universe: 110 funds for 10 years, 134 funds for 5 years, and 148 funds for 3 years. MDY's 1-year peer group percentile is 37% (64 of 175 funds). Past performance is no guarantee of future results.

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MDY | THE MIGHTY MIDCAP

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BUSINESS & FINANCE

Drink Makers Combat Soda Slump

By CARA LOMBARDO

Coca-Cola Co., PepsiCo Inc. and Dr Pepper Snapple Group Inc. have been remaking themselves for the past decade, adding products like kombucha tea and coconut water as consumers migrate to less sugary drinks.

But the three drink giants, set to report their fourth-quarter earnings this week, have recently embraced different strategies to combat the long slide in soda sales.

PepsiCo said Thursday it is launching a colorful seltzer-water brand called Bubly, making it the latest drink company to go after a larger piece of the flavored sparkling water market. The market grew by more than 15% last year to \$2.4 billion, according to research firm Euromonitor International, led by **National Beverage Corp.**'s La Croix.

PepsiCo will need Bubly and more to reinvigorate its North American beverage unit, its largest, whose profit dropped 10% last quarter. The company blamed disappointing results on cooler summer weather and too much marketing focus on healthier brands. Analysts polled by Thomson Reuters expect the segment to report



PepsiCo, as well as Coca-Cola and Dr Pepper, are to report results.

fourth-quarter revenue of \$5.9 billion, down from \$6.3 billion a year ago.

To offset the drop, PepsiCo has leaned on its snack business, which includes brands such as Doritos and Sun Chips, and a companywide cost-cutting initiative that has yielded annual savings of around \$1 billion. But analysts worry the Purchase, N.Y., company is making things worse for itself by not keeping drink prices in line with those of competitors.

Dr Pepper, the smallest of the three drink rivals, revealed plans last month to merge with Keurig Green Mountain, a company best known for its single-serve coffee pods, in a

\$19 billion tie-up that has industry watchers both stumped and intrigued.

Executives from the two companies say the deal will allow Keurig and its owner, the European investment firm JAB, to add their coffees to Dr Pepper's distribution network and strengthen Dr Pepper's e-commerce capabilities.

While it could give Keurig's sales a needed boost, implications are less clear for Dr Pepper's faltering soda business, which includes brands like A&W Root Beer and 7UP. When Dr Pepper reports earnings Wednesday, its investors will want to know what to expect, beyond a \$103.75-per-share special cash dividend.

The new drinks hit shelves after the fourth-quarter ended, but Coca-Cola might hint at early results when it reports earnings Friday. Investors will also want to see how much re-franchising bottling operations boosted operating profit margin in the latest quarter.



Wells ex-CEO John Stumpf before a Senate panel in 2017 after the bank's employees opened unauthorized accounts for customers.

WELLS

Continued from the prior page

Wells Fargo will soon require mortgage customers to agree to a refund through the mail before sending them money and estimates half or fewer will do so, the people said.

Catherine Pulley, a Wells Fargo spokeswoman, said in a statement: "We are focused on making things right for our customers and ensuring this large-scale remediation happens correctly and as quickly as possible."

She said a Wells Fargo vendor working on the auto-insurance matter caught a coding mistake that resulted in 38,000 customers receiving a letter they didn't need with no checks included. Wells Fargo is working with the vendor "to ensure these customers receive the appropriate communication—including any refunds they're eligible for," she said. Ms. Pulley added that the bank is currently aware of one noncustomer having received a check.

The problem mailings and refund delays are happening as the bank continues to grapple with regulatory scrutiny following its sales-practices misconduct.

For those actions and others, the Fed earlier this month took the unprecedented action of restricting the bank's growth until "it sufficiently improves its governance and controls."

That punishment followed a rebuke issued to Wells Fargo last fall by the Office of the Comptroller of the Currency.

Citing repeated deficiencies,

the regulator warned the bank that it would likely face enforcement proceedings because of them.

The OCC and the Consumer

Financial Protection Bureau,

another regulator, are aware of

the refund delays with mort-

gage customers and have been

pressing the bank about them,

a person familiar with the mat-

ter said. The regulators have

also been involved with auto-

lending refunds, approving dif-

ferent phases of the mailings.

A spokesman for the OCC

declined to comment. The CFPB declined to comment.

Last summer, the bank said it had forced nearly 600,000 customers who financed their car purchases with Wells Fargo to pay for collision coverage they didn't need. The practices pushed 274,000 customers, among them active military service members, into delinquency on their auto loans, according to an internal report commissioned by the bank, and resulted in 20,000 wrongfull car repossession.

Consumers' credit scores were also damaged by the bank's insurance dealings. Wells Fargo's insurance, similar

less than \$100, with average payments around \$30, the person said. Later phases involved larger refunds and states that had more complicated legal processes. Another stage focuses on customers who claim lost wages and out of pocket financial costs because of, for example, a car repossession, mental and emotional distress or other issues.

The bank is still sorting out what customers can claim, the person added.

Wells Fargo's Ms. Pulley said the bank has so far focused on accounts with smaller refunds and requests for customers to send additional information so it can catch any issues if they arise. She added that Wells Fargo expects these refunds to be complete by the second quarter of 2018.

Wells Fargo for months also has debated internally how to refund customers affected by its improper mortgage charges. The bank plans to send letters to customers who were charged interest-rate locks over a particular time frame, people familiar with the process said. It already refunded customers on a one-off basis who complained directly to the bank about the fees.

With the bank's planned broader outreach, customers must opt in to the possible refund, and then the bank will send a check, one of these people said. Since the bank is relying on customers to open their mail and get back to them, the bank estimates half or fewer will do so, in line with direct mail response rates, another person said.

The bank said in October that it expects refunds to be lower than the \$98 million total that customers got in mortgage rate lock extensions between September 2013 and February 2017.

Meantime, the bank's auto-loan and mortgage operations aren't faring well.

Wells Fargo's mortgage business earned \$928 million in fees in the fourth quarter, down 35% from the \$1.42 billion it earned in same period a year ago.

The bank's retail mortgage loans fell 34% to \$23 billion in the fourth quarter, down from \$35 billion a year earlier.

In the third quarter of 2017, the most recent figures available, Wells Fargo's average auto-loan balances fell 9% to \$56.7 billion from \$62.4 billion in the same period of 2016.

NOTICE OF REDEMPTION BY COMPANY
To the Holders of
THE MISSOURI PACIFIC RAILROAD COMPANY 4 1/2% GENERAL MORTGAGE INCOME BONDS, Series A due January 1, 2020 and Series B due January 1, 2030 (the "Bonds")

AND
THE MISSOURI PACIFIC RAILROAD COMPANY 5% INCOME DEBENTURES due 2045 (the "Debentures")
ASSUMED BY UNION PACIFIC RAILROAD COMPANY

CUSIP #s 606198LF4, 606198LG2 and 606198LH0

NOTICE IS HEREBY GIVEN, that pursuant to the terms of the General (Income) Mortgage Indenture dated as of January 1, 1955, between the Missouri Pacific Railroad Company and Manufacturers Trust Company and Charles Herman and the Indenture dated January 1, 1955, between the Missouri Pacific Railroad Company and Chemical Corn Exchange Bank, Union Pacific Railroad Company (the "Company") will exercise its option to redeem entire principal amount of the above-referenced Bonds on April 1, 2018, and the above-referenced Debentures on March 15, 2018 (both April 1, 2018 and March 15, 2018 shall be referred to as the "Redemption Date") at a redemption price of 100% of the principal amount thereof together with accrued interest from January 1, 2017 to the Redemption Date.

The Bonds and Debentures were assumed by the Company as a result of the merger of the Missouri Pacific Railroad Company with and into the Union Pacific Railroad Company on January 1, 1997.

Payment of the Bonds and Debentures will be made upon presentation and surrender of said Bonds or Debentures at the location shown below. The Bonds and Debentures should be presented as follows:

By Mail or Overnight Courier
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Global Corporate Trust
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East Syracuse, NY 13057

Paying agents may be required to withhold 28% tax from remittance to individuals and other non-exempt holders of the Bonds and Debentures who have failed to supply a valid taxpayer identification number. Non-exempt holders of the Bonds or Debentures who wish to avoid the application of these provisions should submit certified taxpayer identification numbers on Internal Revenue Service Form W-9 to the Trustee prior to the Redemption Date if their certified taxpayer identification numbers are not already on file with the Trustee. Foreign Holders should submit an Internal Revenue Service Form W-BEN certifying as to their foreign status. The Trustee may require exempt holders to submit documentation establishing their exemption from such withholding tax.

Questions should be directed to the Trustee, The Bank of New York Mellon, at (312) 827-8547.

The Bonds will become due and payable and will be paid on April 1, 2018 and the Debentures will become due and payable and will be paid on March 15, 2018. From and after April 1, 2018 and March 15, 2018 interest on the Bonds and Debentures will cease to accrue.

By Hand Delivery
The Bank of New York Mellon
Global Corporate Trust
101 Barclay, 1st Floor
New York, NY 10286

Jon T. Panzer
Treasurer

FOX

Continued from the prior page
a request for comment.

Comcast may choose to take no further action. One key development that could influence its thinking is Fox's release of a proxy statement on the merger, which would likely indicate the general process that led up to sealing a deal. It is unclear when Fox will file its proxy with regulators, ahead of a shareholder vote on the deal.

A Comcast acquisition of Fox assets would be a 'vertical' deal.

Though such documents don't generally use specific company names, they can reveal how many bidders were serious contenders. Comcast will be looking for whether the proxy is clear that its bid was far higher than Disney's and for signs that it was considered seriously, some of the people familiar with the situation said.

Another key factor is the AT&T-Time Warner case, as earlier reported by CNBC. If the deal survives the government's challenge, Comcast would be emboldened because it would believe Fox's argument of antitrust risk in a Comcast-Fox deal would be weakened, those people said.

Comcast might be prepared to offer protections to Fox, such as agreeing to remove certain assets from the deal that prove controversial in Washington, including regional sports channels, one of the people familiar with the situation said.

"We believe any attempt to reclaim those dividends would be unfounded," the spokesman said.

Mr. Lampert and his hedge fund, **ESL Investments Inc.**, were "major beneficiaries," according to the papers.

Mr. Lampert responded to questions in a blog post Sunday, expressing regret over the company's failure and blaming its demise, in part, on Sears Canada's board.

A Sears Holdings spokesman said Sunday the company received dividends that were authorized by Sears Canada's board at a time when Sears Canada was clearly solvent.

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BUSINESS NEWS

Firm Stops Promoting OxyContin To Doctors

BY JEANNE WHALEN

Privately held drug company **Purdue Pharma LP** said it would stop promoting OxyContin and other opioids to doctors, 22 years after the painkiller linked to widespread addiction hit the U.S. market.

The company will continue selling the products, but Purdue's sales force "will no longer be visiting offices to engage in discussions about opioid products," the company said, confirming an earlier report by Bloomberg. Doctors and other prescribers who have questions about the drugs will have to contact Purdue's medical-affairs department, the company said.

Purdue also is cutting its U.S. sales force by more than 50%, to about 200 people. The remaining sales representatives will market nonopioid products, said the Stamford, Conn.-based company.

Many public-health officials have said Purdue's aggressive marketing of OxyContin after the drug's 1996 launch helped encourage lax prescribing and widespread addiction that for many people progressed to heroin and other illicit drugs. More than 300,000 Americans have died from opioid overdoses since the late 1990s.

In 2007, Purdue and three of its executives pleaded guilty in federal court to criminal charges of misleading the public about the addictive qualities of OxyContin.

Purdue and the executives agreed to pay \$634.5 million in government penalties and costs to settle the civil litigation.

Purdue has since said it has "learned from the past," and that it supports programs to prevent prescription-drug abuse.

Drugmaker: Pill Kills Flu in a Day

Japan's Shionogi to apply for U.S. approval this summer for experimental treatment

BY PREETIKA RANA

As Americans suffer through the worst influenza outbreak in almost a decade, a Japanese drugmaker says it has developed a pill that can kill the virus within a day. But even if the experimental drug lives up to the claim, it likely won't be available in the U.S. until next year at the earliest.

A late-stage trial on Japanese and American flu patients found that for the people who took the **Shionogi & Co.** compound, the median time taken to wipe out the virus was 24 hours. That is much quicker than any other flu drug on the market, including **Roche AG's Tamiflu**, which the trial showed took three times longer to achieve the same result. Quickly killing the virus could reduce its contagious effects, Shionogi said.

Also, Shionogi's experimental drug requires only a single dose, while patients need to take two doses of Tamiflu a day, for five days.

Both Shionogi's compound and Tamiflu take roughly the same amount of time to entirely contain flu symptoms, but Shionogi says its compound provides immediate relief faster.

Scientists at the Japanese company leveraged their work on a blockbuster anti-HIV drug to create the compound, which works differently from existing flu medicines. It blocks the flu virus from hijacking human cellular machinery, Chief Executive Isao Teshirogi said. Switzerland's Roche has acquired the international license to distribute Shionogi's experimental drug.

"The data that we've seen looks very promising," said Martin Howell Friede, who leads the World Health Organization's research on vaccines, including for influenza. "This could be a breakthrough in the way that we treat influenza."



The U.S. is fighting a flu epidemic. Only a handful of drugs can treat flu once people are infected.

Shionogi said Japan's drug regulator is fast-tracking its approval and could approve it for use in Japan as early as March. The regulator declined to comment. Roche and Shionogi say they will apply for U.S. approval this summer and Shionogi doesn't expect a decision until next year.

Other players including Johnson & Johnson, AstraZeneca PLC and a startup backed by Merck & Co. are testing new compounds to treat influenza A, the most common flu strain. Shionogi's candidate is furthest along and it says the compound can also treat B strains that infect humans, too.

The U.S. has been hit by one of the worst flu epidemics in years, and transmissions are now the most intense since a pandemic in 2009.

The first line of defense is vaccination, although vaccines aren't always effective as sometimes they don't target all the circulating flu strains. Scientists around the world are seeking to develop a super vaccine to prevent all strains of

J&J, Rival Firms Conduct Trials of Antiflu Compounds

Johnson & Johnson's drug division, Janssen, last month began late-stage trials involving one antiflu compound named pimodivir, which blocks a different enzyme that allows the flu virus to multiply inside the human body, said Brian Woodfall, head of Janssen's infectious disease development.

Results from an earlier trial demonstrated that pimodivir "significantly decreased viral load over seven days," a company spokeswoman said. Pimodivir worked better in combination with Tamiflu. J&J will take

several years to enroll patients in the trial, the spokeswoman said.

Separately, Janssen is researching a biologic injectable, which **AstraZeneca PLC** and **Merck & Co.-backed Visterra Inc.** are also developing. These injections act like antibodies, attaching themselves to foreign invaders, such as viruses, and then disabling them, while leaving healthy cells alone.

AstraZeneca's biologics unit said it is evaluating preliminary results from a mid-stage trial in patients. Future plans depend on the findings. Cambridge, Mass.-based Visterra said it began enrolling hospitalized flu patients in December for a midstage trial.

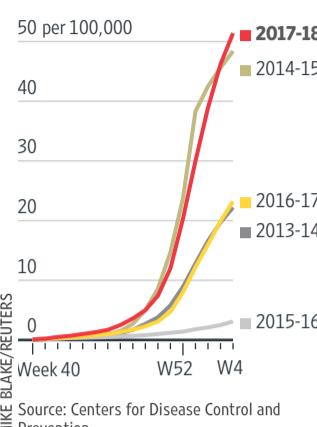
ral material instead of human proteins.

Existing drugs allow the virus to hijack cells, working instead to block the viral material from escaping and infecting other cells. Some still escape, so the drugs slow the rate of infection without immediately containing it.

Shionogi scientists began

Feverish Activity

Cumulative flu hospitalization rate for each week since early October for the 2017-18 season compared with previous years.



Source: Centers for Disease Control and Prevention

THE WALL STREET JOURNAL.

researching a novel flu drug more than a decade ago, shelving almost 2,500 compounds in the process. Then, the 140-year-old Osaka company, which has created blockbuster drugs used to treat HIV and high cholesterol, had a breakthrough.

Shionogi scientists knew from their research that an anti-HIV drug the company had developed with a joint venture of **Pfizer Inc.** and **GlaxoSmithKline Co.** worked by blocking a metallic enzyme that HIV uses as a weapon to hijack human cells. They found the flu virus was also exploiting a metallic enzyme.

"So we said, 'why don't we build on our HIV knowledge to find a way to treat the flu?' And we did," said Takeki Uehara, who led the compound's development.

A Roche spokesman said the compound proved significantly faster at killing the virus, and that its single-dose requirement was more convenient. He said the compound offered "improved tolerability" for participants over Tamiflu. Shionogi and Roche are in the final stages of conducting a second late-stage global trial.

L'ORÉAL

“Beauty has never looked this good.”

As people's desires for beauty grow in multiple ways worldwide, L'Oréal in 2017 has once again shown the strength of its balanced, value-creating business model. Looking forward, we are particularly confident for the years to come thanks to our fundamental attributes, namely our obsession with quality and innovation, the power of our brands, our entrepreneurial culture, and now our digital lead. What is more, we believe that our determination to be responsible citizens, having a positive impact on our environment and on society, will sustain our success in the long term. ♪

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Chairman and CEO

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cosmetics
group
worldwide

No.1
in Diversity
/Equileap
Ranking

Growth
ACCELERATION⁽¹⁾
+5.5% in
4th quarter
2017

No.1
in Ethics
/Covance⁽⁴⁾
Index

**RECORD
OPERATING
MARGIN⁽²⁾**
18%

No.1
in Environment
/Newsweek Green
Ranking

**2017
NET PROFIT⁽³⁾**
+15.3%

(1) Like for like sales growth, based on a comparable structure and identical exchange rates.
(2) 2017 operating profit / consolidated annual sales.
(3) 2017 net profit after non-controlling interest.
(4) Personal and household goods category.

loréal-finance.com

TECHNOLOGY

Amazon Won't Challenge FedEx Soon

Retailer's planned shipping service needs deeper infrastructure to be a leading player

Amazon.com Inc. may have ambitions to compete against FedEx Corp. and United Parcel Service Inc. with its own

By Laura Stevens,
Jennifer Smith
and Paul Ziobro

shipping business. But the online retail giant is a long way from reaching the scale of America's freight titans.

On Friday, The Wall Street Journal reported that Amazon is preparing to launch a delivery service for businesses.

Dubbed "Shipping with Amazon," the service is expected to start in Los Angeles, serving the independent mer-

chants that sell on its site. It is envisioned to expand to additional cities and outside businesses, too.

Still, Amazon's ability to one day haul and deliver packages for other retailers and consumers at a national scale would require tens of billions of dollars in investment, analysts say. It would also need thousands of trucks, hundreds of planes and to build thousands of sorting centers.

Amazon has only leased up to 40 planes and has roughly 300 warehouses in the U.S., including fulfillment centers, sortation centers and delivery stations, according to supply-chain consultancy MWPVL International Inc.

The company today mostly contracts and leases with delivery couriers rather than owning its own assets, a limiting factor, say analysts.

Amazon is "far away from having enough capacity to



Amazon would need to build thousands of sorting centers to compete with UPS and FedEx.

handle all of its own shipping," much less having excess capacity to sell to shippers outside its third-party merchants "and truly start competing" with UPS and FedEx,

Wolfe Research analyst Scott Group wrote in a Friday note.

The shipping giants have a sizable head start over Amazon.

UPS has shuttled packages for more than a century

since just before the introduction of Ford's Model T. FedEx began more than 40 years ago.

FedEx has roughly 650 aircraft, 150,000 trucks, 400,000 employees and 4,800 operat-

ing facilities globally to handle about 12 million shipments a day. UPS's larger operation handles more than 20 million packages a day with service to more than 220 countries and territories globally. Its fleet includes more than 500 owned and leased aircraft and more than 100,000 package cars and other vehicles to deliver packages.

Amazon generated an estimated 1.2 billion shipments last year domestically, according to MWPVL International. But most of those were delivered via the U.S. Postal Service, UPS and FedEx.

"The industry is just so big, I would be shocked if FedEx or UPS are scared right now just because Amazon is going to create an option," said Paul Thompson, chairman of Transportation Insight, a Hickory, N.C.-based logistics company.

—Paul Page contributed to this article.

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CLASS ACTIONS

If You Directly Purchased Ductile Iron Pipe Fittings between January 11, 2008 and December 31, 2013, You Could Be Affected by a Proposed Class Action Settlement

Please read the entire Notice carefully. These Settlements may affect your rights.

What is this lawsuit about?

There is a Proposed Settlement, in a class action lawsuit called *In re Ductile Iron Pipe Fittings ("DIPF") Direct Purchaser Antitrust Litigation*, which is pending in the United States District Court for the District of New Jersey. The defendants in this lawsuit are McWane, Inc. and its divisions Clow Water Systems Co., Tyler Pipe Company, and Tyler Union (collectively "McWane"); SIGMA Corporation and its subsidiary SIGMA Piping Products Corporation (together, "SIGMA"); and Star Pipe Products, Ltd. ("Star").

The McWane settlement is in addition to two earlier settlements with defendants SIGMA and Star.

This lawsuit alleges that from January 11, 2008 through September 21, 2009, defendants engaged in a conspiracy to fix prices for DIPF in the United States in violation of the antitrust laws. Plaintiffs also claim that from September 22, 2009 through December 31, 2013, defendant McWane illegally monopolized, and defendants SIGMA and McWane conspired to restrain trade and monopolize, the market for Domestic DIPF in the United States in violation of the antitrust laws. Defendants deny all of plaintiffs' allegations.

Am I a Class Member?

The McWane Settlement has three classes: (1) All persons or entities in the United States that purchased Open-Spec DIPF directly from any Defendant at any time from January 11, 2008, through September 21, 2009; (2) All persons or entities in the United States that purchased Domestic DIPF directly from McWane or SIGMA at any time from September 22, 2009, through December 31, 2013; and (3) All persons or entities in the United States that purchased Domestic DIPF directly from McWane at any time from September 22, 2009, through December 31, 2013.

Excluded from the McWane Settlement Classes are certain companies that have otherwise agreed to exclude themselves from the Settlement.

Full descriptions of DIPFs and a list of excluded entities are available at www.DIPFDirectSettlement.com.

What does the Settlement provide and how do I get a payment?

Under the McWane Settlement, McWane has agreed to pay \$8,787,500. If you are a Settlement Class Member, you may be eligible to receive payment from the Settlement. To qualify for payment, you must complete and send in a valid Claim Form, available at www.DIPFDirectSettlement.com. Be sure to sign the Claim Form and mail it by first-class mail postmarked no later than June 9, 2018 to DIPF Direct Purchaser Antitrust Settlement, c/o GCG, P.O. Box 10220, Dublin, OH 43017-5720.

If the Court approves the McWane Settlement, the Net Settlement Fund will be distributed on a pro rata basis among all Settlement Class Members who submit valid and timely Claim Forms.

There are specialized companies that may offer to fill out and file your claim in return for a percentage of the

www.DIPFDirectSettlement.com

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION AND FAIRNESS HEARING

If you purchased certain Fresh Products from Sam's Club and returned that product but did not receive the full value of the Freshness Guarantee, a class action settlement may affect your rights.

You are hereby notified that a settlement has been preliminarily approved by the United States District Court for the District of South Carolina (the "Court") in a class action lawsuit entitled *Myriam Fejzulai, et al. v. Sam's West, Inc.*, Case No. 6:14-cv-03601-BH (the "Lawsuit"). This notice is summary only. You should read the full notice for complete information. You can get a copy of the full notice as directed below.

WHO'S INCLUDED?

The Court has decided that for settlement purposes, any Sam's Club member who purchased certain Fresh Products from Sam's Club and returned that product but did not receive the full value of the Freshness Guarantee during the time periods covered by the Settlement (as set forth in more detail in the full notice) is a considered a Settlement Class Member. This makes you a member of the "Settlement Class".

WHAT IS THIS SETTLEMENT ABOUT?

The Lawsuit claims that Sam's Club at times did not fully honor the Freshness Guarantee with respect to certain fresh products purchased at Sam's Clubs within the United States. Sam's Club denies any liability or wrongdoing with respect to the claims alleged in the Lawsuit. The parties desire to settle the case because a settlement will avoid the risk, expense and distraction of continued litigation.

WHAT DOES THE SETTLEMENT PROVIDE?

The settlement provides for the following relief: Sam's Club will fund a Class Settlement Amount of up to \$6,000,000. The Class Settlement Amount will be used to provide Settlement Class Members with the opportunity to apply for and receive a gift card redeemable towards purchases made at Walmart stores, Sam's Club stores, walmart.com, or samsclub.com, to pay for administration of the settlement proceeds, to pay attorney fees and expenses and Class Counsel, and to pay for incentive awards to the Class Representatives. Class Counsel will apply for fees in an amount not to exceed 30% of the settlement and will seek reimbursement of reasonable expenses. The anticipated value of the gift card will be \$10, although the actual amount of the gift card could be higher or lower depending on the number of

claims submitted. To qualify for a payment from the settlement, you must submit a Claim Form. To file a Claim Form, visit the settlement website, www.samsclubfreshnesssettlement.com. Your claim must be submitted no later than March 26, 2018. See the full notice for more details.

WHAT ARE MY LEGAL RIGHTS?

1. If you do not want a payment and do not want to be legally bound by the terms of the settlement, you must exclude yourself by sending a signed letter saying that you want to be excluded from *Fejzulai v. Sam's West, Inc.*, Case No. 6:14-cv-03601-BH. Your request for exclusion must be mailed to the Claims Administrator, postmarked no later than March 26, 2018. If you do not exclude yourself you will remain a Settlement Class Member and will be eligible to submit a claim for money benefits. Regardless of whether you submit a Claim Form, if you do not specifically exclude yourself, you will be bound by the Proposed Settlement which contains a release of claims against Sam's Club. See the full notice for more details.

2. If you're a Settlement Class Member, and have not excluded yourself from the settlement, you can object to the settlement if you don't like any part of it. To object, you must send a signed letter to the Court and the Parties saying that you object to the settlement in *Fejzulai v. Sam's West, Inc.*, Case No. 6:14-cv-03601-BH. This objection must be received no later than March 26, 2018. See the full notice on the website for more details.

WHEN IS THE FAIRNESS HEARING?

The Court will hold a Fairness Hearing at 2:00 p.m. on April 9, 2018 in the United States District Court located in Charleston, South Carolina. At this hearing, the Court will consider whether the settlement is fair, reasonable and adequate. After the hearing, the Court will decide whether to approve the settlement.

For more information, including to obtain a copy of the full notice, call 1-866-742-4955, or visit the settlement website at www.samsclubfreshnesssettlement.com, or write to:

Sam's Freshness Guarantee Claims Administrator
PO Box 59479
Philadelphia, PA 19102-9479

Some longtime residents are becoming alarmed at the influx. They worry these miners will drain the area of the surplus power that can be sold into energy markets, helping keep rates low.

Electricity in the three counties costs 2 to 4 cents per kilowatt-hour compared with more than 10 cents nationwide. "We want to make sure there's reserve for us," said Mike Wade, who runs a fruit-packing operation. Longtime miners said some early outfits gave the activity a bad reputation.

"People were trying to get in and make a quick buck," said Lauren Miehe, who provides mining services. "They kind of left a bad taste."

Utilities say they are obligated to try to serve prospective customers but they worry that if cryptocurrencies turn out to be a flash in the pan, other customers could be left footing the bill for big investments.

To avoid that, power suppliers say they are rethinking their rate structures, adding upfront charges or deposits and are making more customers go through in-depth engineering studies.

Still, some hope that mining will be the first step toward transforming the area into a business hub for blockchain technology, bringing new jobs.

Dave Carlson, a former Microsoft developer, led the initial wave of cryptocurrency miners after he arrived in Wenatchee in 2013. Back then, "no one understood why I wanted that much power," he said. Mr. Carlson's company, Giga Watt, has grown from five employees to more than 45 and is spending \$30 million on infrastructure.

Even some miners are beginning to feel the area is getting crowded. Steve Schaeffer, president of crypto-capital strategies at MGT Capital Investments, which has mining operations in Washington, has started ramping up in Sweden instead.

"We're going to see miners pay higher rates" in the region, Mr. Schaeffer said. In a year, "the whole mystique of Washington will be a distant memory."



Lauren Miehe, who provides bitcoin-mining services, says early miners 'kind of left a bad taste.'

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FOR ALL

Carolinas HealthCare System is  Atrium Health

THE WALL STREET JOURNAL. HEALTH FORUM

May 22, 2018 | Four Seasons Hotel | Washington, D.C.

How innovation is revolutionizing the business of health

This spring, the editors of The Wall Street Journal will convene influential business leaders, policy makers and experts from across the health and health-care industries to focus on the innovations transforming this critical sector of the economy. These participants will join an audience of senior executives and entrepreneurs, including those from the worlds of finance, science and regulation.

Through highly interactive interviews, the editors will cover issues of key importance in 2018, from the technologies and advanced analytics changing the study of the human genome to new business models affecting health care.

SPEAKERS



Steven H. Collis

Chairman, President and CEO,
AmerisourceBergen Corporation



Gail K. Boudreux

President and CEO,
Anthem, Inc.



Mark T. Bertolini

Chairman and CEO,
Aetna Inc.



Alex Gorsky

Chairman and CEO,
Johnson & Johnson



David A. Ricks

Chairman and CEO,
Eli Lilly and Company



Richard J. Gilfillan, M.D.

CEO,
Trinity Health



Michael A. Mussallem

Chairman and CEO,
Edwards Lifesciences



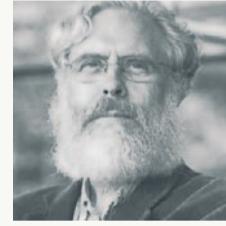
**Rear Adm. Anne Schuchat,
M.D.**

Acting Director,
Centers for Disease Control
and Prevention



Anthony S. Fauci, M.D.

Director, National Institute of
Allergy and Infectious Diseases,
The National Institutes of Health



George M. Church, Ph.D.

Professor of Genetics,
Harvard Medical School
Director,
PersonalGenomes.org



Steven J. Corwin, M.D.

President and CEO,
New York-Presbyterian



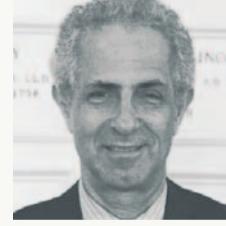
**Stephanie Domas, P.E.,
C.E.H.**

Vice President of Research,
MedSec



Thomas McLellan, Ph.D.

Co-Founder and Scientific Director
(1992-2015),
Treatment Research Institute
Deputy Director and Senior Scientist
(2009-2011),
White House Office of National Drug
Control Policy



David N. Osser, M.D.

Associate Professor of Psychiatry,
Harvard Medical School
Attending Psychiatrist, Domiciliary
Treatment Program for
Homeless Veterans,
Veterans Affairs Boston
Healthcare System



Eric Topol, M.D.

Founder and Director,
Scripps Translational
Science Institute, Professor
of Molecular Medicine and
Executive Vice President,
The Scripps Research Institute



Sarah E. Wakeman, M.D.

Medical Director, Substance
Use Disorders Initiative,
Massachusetts General Hospital
Assistant Professor of Medicine,
Harvard Medical School



Feng Zhang, Ph.D.

Core Institute Member,
Broad Institute of MIT
and Harvard



Daphne Zohar

Co-Founder and CEO,
PureTech Health plc.

Request your invitation: healthforum.wsj.com

MEDIA & MARKETING

GameStop Reshuffles After CEO Is Named

BY ALLISON PRANG

GameStop Corp. has fired both its chief operating officer and its executive vice president of strategic business and brand development just a few days after a new chief executive was named.

GameStop said in a regulatory filing Friday that operating chief Tony Bartel and Executive Vice President Michael Hogan were terminated without cause.

The videogame retailer said

GameStop said two top executives were terminated without cause.

both men will receive payments and benefits according to their employment agreements.

Mr. Bartel had started as senior vice president of international finance in 2005 and later became executive vice president of merchandising and marketing before becoming president, according to the company's website.

Mr. Hogan oversaw strategic business and brand development, and from 2008 to 2012, he was GameStop's chief marketing officer.

On Tuesday GameStop named Michael Mauler, who had been president of the company's international business, as its new CEO.

Mr. Mauler filled the role vacated by Paul Raines, who had stepped down from the videogame retailer for health reasons.

Co-founder Dan DeMatteo had been serving as interim CEO since November.



DOANE GREGORY/UNIVERSAL PICTURES/EVERETT COLLECTION

Dakota Johnson and Jamie Dornan in 'Fifty Shades Freed,' which drew a mainly female audience.

'Fifty Shades' in Top Spot

BY ASSOCIATED PRESS

LOS ANGELES—Newcomers like "Fifty Shades Freed," "Peter Rabbit" and "The 15:17 to Paris" breathed some fresh life into a marketplace that has for weeks been dominated by "Jumanji: Welcome to the Jungle," "The Greatest Showman" and various Oscar contenders. But it's all just setting the stage for "Black Panther," which opens next week.

"Fifty Shades Freed" managed to take the top spot on the charts in North American theaters.

Universal Pictures estimated

Sunday that the final chapter in the Christian Grey and Anastasia Steele saga earned \$38.8 million over the weekend—down significantly from the first film's \$85.2 million debut

and even the sequel's \$46.6 million opening, but enough to bump the three-film franchise

over \$1 billion globally. Women

once again made up the vast majority (75%) of the opening

weekend audience.

"We are exhilarated with the results," said Jim Orr, Universal's president of domestic distribution. "To have a trilogy engineered primarily for a female audience that we were

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. Fifty Shades Freed	Universal	\$38.8	\$38.8	--
2. Peter Rabbit	Sony	\$25	\$25	--
3. The 15:17 to Paris	Warner Bros.	\$12.6	\$12.6	--
4. Jumanji: Welcome to the Jungle	Sony	\$9.8	\$365.7	-10
5. The Greatest Showman	Twentieth Century Fox	\$6.4	\$146.5	-17

*Friday, Saturday and Sunday Source: comScore

then able to broaden out into a billion-dollar franchise is just a fantastic result."

The studio expects the film to have a healthy midweek bump on Valentine's Day and to serve as counterprogramming over the holiday weekend against "Black Panther."

The steamy romance outdid other new competitors like Sony's update of "Peter Rabbit," featuring the voice of James Corden, and Clint Eastwood's "The 15:17 to Paris," starring the real men who thwarted an attack on a Paris-bound train in 2015.

"Peter Rabbit," which cost around \$50 million to produce, hopped to second place with a

solid \$25 million and an A CinemaScore.

"The 15:17 to Paris" pulled into third place with \$12.6 million. Two films that won't quit rounded out the top five: "Jumanji: Welcome to the Jungle" fell to fourth with \$9.8 million and "The Greatest Showman" took fifth with \$6.4 million.

Overall the marketplace is still down around 1.8% for the year and around 27% from the same weekend last year, which, comScore senior media analyst Paul Dergarabedian notes, saw the launch of "The Lego Batman Movie," "Fifty Shades Darker" and "John Wick: Chapter 2," all of which opened over \$30 million.

SUIT

Continued from page B1
no equity," Bob Weinstein said. "I hope that this deal does not go away for these people's jobs because then there will be nobody monitoring anything."

The lawsuit, filed in New York County Supreme Court,

caps a four-month investigation by Attorney General Eric Schneiderman's office into the company behind "The King's Speech" and "Django Unchained" that included interviews with employees and executives as well as a review of records.

It alleges longstanding sexual harassment and other civil-rights violations.

In the lawsuit, the attorney general's office said it filed

Sunday due in part to "the possible imminent sale" of

Weinstein Co., which it said "could leave survivors of Respondents' unlawful conduct without adequate redress [and] enable perpetrators or enablers of misconduct to obtain unwarranted financial benefits."

The suit alleged that assis-

tants were required to facilitate Harvey Weinstein's sex

life and were sometimes har-

assed or intimidated into sex-

ual relationships with him.

Harvey Weinstein threatened

his employees with violence or

dismissal from their jobs if

they didn't acquiesce to his de-

mands, the suit said.

Harvey Weinstein's attorney

said in a statement, "We be-

lieve that a fair investigation

by Mr. Schneiderman will demon-

strate that many of the alle-

gations against Harvey Wein-

stein are without merit. While

Mr. Weinstein's behavior was

not without fault, there cer-

tainly was no criminality."

Harvey Weinstein was fired

from Weinstein Co. on Oct. 8

following allegations of sexual

misconduct and assault.

Mr. Schneiderman's office

said repeated reports of such

behavior were given to the hu-

man-resources department

and that the department "vari-

ously claimed there was 'noth-

ing' that could be done to ad-

dress the misconduct;

immediately informed [Harvey Weinstein] of the complaint, thereby facilitating retaliation by [him] against the complainant; or helped facilitate swift departure of the complainant from the company in connection with a settlement."

The lawsuit stated Bob Weinstein, in his role as co-chairman, failed to investigate and root out the harassment. Bob Weinstein referred questions about allegations against him in the lawsuit to his attorney, who didn't immediately respond to a request for comment.

Ms. Contreras-Sweet previously said that she planned to establish a settlement fund for victims of Harvey Weinstein's alleged misconduct to back up the studio's insurance policy.

Ron Burkle's **Yucaipa Capital** and investment firm **Lantern Capital** were backing her offer to buy the company.

The lawsuit and the can- celled sale are just the latest chaos to envelop Weinstein Co. since allegations of sexual misconduct by Harvey Weinstein first emerged in October. The studio has been unable to engage in much business, including releasing new movies, as it has sought a new owner while facing lawsuits and government investigations.

Sunday's developments make it likely Weinstein Co., saddled with about \$250 million of debt, will enter bankruptcy reorganization, said people close to the company.

Last Tuesday, Mr. Schneiderman's office proposed terms for a settlement that included a monitor approved by the attorney general for the company following a sale and "payment of penalty and appropriate admission of responsibility by TWC for acts and omissions by former leadership/corporation." An e-mail with the proposed terms was viewed by The Wall Street Journal.

The settlement talks didn't progress far, however. Ms. Contreras-Sweet met with the attorney general's office for the first time Saturday and had proposed to meet again Monday after consulting with her attorneys, a person with knowledge of the discussion said.

ADS

Continued from page B1
pend advertising on the site. Most recently, brands were discovered to be appearing next to videos that seemed to attract pedophile viewers.

A spokeswoman for Google declined to comment, while the other firms didn't immediately respond to requests for comment.

This is about "having a positive impact on society and whether we as a company want to engage with companies that are not committed to making a positive impact," Mr. Weed said in an interview.

Unilever has been among the more outspoken advertisers pushing for the online ad industry to clean up the ad fraud that exists on the web and offer up stronger measurement standards to ensure that advertisers are buying ads that can be seen by real people.

While the company continues to push for those initiatives, Mr. Weed said that consumers don't care about online advertising measurement issues. They do care about "fake news" and "Russians influencing the U.S. election," he added.

Rather than issue a public list of demands, Mr. Weed said he wants to work privately with the tech companies to come up with solutions. Unilever said it has already held discussions with companies such as Facebook, Google, Twitter Inc., Snap Inc. and Amazon.com Inc. to share ideas about what each can do to improve.

The tech companies had already been trying to rectify some of their problems. Facebook recently announced major changes to its algorithm intended to address concerns over the quality of the content on its site and its effect on the world.

Meanwhile, YouTube has made improvements to the technology it uses to screen videos, added more human reviewers and given marketers more control over where their ads appear.

Mr. Weed said he is encouraged by the recent moves, which he described as "meaningful," but said more work is needed. For example, he said



Keith Weed says advertising dollars are key to tech platforms.

YouTube hasn't done enough to protect children.

Last month, YouTube said that it would have humans review every second of video that is included in its Google Preferred program, which is a subset of YouTube videos that

is among the most popular and for which marketers pay a premium to advertise alongside.

'We will prioritize investing only in responsible platforms...'

"I believe they should still go further and human screen all videos with children that are monetized," he said during the interview.

In regards to Facebook, Mr. Weed said the company has taken some positive steps at trying to alleviate the fake news issue, but there is "more to do."

Mr. Weed said that advertisers need to be outspoken about issues on tech platforms, since they are almost entirely supported by billions of ad dollars.

"One can start by not putting ads on content we do not want to encourage," he said.

The annual conference for the IAB, an online advertising trade body, has become a platform for big-name advertisers to publicly push for change.

During last year's conference, Procter & Gamble, the world's largest advertiser, issued an ultimatum to digital giants to clean up online advertising.

P&G's chief brand officer, Marc Pritchard, laid out a list of demands that included the sector adopt one viewability standard and allow an independent measurement watchdog to audit some platforms' ad metrics. He later also demanded that tech companies such as YouTube come up with greater controls around their content to avoid having ads appear near controversial content such as ISIS videos.

A year after "the gauntlet was thrown," the progress has been impressive," said Mr. Pritchard in a recent interview. He said 90% of his demands have been met and the company is just waiting for the Media Rating Council to finish auditing some of the ad metrics of Google and Facebook.

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Rapid Access Journal, 2016

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BUSINESS NEWS

Chinese Step Up, Acquire Bally

The Chinese aren't just buying luxury shoes. They are buying luxury-shoe companies.

Shandong Ruyi Group, a Chinese textile company look-

By Zeke Turner
in Berlin,
Matthew Dalton
in Paris and
Wayne Ma in Beijing

ing to move up the value chain and cement its standing on the global stage, said Friday it would buy control of Swiss leather-accessories company **Bally International AG** from the European investment fund **JAB Holding Co.**

Bally said its management team led by Chief Executive Frédéric de Narp also increased their stake in the deal, but wouldn't elaborate. Ruyi also declined to comment on the terms of the deal.

The Chinese are the world's

biggest consumers of luxury goods, accounting for nearly a third of all purchases globally, according to Bain & Co. That includes purchases at home in mainland China and overseas, where they splurge on shopping trips in fashion capitals around the world.

Chinese companies, however, have yet to become major acquirers of luxury brands. That is partly due to a lack of clear targets; many brands are controlled by European families or in the portfolios of large conglomerates such as LVMH Môet Hennessy Louis Vuitton.

Chinese investors have been snapping up Bordeaux vineyards for years. And recently, Fortune Fountain Capital, a Beijing-based investment house, bought control of French crystal maker Baccarat for €164 million (\$201 million). Chinese buyers increasingly

are viewed favorably at acquired European businesses, such as Italian tire maker Pirelli & C. SpA, which was purchased by China National Chemical Corp. in 2015, and Volvo Cars, which Zhejiang Geely Holding Group Co. bought in 2010.

The Chinese are the world's biggest consumers of luxury goods.

They typically take a hands-off approach to management, while at the same time offering an enormous domestic market. Luxury-goods sales within China reached €20 billion in 2017, a 15% increase over the previous year, accord-

ing to Bain's Luxury Goods Worldwide Market Study published in December.

Seen as a rival to Italy's Salvatore Ferragamo SpA, Bally sells men's calfskin leather derby shoes for \$495, a leather down jacket for \$2,995 and a baseball hat for \$310. Mr. de Narp, its CEO, has previously said Bally had a target of \$1 billion in annual sales.

JAB, which said it would remain "a significant investor" in Bally, has moved its portfolio away from the luxury industry with the sale of Jimmy Choo and British brand Belfast.

Ruyi was established in the early 1970s in China and has grown to become one of the largest textile manufacturers on the mainland. It has gradually invested in clothing brands outside of China, moving up the value chain into apparel design and manufacturing.



Shipbuilders at Fincantieri shipyard near Trieste, Italy

Two Shipbuilders Corner Market For Cruise Vessels

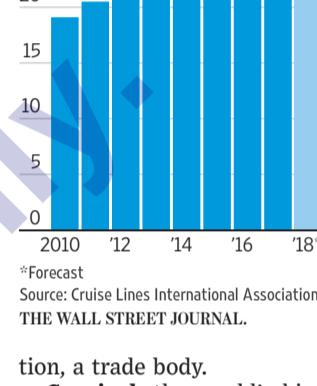
By COSTAS PARIS

Smooth Sailing

Cruise passengers are on the rise as more ships hit the water.

Passengers on cruise ships

30 million



tion, a trade body.

Carnival, the world's biggest cruise operator, with nine brands, has 18 ships on order. The company orders three to four ships a year on average.

"We would like to have more, but there is only so much the shipyards can deliver," said Roger Fritzell, a Carnival spokesman. Fincantieri has four yards dedicated to cruise-ship building in Italy and in early February bought a majority stake in an STX yard in Saint-Nazaire, on the Atlantic coast of France. Meyer Werft bought an STX yard in Finland in 2014.

The consolidation has given the two companies a virtual duopoly in cruise shipbuilding. **Genting Hong Kong Ltd.** is also capable of putting together large cruise ships in three yards it owns in Germany, but its output is relatively limited.

Part of the reason there are so few builders dedicated to cruisers is the size and complexity of the process.

Ships are customized to cater to global travelers' diverse tastes, from casinos geared to American travelers to rows of high-end boutiques that tend to be a draw for Chinese.

It takes months to design a ship with the tailored work done by a network of specialized suppliers.

"It's like custom fitting a Rolls-Royce but at a much bigger scale," Mr. Vago of MSC Cruises said.

Fincantieri, which also makes warships and offshore rigs, generated 2016 revenue of €4.4 billion, with 44% coming from the cruise business. The previous year it generated €4.2 billion in revenue, with 39% coming from the cruise business.

Meyer Werft doesn't disclose financial results.

About 80% of overall cruise capacity is controlled by three U.S. giants—Carnival, **Royal Caribbean Cruises Ltd.** and **Norwegian Cruise Line**. But yards also get orders from smaller operators and new entrants like Virgin Voyages, a joint venture of Richard Branson's **Virgin Group** and **Bain Capital** that will start sailings in 2020.

China is expected to become a bigger player in the cruise-ship building sector. The Beijing government in 2015 declared a five-year plan to build its own cruise ships as part of a shift toward advanced manufacturing.

China State Shipbuilding Corp. has brought in Fincantieri in a joint venture at a Shanghai yard to help it build cruise ships for the Chinese market. The yard aims to deliver two 4,000-passenger vessels starting in 2023 with options for an additional four.

An additional two billion people will require housing by 2030.

Over that same time period, the global middle class will increase to nearly five billion people. Add to that the fact that interest rates are set to rise and it's no wonder businesses and individuals turn to CME Group to help manage their risks and navigate fluctuating borrowing costs. That, in turn, enables lenders and property developers to keep pace with population growth. This is how the housing industry can find solutions that make shelter more accessible around the world. This is how the world advances. Learn more at cmegroup.com/finance.

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NOTICE OF REDEMPTION BY COMPANY

To the Holders of

THE CHICAGO & EASTERN ILLINOIS RAILROAD COMPANY 5% INCOME DEBTURITIES due January 1, 2054

(ASSUMED BY UNION PACIFIC RAILROAD COMPANY)
CUSIP # 167123AP3

NOTICE IS HEREBY GIVEN, that pursuant to the terms of the Indenture dated as of January 1, 1954, between the Chicago & Eastern Illinois Railroad Company and City National Bank and Trust Company of Chicago, Union Pacific Railroad Company (the "Company") will exercise its option to redeem the entire principal amount of the above-referenced Debentures on March 15, 2018 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof together with accrued interest from November 1, 2017 to the Redemption Date.

The Debentures were assumed by the Company as a result of the merger of the Missouri Pacific Railroad Company with and into the Union Pacific Railroad Company on January 1, 1997.

Payment of the Debentures will be made upon presentation and surrender of said Debentures at the location shown below. The Debentures should be presented as follows:

If by Mail, Overnight or by Hand:
U.S. Bank
Global Corporate Trust Services
111 Fillmore Avenue E
St. Paul, MN 55107

Questions should be directed to the Trustee, U.S. Bank, at 1-800-934-6802.

The Debentures will become due and payable and will be paid on March 15, 2018. From and after March 15, 2018 interest on the Debentures will cease to accrue.

UNION PACIFIC RAILROAD COMPANY
Jon T. Panzer
Treasurer

MARKETS

Investors Discern Parallels to '87 Market

Comparison with worst day in Dow's history carries hope that a rally will follow

By MIKE BIRD

The first stock-market correction in two years is prompting analysts and investors to look at previous declines to glean what might come next.

The retreat in the Dow Jones Industrial Average marks the fifth time in the bull market that U.S. stock indexes have suffered 10%-or-more declines. The others were in 2011, after the S&P Ratings Services downgrade of U.S. debt; in 2013, during the "taper tantrum" over Federal Reserve stimulus-reduction plans; in 2015, following the devaluation of the Chinese yuan; and 2016, in response to the spread of negative interest rates.

Some investors and analysts are reaching back to Black Monday in 1987, drawing parallels despite important differences with the Dow's worst day on record—a 22.6% plunge.

This comparison comes with a hint of hope. While other sharp declines in U.S. equities, such as those in 1929 and 2008, heralded a recession, U.S. stock markets began to rally after the crash of 1987.



New York Stock Exchange traders on Black Monday in 1987, when the industrials fell 22.6%.

"With the illuminating hindsight of history, we simply saw equities get pushed back to the big trend that preceded it," said Deutsche Bank strategist Alan Ruskin.

Both the sell-off of the past week and 1987 crash began after a run for stocks, as analysts weighed the effect of U.S. tax overhauls and while Treasury yields were accelerating.

In 1987 growth was picking up, which drove bond yields higher. U.S. 10-year Treasury yields soared from around 7.25% at the beginning of the

year to a high of more than 10% before the October crash.

Bond yields were far higher than today, and moves often much larger. The federal-funds rate was above 6% throughout 1987, compared with between 1.25% and 1.5% today.

That acceleration makes the recent pickup—from 2.06% in September to 2.85% now—look tame. But in both cases, rising yields played a part in the market drop. With interest rates so low for several years, other markets like stocks are increasingly sensitive to movements in bond yields.

"In 2018, there has been a similar re-rating of equities relative to bonds as shares have performed well in the last 12-18 months and bond yields have backed up in the last [four to five] months," noted equity analysts at Citi Research last week, adding that the magnitudes of both the move in equities and the move in bonds was far smaller than 1987.

One thing that differentiates corrections is their wealth effect on ordinary Americans.

"If markets drop precipitously and stay down—down

Crash Context

The 1987 selloff was far sharper than the decline last week, but the rally began again afterward.

S&P 500 performance



Source: FactSet

THE WALL STREET JOURNAL.

financial system rose by 61% to \$1.6 billion as the Fed engaged in open-market operations.

"It looks like a simple correction right now, but the Fed has no room today to do what it did in 1987," added Prof. Farmer. "That's the one thing that would be keeping me up at night."

The 1987 crash also came at a time of positive expectations for earnings. "Stock prices have collapsed, but profits are soaring," read The Wall Street Journal's Oct. 21, 1987, coverage. "And the earnings outlook, barring a recession arising from the trauma in world financial markets, is bright."

Earnings per share on the S&P 500 rose from \$14.48 at the end of 1986 to \$17.50 at the end of 1987, and surged to \$23.75 by the end of 1988.

"Our mind-set is very much to buy the dip given that we think this is technically driven," said Lars Kreckel, global equity strategist at LGIM.

Not all investors are sanguine, noting that a sustained fall in the stock market could weaken financial conditions and the broader economy.

"During the last three downturns, the causality ran from financial markets into the economy, not the other way round," said Dhaval Joshi, chief European investment strategist at BCA Research.

A Bundled Bond Boom Eases to China's Relief

An engine of consumer-loan growth in China is slowing. But that might not be such a bad thing, at least for regulators and market participants that have fretted about a rise in risky lending practices over the past year.

By Manju Dala, Shen Hong and Chui-Wei Yap



A Tokyo event for Ant Financial Services' Alipay in December.

China's market for asset-backed securities—which bundle up car loans, mortgages, consumer loans and other receivables into bondlike products—surged in 2017, led by issuers including the financial affiliate of **Alibaba Group Holding** Ltd. and other nonbank lenders. Total issuance of such instruments, which are mostly denominated in yuan, jumped 90% to over \$220 billion last year from 2016, according to S&P Global.

Increasing demand for consumer financing in China has fueled business growth at many nonbank financial institutions that in turn tapped securitization markets for funding, S&P Global said. The

country is now the world's second-largest market for securitized assets after the U.S., where issuance reached \$510 billion in 2017, it said.

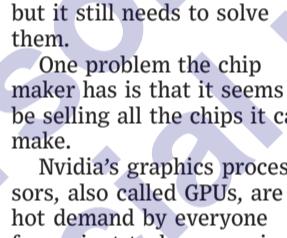
In the past couple of months, issuance in China of securities backed by unsecured small consumer loans has slowed sharply. This came after regulators took steps to curb a proliferation of internet lenders making microloans. Chinese authorities have been concerned about weak loan underwriting standards and possible predatory lending practices.

Part of the slowdown was due to **Ant Financial Services Group**, an affiliate of Alibaba that is the country's largest nonbank issuer of asset-backed securities. In December, it temporarily stopped selling bonds backed by consumer loans.

Ant said its December hiatus wasn't due to regulatory scrutiny of the industry, but that high interest rates made it uneconomical to sell the securities to investors. In mid-January, Ant said it was resuming sales of securities backed by consumer loans.

HEARD ON THE STREET | By Dan Gallagher

Nvidia's Good Problem to Have



Nvidia Corp. may have only high-quality problems these days, but it still needs to solve them.

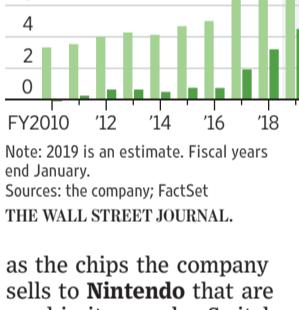
One problem the chip maker has is that it seems to be selling all the chips it can make.

Nvidia's graphics processors, also called GPUs, are in hot demand by everyone from giant tech companies building data centers to videogamers to cryptocurrency enthusiasts. The latter two in particular are competing for the type of GPU cards used in supercharged PCs, causing a shortage that began last summer but seemed to have worsened later in the year as the value of cryptocurrencies continued to soar.

That gave a boost to what was already a strong year for Nvidia. Revenue from the company's gaming segment jumped 33% to a record \$5.5 billion for the fiscal year ended Jan. 28. This included an unspecified contribution from crypto demand, as well

Game On

Nvidia's operating results



Note: 2019 is an estimate. Fiscal years end January.

Sources: the company; FactSet

THE WALL STREET JOURNAL.

as the chips the company sells to **Nintendo** that are used in its popular Switch console.

Nvidia is a "fabless" chip company that outsources the actual manufacturing of its chips to others. Chief Executive Jensen Huang said on the company's earnings call Thursday that it is working with its partners to "catch up to that demand."

The recently ended fiscal year was the company's best ever.

Sales jumped 41% to a record \$9.7 billion, while oper-

ating income surged 66% to \$3.2 billion—another record. The company's operating margin for the year was also at a record 33%.

Data-center sales, representing chips sold to companies such as Google, Amazon and Microsoft to establish artificial intelligence capabilities in their networks, more than doubled during the year.

That means Nvidia's main "problem" for the year ahead is how to improve on perfection. Chances are that it can. Capital spending on data centers is expected to continue growing in the double-digit range this year. Gaming demand will remain strong as well.

Crypto is a wild card, with the value of those currencies swinging wildly of late, but Nvidia is wisely cautious about those customers, maintaining its focus on its gamer base and the burgeoning data center opportunity.

Still, the company has a lot to live up to. Its stock defied Friday's turbulence to pick up 7% after already having surged nearly 90% in the previous 12 months.

THE TICKER | Market events coming this week

Monday

Treasury budget

Jan. '17

\$51.26 bil. surplus

Jan. '18, exp.

\$51.0 bil. surplus

Earnings expected*

Estimate/Year Ago(\$)

Arch Capital **1.11/1.13**

First Data **0.44/0.39**

FMC Corp. **1.05/0.88**

Genpact **0.41/0.43**

Loews **0.72/0.72**

Vornado **0.29/0.24**



Kraft Heinz, which makes Oscar Mayer wieners, reports results Friday.

Core, Dec. down 0.1%
Jan., expected up 0.2%

Earnings expected*

Estimate/Year Ago(\$)

Arista Networks **1.42/1.04**

CBS **1.14/1.11**

Consolidated Edison **0.77/0.69**

Digital Realty **0.38/0.49**

Waste Management **0.83/0.76**

Zoetis **0.66/0.47**

Tuesday

Earnings expected*

Estimate/Year Ago(\$)

Bioverativ **0.89/0.63**

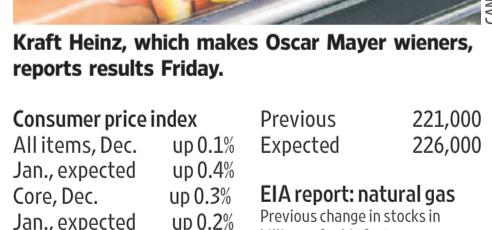
DaVita **0.93/0.98**

Martin Marietta Materials **1.51/1.55**

MetLife **1.08/1.14**

Occidental **0.41/(0.13)**

Pepsico **1.30/1.20**



Kraft Heinz, which makes Oscar Mayer wieners, reports results Friday.

All items, Dec. up 0.1%
Jan., expected up 0.4%

Earnings expected*

Estimate/Year Ago(\$)

Applied Materials **0.98/0.67**

Cisco **0.59/0.57**

Equinix **1.15/0.86**

Liberty Global **0.07/2.37**

Marriott **1.00/0.85**



Kraft Heinz, which makes Oscar Mayer wieners, reports results Friday.

Previous change in stocks in billions of cubic feet

EIA report: natural gas

Previous change in stocks in billions of cubic feet

down 119

Wednesday

Mort. bankers indexes

Purch., previous unch.

Refinian., prev. up 1%

EIA status report

Previous change in stocks in millions of barrels

Crude oil up 1.9

Gasoline up 3.4

Distillates up 3.9

Business inventories

Nov., prev. up 0.4%

Dec., exp. up 0.3%

Initial jobless claims



Kraft Heinz, which makes Oscar Mayer wieners, reports results Friday.

down 0.1%
Jan., expected up 0.4%

Earnings expected*

Estimate/Year Ago(\$)

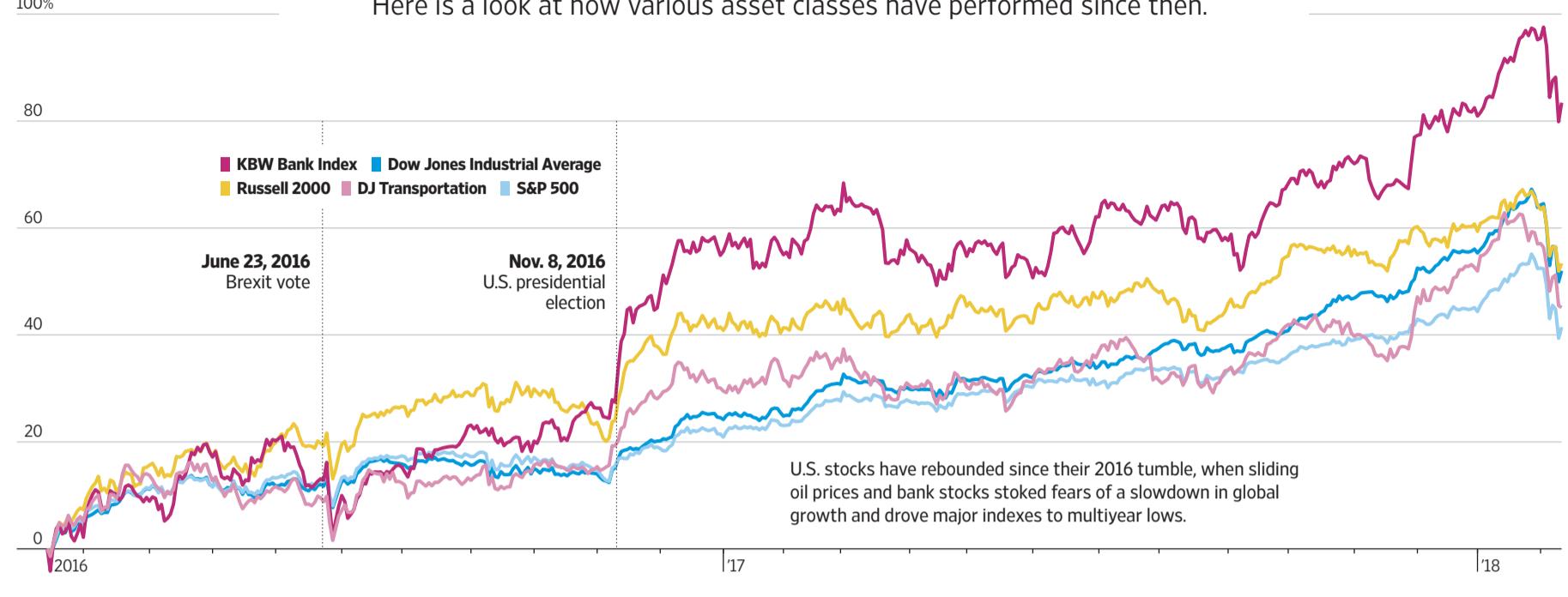
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MARKETS

For Global Markets, an Uncertain Anniversary

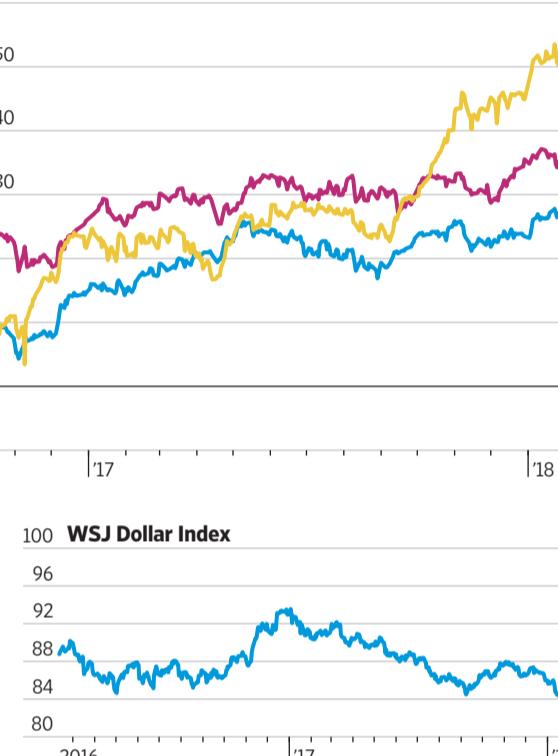
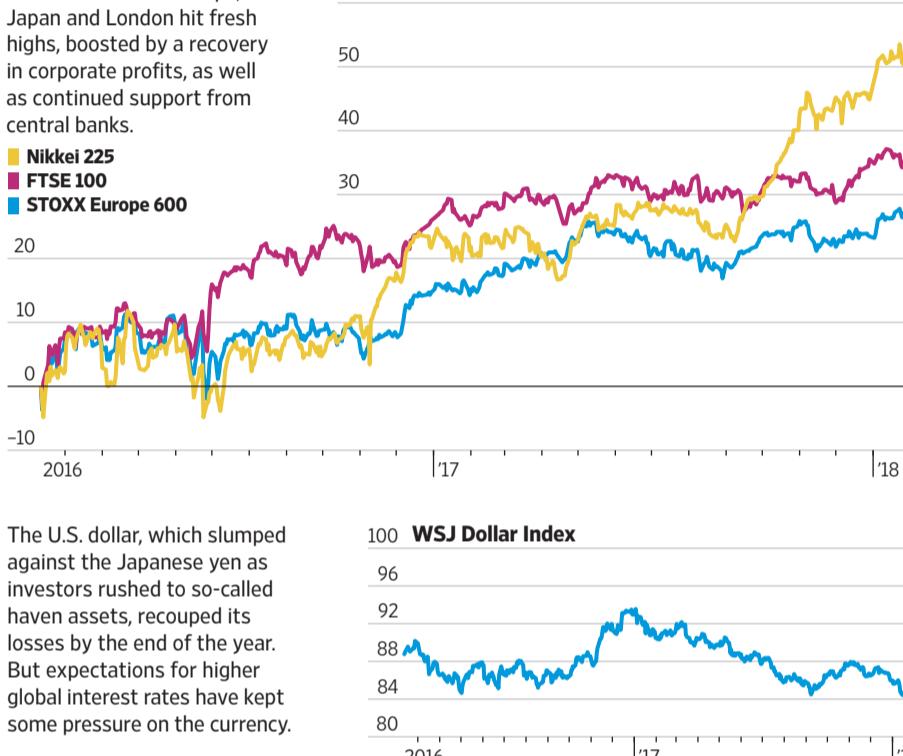
Before the most recent slide, the last time that equities fell by 10% was in early 2016.

Here is a look at how various asset classes have performed since then.



Stock indexes for Europe, Japan and London hit fresh highs, boosted by a recovery in corporate profits, as well as continued support from central banks.

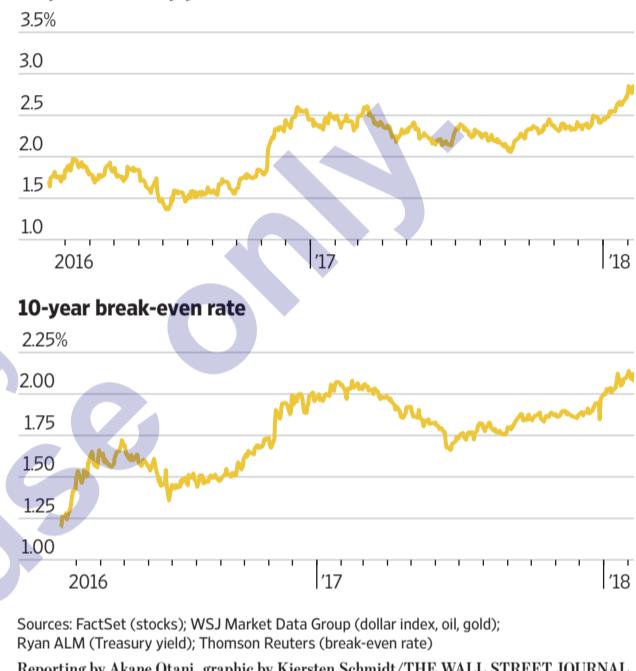
Nikkei 225
FTSE 100
STOXX Europe 600



Oil prices, which hit a 13-year low on Feb. 11, have more than doubled since the selloff, thanks to an improving global economic picture. Meanwhile, gold, which investors tend to buy in times of uncertainty, has ticked higher.



Bond yields have risen as investors have bet that a strengthening global economy and fiscal stimulus in the U.S. would help lift growth and inflation.



Sources: FactSet (stocks); WSJ Market Data Group (dollar index, oil, gold); Ryan ALM (Treasury yield); Thomson Reuters (break-even rate)

Reporting by Akane Otani, graphic by Kiersten Schmidt/THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

The Cloud Gets More Expensive

The world's largest tech companies further their advantage by building out extensive, global networks to deliver online services to businesses and consumers. This has never been an inexpensive endeavor, but the need for further sophistication and computing power has the bills growing larger each year and there are no signs of a slowdown on the horizon.

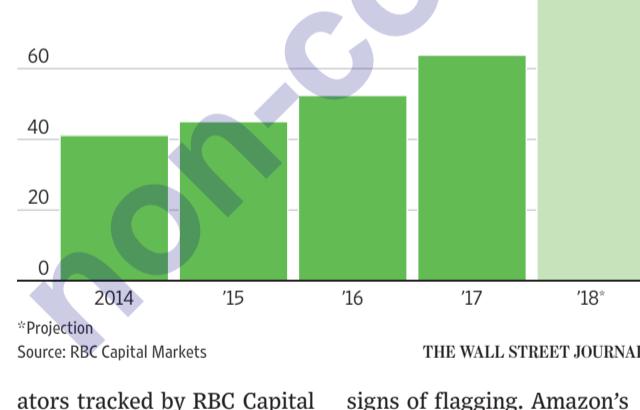
Take, for example, the largest three U.S.-based operators of cloud-computing services. **Amazon.com**, **Microsoft** and **Alphabet Inc.'s Google** had a combined \$41.6 billion in capital expenditures and capital lease deals in 2017. That is up 33% from the previous year and represents an acceleration from the 23% growth in spending seen in 2016.

Not all of this goes to data-center construction, though all three have identified network expansion as a major area of focus for their capital-spending plans.

A broader group of companies shows a similar trend. Nineteen cloud-service oper-

Billed Up

Capital spending by major cloud service operators



panies supplying the weapons for this particular arms race. **Nvidia**, whose chips are used to enhance artificial intelligence in cloud networks, posted its seventh consecutive quarter of triple-digit growth for its data-center business on Thursday.

Intel Corp. surprised investors last month with a 20% jump in revenue for its own data-center segment.

Arista Networks, which sells specialized networking gear to all of the major cloud providers, is expected to post a 41% jump in fourth-quarter revenue when it reports quarterly results on Thursday.

This level of investment is justified by the large growth opportunity ahead. Spending on cloud services is still a relatively small portion of total corporate information technology spending.

Key-Banc analysts project that total cloud revenue will hit \$314 billion by 2022—triple the current level.

For the companies already ahead in this race, there is little incentive to tap on the brakes now.

—Dan Gallagher

OVERHEARD

It turns out that beverage companies that change their name to catch the latest popular investing fad don't offer much protection from a market selloff.

Just ask **Long Blockchain** investors. The shares plunged by as much as 12% on Friday, continuing a protracted decline for the stock.

The company's shares have fallen by two-thirds since December, erasing nearly the entire gain since the company changed its name from Long Island Iced Tea Corp. and announced a new corporate focus on "the exploration of and investment in opportunities that leverage the benefits of blockchain technology."

After a steep decline like that, day traders who were chasing the next big thing certainly could use a cold beverage.

But the situation may yet be salvageable for Long Blockchain.

Perhaps renaming the corporation to focus on iced tea could get the stock moving in the right direction.

Another Way To Wager on Electric Cars

Tesla gets all the glamour, but there are more reliable ways to invest in the rise of electric cars.

Take **Umicore**, a European chemical group that is doing all it can to meet surging demand for cathodes, a crucial component in the batteries that power plug-in vehicles. Last May the company said it would spend an extra €300 million (\$367.5 million) on new factories in China and South Korea. Late Thursday, it said the growth outlook for electric cars justified a further €660 million of investment.

The company asked its shareholders for more cash to fund the project. They responded enthusiastically, giving almost €900 million at a share price just 2.7% lower than Thursday's close. The stock jumped sharply Friday.

The plan isn't risk-free: Battery technology is evolving rapidly, giving innovators a chance to seize contracts.

Still, car makers have to commit to a technology when they scale up production of new models, and that technology has to be reliable.

For the time being this should protect profitable incumbent leaders like Umicore and **Sumitomo Metals & Mining**, which supplies Tesla's battery partner **Panasonic**.

Umicore stock is up roughly two-thirds over the past year and trades for a punchy 31 times forward earnings, according to FactSet. But this multiple will come down as analysts upgrade their numbers.

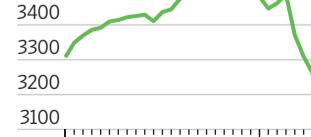
Umicore's cathode division is set to dwarf its others within a few years. Focused plays on the rise of electric cars are sometimes worth the premium.

—Stephen Wilmot

Beijing Hasn't Stopped Paying Attention to the Markets

Muddle Kingdom

Shanghai Composite Index



Source: WSJ Market Data Group

shedding their casinolike reputation.

Since the market crash of 2015 and early 2016, huge state-backed investment funds have regularly stepped

in to buy up Chinese stocks when the market looked like it was getting hairy.

That, and tighter regulation, made Chinese equities a yawn last year: The Shanghai market moved up or down by more than 1% on only 12 trading days in 2017. In 2015, that number was 141 days.

The yuan, too, has been relatively unexciting, rising steadily against the dollar along with most other major global currencies.

Beijing's motives can be hard to divine, but it appears to have made a sensible decision in allowing the market calm to shatter. Why spend

treasure trying to fight against global market forces, after all?

The country's central bank has been relaxed so far, too, refraining from flooding the market with cash for 12 straight trading days.

Regulators may also have reasoned that after a long run-up, both Shanghai stocks and the yuan could do with having some air let out.

Investors ought not take this as a sign that the Chinese state has come over all Milton Friedman.

The broader backdrop in Xi Jinping's China is still one in which the state is taking more control of the econ-

omy, not less. Future stock-market tumbles caused more by domestic factors—as in 2015—are likely to be met again with strenuous resistance efforts.

The Shanghai market isn't particularly expensive right now, trading at 13 times expected earnings, around middle of the range in the past two years.

Beijing might not be averse to future intervention if it falls too far out of line. Nor will it want the yuan to slide out of control.

Don't take this week's seeming indifference for inattention.

—Andrew Peaple

WEALTH MANAGEMENT

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Monday, February 12, 2018 | R1



What Investors Need to Know About the New Tax Law

LINCOLN AGNEW

FOR WASHINGTON, the federal tax overhaul is done. For companies around the globe, it is only beginning. And for investors, it's time to understand just how the changes are sweeping through the companies and industries in their portfolios.

We're seeing the effects already. First came the dramatic charges to earnings from accounting adjustments and big one-time tax bills. But even as those fade, companies of all sizes will continue grappling with tax-law changes that have the potential to reshape operations, upend years of planning and even alter how they pay top executives.

So much change—and so quickly—creates a minefield for investors. But understanding some basics about the tax legislation can help investors evaluate new disclosures and moves in the coming weeks, months and years. Here's a closer look at some of those basics:

♦ **Foreign profits.** The tax law's shift to a type of territorial tax system will pay off for multinational companies for years to come. Indeed, in contrast to the former threatened 35% U.S. tax on profits earned abroad, payments from foreign affiliates to U.S. parent companies now will generally go untaxed by the U.S., with relatively limited exceptions meant to discourage multinationals from artificially shifting profits to tax havens.

All told, companies over the next decade can expect to save \$223.6 billion in the form of reduced taxes on foreign profits, according to congressional estimates. And that probably underestimates the value of other benefits to companies. With taxes on foreign income greatly reduced, executives say they will have readier access to their cash and more flexibility in how they spend it. Biotech firm Amgen Inc. said in early February that it would spend about three-quarters of its five-year, \$3.5 billion capital program in the U.S., up from 50% previously, in part to build a \$300 million plant.

Better access to foreign profits also could have big repercussions for corporate debt. Multinational firms often borrowed heavily to pay dividends, buy back shares and invest in the U.S., because it was cheaper than bringing the money home. Now, those companies could reduce their debt loads, freeing up yet more

Our breakdown will help you understand which companies are likely to gain and lose in the months and years ahead

BY THEO FRANCIS

future income and cash for operations or returning capital to shareholders.

"I am pleased, obviously, to be able to access the cash more easily and not have to go through the debt market to be able to make these choices," Microsoft Corp.'s chief financial officer, Amy Hood, told investors in a Jan. 31 conference call.

The biggest winners: Companies with huge troves of cash that were parked overseas—primarily tech and pharma, but also large industrial, financial and consumer-products firms.

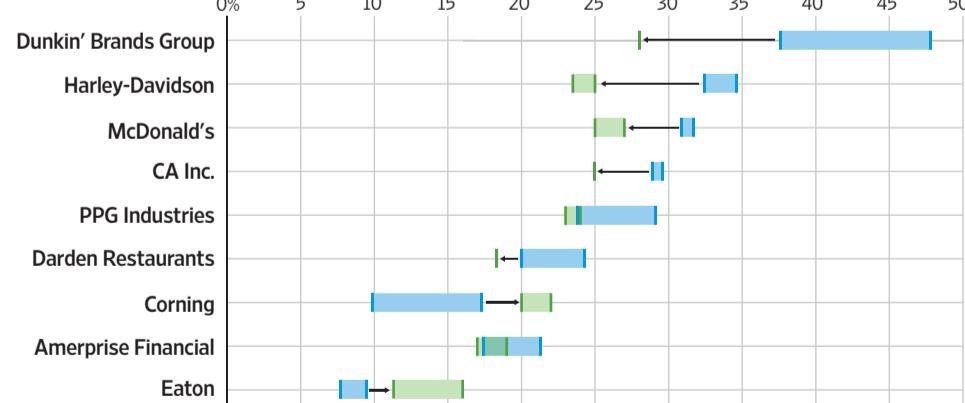
♦ **Lower rates for most.** Most of the tax benefits for companies will be right here at home. Congress estimates that by reducing the corporate tax rate to 21% the Internal Revenue Service will collect \$1.35 trillion less from companies through 2027. Congress also

scrapped the corporate alternative minimum tax, which put a floor on how low companies could bring their domestic taxes with deductions and credits. Ending the corporate AMT is likely to save companies \$40 billion over the next decade.

The biggest winners here will be banks, restaurants and others with primarily U.S. operations that have typically been paying something close to the old 35% statutory corporate tax rate. Organic- and natural-foods distributor United Natural Foods Inc., a big supplier to Amazon.com Inc.'s Whole Foods supermarket chain, says it expects to see its effective tax rate decline to 28% from just over 39% (including state taxes). Darden Restaurants Inc. expects to pay 18%, down from 20% to 24%, while mutual-fund firm T. Rowe Price Group Inc. says it expects a tax rate of 24% to 27%,

Rates of Change

Although the federal tax overhaul has led many companies to expect lower tax rates over time, some are forecasting higher taxes.



*Tax rates between 2015 and 2017

Source: Company filings and conference calls

THE WALL STREET JOURNAL

down from about 36%.

By contrast, thanks to exceptions still being worked into the rules covering foreign income, companies can be expected to benefit less, or even see their taxes rise, if they depend more on foreign operations or intellectual-property income—especially firms that have shifted patents and profits to low-tax havens outside the U.S.

Many tech and pharma giants fall into this category. International Business Machines Corp. has told investors to expect an effective tax rate of 14% to 18%, up from 6.5% in 2016. Other firms boasting low tax rates could pay up as well. Industrial conglomerate Eaton Corp., which makes truck transmissions and electrical equipment, says it expects an effective tax rate of 14% to 16% going forward, up from as low as 7.7% in recent years.

♦ **Accelerated depreciation.** Companies get a big break when they buy stuff, at least for the next five years.

This break—full and immediate depreciation for purchases—applies to a variety of tangible assets, including factory equipment, machinery and vehicles acquired after late September 2017 and phasing out after 2022 for most purchases. Previously, such deductions were spread over the asset's expected useful life.

There's a twist: The accelerated depreciation applies not only to new assets, but to used assets as well.

Don't expect a dramatic, direct impact on profits. From a financial-accounting perspective, companies have long had to book full deductions on equipment purchases up front.

But from a cash perspective, it's a big change that can significantly lower taxes paid in the wake of big purchases. Moreover, the September 2017 start date means retroactive windfalls at some firms. There are signs it is boosting equipment sales already, and possibly hastening automation.

Corporate acquisitions could boom, too, to the extent the acquisition involves tangible assets. For deals structured as asset purchases, buyers can get as much as a 21% discount on the cash purchase price thanks to the new depreciation rules. Acquiring a partnership is automatically treated as an asset purchase, while the same treatment can apply to acquiring

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JOURNAL REPORT | WEALTH MANAGEMENT

Common Errors When Buying Insurance

Consumers can make smarter choices—and plan sponsors and lawmakers can help

BY SHLOMO BENARTZI
AND SAURABH BHARGAVA

WHEN IT COMES to picking health insurance, many consumers make choices that are detrimental to their financial health and that can cost them hundreds if not thousands of dollars a year.

This appears to be true whether they are shopping for coverage on a government exchange or evaluating offerings in an employer-sponsored benefit program, research shows.

Part of the problem is what you would expect: People struggle with questions involving numeracy, uncertainty, risk and loss. What's more, few decisions are as emotionally wrought as those involving one's health or financial well-being (or that of one's family), which makes mistakes all the more likely.

But research also has found that the common errors people make—such as overpaying for plans that aren't a good fit—can be exacerbated by the way insurance options are presented to them.

The good news is that by understanding the biases that lead to bad decisions, people can learn to make better choices. These insights also can be used by consumers who are in the market for other types of insurance coverage, such as homeowners, since the studies suggest that people make a set of consistent errors when shopping for insurance products.

Deductible bias

The first error is one we call deductible bias. A study by Saurabh Bhargava, George Loewenstein and Justin Sydnor, published in the Quarterly Journal of Economics last year, asked people to select from a small menu of health-insurance plans that differed in terms of premiums and deductibles, but offered the exact same medical network.

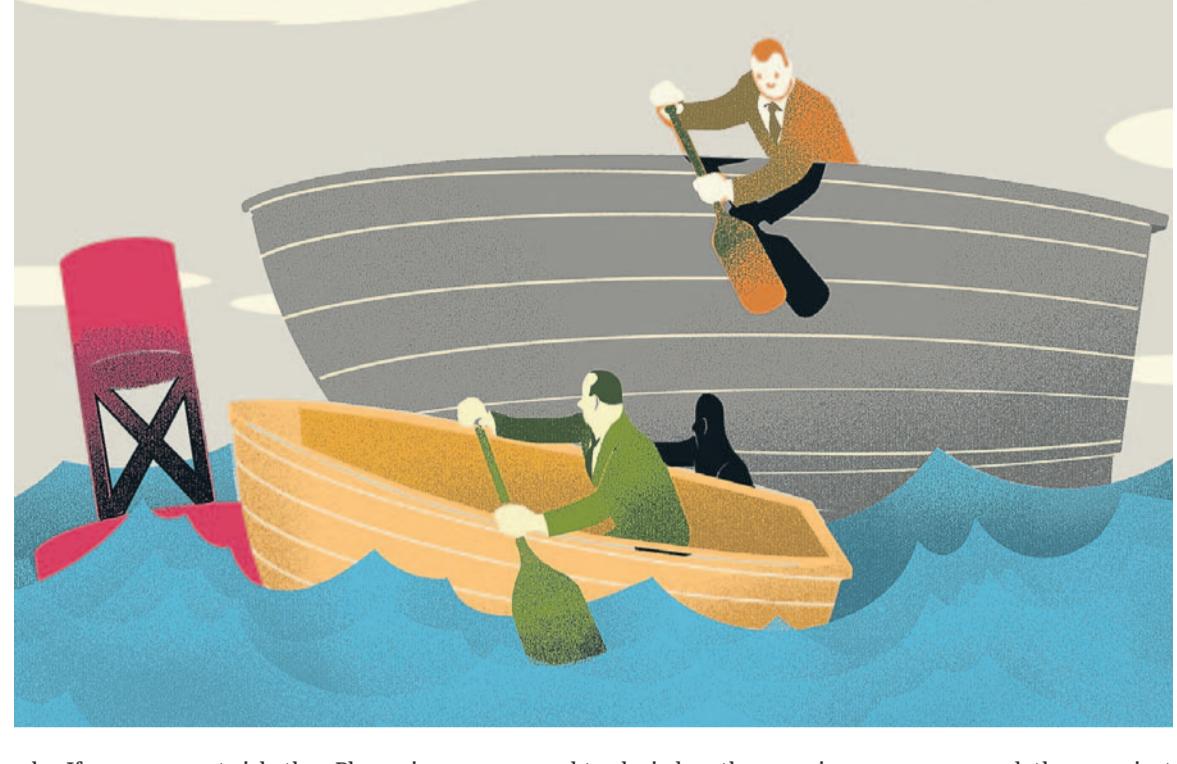
To illustrate, imagine you were asked to select a health plan from the following two options:

- 1) Plan A, which has a premium of \$1,400 and a deductible of \$500
- 2) Plan B, which has a premium of \$800 and a deductible of \$1,000

In the study, the two plans were equally popular. Plan A probably seemed like the more prudent option to many of the people, since it comes with a much lower deductible.

Alas, choosing a low-deductible plan can be a big financial mistake.

Here's the simple math to explain



many people still said they preferred the Gold plans, and that the majority of people who scored below average in mathematical ability preferred the Gold plan, even when it was just a Bronze plan in disguise.

Solutions

How can this research help people make better insurance decisions?

First, consumers need to think carefully about how much loss they can afford. The optimal deductible for insurance involves a loss that is somewhat painful but not devastating. Instead of seeking out plans with the smallest deductibles, and thus incurring substantially higher premiums, they should be willing to trade a manageable deductible for lower premiums.

Consider home insurance. While many consumers focus on getting a low deductible, what's often more important is ensuring that they have enough coverage to rebuild their home in the event of a disaster. (It's easy to forget how expensive rebuilding can be.) In fact, many people might want to consider trading a higher deductible for more overall coverage, just to avoid a big increase in their premiums.

Our second recommendation is for people to focus on their expected need for a given insurance product, rather than some arbitrary label. Are you young and in good health? You may not consume enough health care to benefit from the increased financial coverage offered in a platinum plan, so you're paying for something you don't need. On the other hand, a primary earner with three children might need more life-insurance coverage than he or she thinks. A policy for \$250,000 may sound like a lot, but the level of coverage is far below what most experts would recommend.

By understanding the kinds of biases that lead to errors, we can help people avoid buying coverage they don't need, while investing in the protection they do.

Dr. Benartzi (@shlomobenartzi) is a professor and co-head of the behavioral decision-making group at UCLA Anderson School of Management and a frequent contributor to Journal Reports. Dr. Bhargava is a professor of economics at Carnegie Mellon University, and co-director of the Behavioral Economics and Decision Research Policy Lab. Email them at reports@wsj.com.

why. If you never got sick, then Plan B is obviously the better choice, since you wouldn't have to worry about your higher deductible. (You would only pay \$800 in premiums a year rather than \$1,400.) But even if you *did* get sick and used up your entire deductible, Plan B is still the better choice. After all, the maximum annual cost of Plan B is \$1,800. (\$800 in annual premiums, plus a \$1,000 deductible.) That's still \$100 less than the worst-case scenario of Plan A, which is \$1,900. (\$1,400 in premiums, plus a \$500 deductible.) In this example, the lower premium and higher deductible plan is always the cheaper option.

This example might seem far-fetched but it was adapted from an actual health-plan menu offered to employees at a Fortune 100 company. In the same paper, the researchers showed that the majority of employees at that company exhibited this deductible bias, which resulted in them spending 24% more on health insurance than they needed to, or the equivalent of about 2% of their annual salary.

The authors concluded that these costly mistakes in plan choice were driven by a fundamental misunderstanding of how basic insurance features, such as a deductible, relate to the overall price of health care. One might even view this excess spend-

ing as an annual tax levied on those who lack a sophisticated understanding of how insurance works.

The problem with labels

Recognizing the complexity of health-insurance decisions, many policy makers and plan sponsors designed health-plan exchanges and offerings with an eye toward simplifying consumers' choices.

For example, the online exchange from which consumers enroll in Affordable Care Act, or ACA, plans organizes health plans into metal tiers defined by the generosity of their financial coverage—ranging from Bronze plans (covering a lower share of costs, at a lower premium) to Platinum plans (covering a higher share of costs, at a high premium).

However, our own new research with Dr. Loewenstein, a professor of economics at Carnegie Mellon University, shows that these labels, however well-intentioned, can backfire. We demonstrated this by simulating choice from a simple menu of three plans designed to mimic the choice of plan tier faced by a typical ACA enrollee. We then approximated the total spending associated with each plan, using information about average medical costs and personalized estimates of participants' medical use.

To see how the metal labels influenced the quality of consumer deci-

sions, we compared them against three other kinds of labels: generic labels such as Plan A, B and C; generic labels accompanied by a personalized plan recommendation; and labels that explicitly linked plans with levels of anticipated medical use (high-use, medium-use, low-use).

In short, we found that while people made insurance mistakes regardless of how plans were labeled, the metal labels led to the worst decisions. Only one-third of individuals choose the plan best suited to their medical needs (the same rate as random-chance), resulting in overspending equivalent to about one-quarter of average plan premiums—an amount bigger than most of the year-to-year changes in premiums that seem to dominate political discourse.

Why do the metallic labels backfire? One possibility is that people treat metal labels as signaling differences in the quality or reliability of health care rather than differences in financial coverage. (For example, one might assume the Gold plan provides superior quality of care to the Bronze plan, even though the latter may be more appropriate for someone in good health). In a study, published in the New England Journal of Medicine, researchers Peter Ubel, David Comerford and Eric Johnson switched the labels of the Bronze and Gold plans. They found that

What Investors Need to Know About the New Tax Law

Continued from the prior page
other pass-through entities, such as S corporations or divisions of C corporations.

That has big implications for companies that acquire smaller local or regional competitors. There could be more deals like catering giant Aramark's acquisitions of hotel-procurement firm Avendra and uniform-rental firm AmeriPride Services Inc.

Both recent deals qualified as asset purchases. Aramark says it expects to save nearly \$500 million in taxes on the deals.

Stock acquisitions, such as when one public company acquires another, don't qualify. But acquiring a division of a public firm can be structured as an asset purchase that qualifies for the immediate deduction. Note that regulated utilities don't get the new capital-

expensing treatment; they gave it up to keep existing interest-deduction rules (see below).

◆ **Vanishing breaks.** Some existing tax breaks vanished or shrank sharply, including one for domestic manufacturers and one for pharmaceutical companies developing "orphan" drugs for rare conditions. Like-kind exchanges—where two companies trade similar assets

and postpone any tax impact—are now limited to real-estate swaps. And some fringe-benefit deductions were scaled back.

Mostly, however, companies view these minuses as a small price for significantly lower tax rates and the new territorial tax system.

◆ **Interest deductions.** A more substantive cut for some companies will be the limit on tax deductions for interest paid on debt. Previously, there was no explicit limit on how much interest companies could deduct each year. Now they may deduct no more each year than 30% of a figure similar to Ebitda, or earnings before interest, taxes, depreciation and amortization, plus the value of interest income. Surplus interest expense can be carried forward indefinitely, however, and no longer expires. (Auto and other vehicle dealers have special rules.)

One analysis found that the health-care sector had the biggest proportion of public firms in 2016 with interest payments in excess of the threshold, at more than 75%, followed by energy (about 70%), and business equipment (45%).

◆ **Guardrails.** Complex provisions prevent U.S. firms from artificially shifting income to ultra-low-tax havens overseas. U.S. Treasury and IRS officials are still drafting rules to implement these "guardrails." One, the base erosion and anti-abuse tax, or BEAT, applies to large companies with at least \$500 million in gross receipts and significant cross-border transactions with related entities. For the provision to raise a company's taxes, at least 3% of a firm's tax deductions must stem from cross-border payments to foreign affiliates. (The limit is 2% for banks.)

Companies to which the BEAT applies must effectively calculate an alternative tax amount without deductions for cross-border payments—they pay that new tax if it's higher than a modified version

Losses and Gains

A handful of corporate-tax provisions in the December 2017 legislation generated most of the tax breaks for companies, partly offset by some new limits on existing deductions and credits.

Ten-year government revenue loss (in billions)

\$1,348.5	21% corporate tax rate
223.6	End to world-wide taxation
86.3	Immediate capital expensing
63.8	Foreign-derived intangible income deduction
40.3	Eliminate corporate alternative minimum tax

Ten-year government revenue gain (in billions)

Executive-pay deduction limit	\$9.2
Like-kind exchange limits	31.0
Orphan-drug credit modification	32.5
Fringe-benefit deduction limits	41.2
Manufacturing-deduction repeal	98.0
Global intangible low-taxed income tax	112.4
R&D benefit changes	119.7
Base-erosion and anti-abuse tax	149.6
Operating-loss deduction limits	201.1
Interest-deduction limit	253.4
One-time tax on accumulated foreign earnings	338.8

Source: Joint Committee on Taxation

THE WALL STREET JOURNAL.

of their ordinary figure.

The other primary guardrail, dubbed the global intangible low-taxed income tax, or GILTI, serves to set a floor on the tax companies pay on foreign income, whether to U.S. or foreign tax authorities. In effect, multinational firms that pay less than a minimum 10.5% to foreign jurisdictions on foreign income must make up the difference to the IRS.

That minimum tax is applied to foreign income over a threshold based on the company's foreign tangible assets.

Many details remain unclear, but investors can expect

guardrails to mostly affect

large companies—including many in the tech and pharma—that have successfully pushed tax rates down by housing intellectual property in low-tax jurisdictions such as Ireland or Luxembourg.

Other sectors could be affected as well. Foreign bank profits are likely to be dented by the provisions, warns Blair

Fleming, head of the U.S. investment-banking unit of Royal Bank of Canada's RBC Capital Markets division.

Mr. Francis is a special writer for The Wall Street Journal in Washington, D.C.

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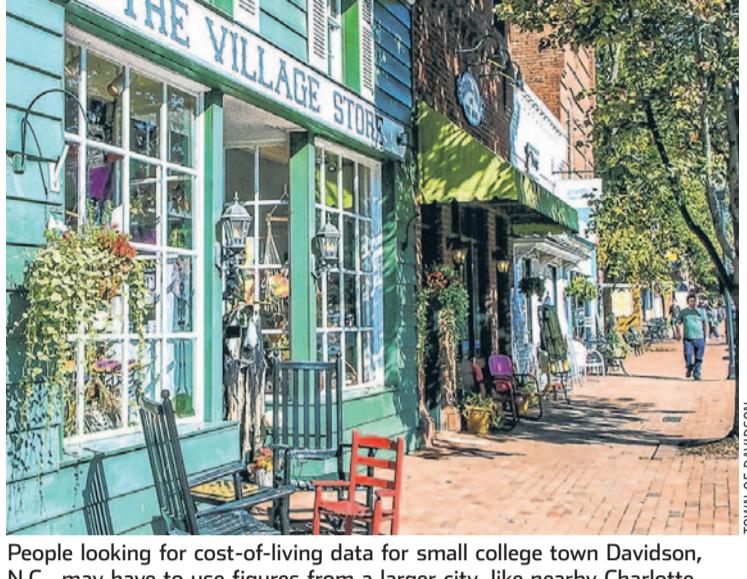
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JOURNAL REPORT | WEALTH MANAGEMENT

ASK ENCORE | GLENN RUFFENACH

Tools to Gauge Cost of Living

Comparing cities isn't easy, but here are some good places to start



TOWN OF DAVIDSON

People looking for cost-of-living data for small college town Davidson, N.C., may have to use figures from a larger city, like nearby Charlotte.

Do you have a favorite source of information about the relative costs of living in different places? We live in Connecticut and know we have to move to lower our overhead. There are so many tools (Kiplinger, Sperling's, etc.). Do you have one that you find most useful and most accurate? Or do you combine a couple of sources?

A good question with, unfortunately, no single good answer.

You're right: A number of resources can help with cost-of-living comparisons across the country. Many focus on metropolitan areas or counties, which is fine if you're willing to accept ballpark figures. But comparing specific towns—at least with some of the free tools that are out there—can be difficult.

For instance, if you're thinking about a move to Davidson, N.C., or Conway, S.C., (small college towns), you might have to settle for cost-of-living figures from Charlotte, N.C., and Myrtle Beach, S.C., the closest large cities, respectively, to each.

So, as you indicate, combining results from several resources generally works best. Here are some good places to start:

The Council for Community and Economic Research in Arlington, Va., has published, since 1968, a Cost of Living Index (coli.org), which, each quarter, measures relative price levels for consumer goods and services in about 300 metro areas. (Note: Data are drawn from the top 20% of earners.) For \$7.95, you can compare two sites; up to four sites can be added to the initial comparison for \$4.95 each.

Several outlets use figures from the council (if not always the most recent figures) to create their own cost-of-living calculators, which generally are free. See, for instance, Bankrate.com (under Personal Finance, click on: Cost of living calculator); CNN (money.cnn.com/calculator/pf/cost-of-living/); and NerdWallet (nerdwallet.com/cost-of-living-calculator).

Sperling's BestPlaces (best-places.net) offers information about destinations across the country, including cost-of-living data. Among other resources that cast a wide net:

◆ American FactFinder, a service of the Census Bureau (factfinder.census.gov) that provides "popular facts" about destinations large and small.

◆ The Milken Institute, which publishes a survey (updated in 2017) of "Best Cities for Successful Aging" (successfuleaging.milkeninstitute.org).

◆ NeighborhoodScout (neighborhoodscout.com), whose profiles (for \$29.99 each) of communities nationwide feature more than 600 statistics in five categories: real estate, demographics, crime, schools and trends and forecasts.

If you are interested in comparing taxes (and you should be), see the Tax Foundation (taxfoundation.org), Kiplinger (kiplinger.com) and click on: Retirement) and RetirementLiving.com. All three sites examine and compare tax burdens in different locales.

* * *

I'm 62 and retired. During the last few of my working years, I purchased a high-deductible health-care plan as one of the insurance options offered through my employer. After maxing out my pre-tax 401(k) contributions, I really appreciated the tax-free savings opportunity that a health-savings account offered and maxed out those contributions.

Now that I'm retired, I (and my

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to askencore@wsj.com.

The Best Way for Parents to Talk To Children About Family Wealth

The key is give them the right information at the right time

BY CHERYL WINOKUR MUNK

MANY WEALTHY families face a tricky balancing act. On the one hand, they want to conceal important details even from adult children for fear of creating a sense of entitlement. But when parents are too secretive, it can make it much more difficult for the children when they eventually inherit those investments.

"The more secretive you are, the harder it becomes to talk about later on," says Michelle Brownstein, a certified financial planner and director of private client services at **Personal Capital** in San Carlos, Calif.

Discussions about family money are especially important these days given that financial professionals estimate that tens of trillions of dollars in financial and nonfinancial assets will be passed from baby boomers to their heirs over the next several decades. How much to disclose—and when—will depend on each family's dynamics and wealth situation. But, generally, financial pros say that discussions with children around family wealth should take place in stages, over a number of years.

"A lot of times, there's a myth that talking about money means revealing the balance sheet," says Stacy Allred, managing director and head of Merrill Lynch's Ultra High Net Worth Strategic Wealth Advisory Group and Center for Family Wealth Dynamics and Governance. "Instead, it's this series of conversations and typically the very last thing that's shared is the distribution of the estate plan."

Here are some age-appropriate strategies—and mistakes to avoid.

Tweens and teens

Many agree the tween years are a good time to start. At this age, children only need to know the family has money; not the specifics of their wealth or how the money is invested.

Tell them how fortunate your family is and cite examples. Point out the vacations you've taken, the nice clothes they have, the fun activities they do and the great schools they attend. Then tell them the family history—ideally as a story, says Randy Kaufman, senior vice president with wealth manager EMM Wealth in New York. You might begin, say, with how their great-grandfather boarded a ship from Russia as a child, frightened and alone, she says.

As the children mature, if there are family foundations or donor-advised funds, think about including the children in meetings and decisions about where to make donations, Ms. Kaufman says. Start by asking them what is important to them. Do they love animals or children, or do they have a strong desire to help the homeless or sick? Explain how they can be a great source of financial help to such efforts, says Ms.

Kaufman, who also advises taking the children to visit animal or homeless shelters so they can see the importance of lending a helping hand.

Another effective way to engage teens in discussions about money: involve them in family-vacation decisions. Ms. Kaufman suggests parents invite their children to come up with two or three vacation ideas that the family can then discuss.

In their 20s

When the children reach their 20s, wealthy parents are often concerned that they will become dependent on inherited wealth.

They may begin earning a salary, paying rent and other bills. Financial professionals say this can be a good time to discuss the various components of the family's wealth. Don't give actual values, but tell them about any real estate that is owned, properties that are earning income, life insurance, stocks, bonds and other investments.

Tell them they're now mature enough to have in-depth discussions about the family's successes in saving and investing. Then talk about various types of accounts and basic inheritance concepts like wills and trusts, says Lou Cannataro, a financial adviser with **Cannataro Park Avenue Financial** in New York City.

Describe, in general, your plans for the money you've accumulated, he says. Talk about retirement plans and charity, whether you plan to help your children during their lifetime or leave them an inheritance.

Financial professionals say it's important to explain what you aren't willing to use the money for as well, such as extravagant vacations or funding risky business ventures. This will be different for every family.

Adult children need to understand what's expected of them. David Geller, chief executive of **JOYN**, a wealth-management firm in Atlanta, told his children they could live at home for up to a year after college graduation to save some money. After that, he expected them to move out. Tell them things like, "you can figure out how to live on your salary, even if it's modest," Mr. Geller says.

Many parents send confusing messages or avoid the conversation entirely about how much support they are willing to give their adult child. "After college graduation, parents will just continue paying the bills and then suddenly, they get disgusted, and turn off the money spigot leaving the child confused and angry," Mr. Geller says.

Another common mistake: trying to control the children with family money. Don't say things like, "I spent a lot of money on your education, and I expect you to find a career that justifies that expenditure," Mr. Geller says. And avoid criticizing your child's financial decisions; let them make their own mistakes, he adds.

Consider introducing your children to your adviser to help them learn more about the family's investment and financial philosophies and about setting goals for their money. Mr. Cannataro says he uses graphics and doesn't cite actual numbers.

In their 30s

Once children reach maturity, and perhaps are starting families of their own, then it's time to share specific details about your wealth, professionals say. The approach depends on the child. But a family meeting facilitated with help from a financial adviser, accountant or estate-planning attorney can be an effective way to broach the discussions.

As a prelude to any such formal meeting, Michael M. Pompian, founder and chief investment officer of Sunpointe Investments in St. Louis, proposes a more relaxed social gathering between parents and chil-

Little Information

About 97% of parents surveyed plan to leave an inheritance to their children. But fewer disclose their wealth.

Children know parents' salary 50%

Children know parents' net worth 47%

Never plan to tell children their net worth 22%

Source: Personal Capital's Affluent Family Finances Survey

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dren. At that gathering, he says, you can approach the topic by saying something like: "At some point you and your brothers and sisters will be in charge of managing our family's money and [we] think the time is right to get you involved."

Ms. Allred of Merrill Lynch also recommends parents write their children an old-fashioned letter. It might include stories about what it took to create the wealth, what challenges were overcome, and what the parents hope happens—and doesn't happen—with the family wealth in the future. Take the time to document your intent, she advises, so there's no room for misunderstanding.

Some parents still balk at revealing real numbers to their children at this age. But for some, it could be a last chance to make sure the children are prepared to manage the money when the parents pass away. "By the time the 30s come around," Mr. Pompian says, "it's almost a mandatory situation where you have to talk to your kids about it or you risk the loss of wealth from generation to generation."

Ms. Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.

Why So Many U.S. Men Die at Age 62

BY DEMETRIA GALLEGOS

IF YOU'RE approaching age 62, thoughts about retirement and collecting Social Security may be on your mind. Here's something else to think about as well.

A significant increase in mortality starts at 62, according to a new study. The escalation is much more dramatic for men than for women. And the fatal catalyst, the study's authors believe, might be the availability of Social Security.

Maria D. Fitzpatrick, an associate professor of economics at Cornell University, and her co-author, Timothy J. Moore, a senior lecturer in economics at the University of Melbourne, reviewed mortality data from the National Center for Health Statistics' Multiple Cause of Death files for 1979 to 2012. Their working paper was published by the National Bureau of Economic Research in December and in the peer-reviewed *Journal of Public Economics* last month.

The Wall Street Journal spoke with Dr. Fitzpatrick about the research. Edited excerpts follow.

WSJ: Why did you study this?

DR. FITZPATRICK: There is a lot of work about the financial health of Americans as they retire. It is a big change in people's lives. We were hypothesizing that it could have effects not just on their financial health but on their physical and psychological health.

WSJ: What's going on at age 62?

DR. FITZPATRICK: A lot happens in our early 60s. Some change jobs, scale back working hours or retire.

of how a retiree slowly withdraws from the world because he no longer has any reason to engage.

What we find in the short-run are negative consequences. For example, many deaths come from traffic accidents. If you don't go to work, you have more hours of the day to be driving around. Medical literature suggests when older men are more sedentary, they're more likely to be at risk for infection. When they lose their jobs, they increase their smoking rate.

People who retire at 62 are more likely to have worked as physical laborers. They could be retiring because they're in poor health. More broadly, there could be negative consequences because this is a difficult time for people.

WSJ: So what is the bottom line?

DR. FITZPATRICK: The takeaway is retirement may be bad for the health of men, particularly for men who retire at the relatively early age of 62. That is the leading explanation.

WSJ: What can be done about it?

DR. FITZPATRICK: We aren't necessarily saying people shouldn't retire. But if you're thinking about retirement, particularly if you're 62 and if your health is poor to start with, think about preventive health measures. Stay healthy, see a physician, don't just sit on the couch, but don't overdo it either. Be careful about driving. Just be careful. It is a tricky time.

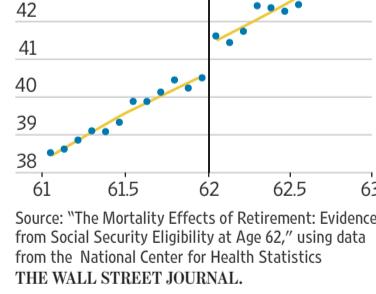
WSJ: What is really happening?

DR. FITZPATRICK:

Retirement could have positive long-run benefits for your health because you're taking better care of yourself. Or it could be that, in the long run, retirement has a negative effect. You can think

Dangerous Age

Monthly deaths as men approach and pass age 62



Source: "The Mortality Effects of Retirement: Evidence from Social Security Eligibility at Age 62," using data from the National Center for Health Statistics

Our health-care coverage may shift.

We may have fewer financial resources, or we may begin collecting Social Security. About one-third of Americans immediately claim Social Security at 62. Ten percent of men retire in the month they turn 62.

WSJ: What do the numbers show?

DR. FITZPATRICK: There's a sizable, 2% increase in male mortality at age 62 in the U.S. That 2% is of the whole male population. But we really think this estimate is about the 10% of men who retire. So the increase in the probability of death for men who retire [at 62] could be as high as 20%. I think that is a pretty big deal.

WSJ: What is really happening?

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WSJ: Gallegos is a news editor for The Wall Street Journal in New York. Email: demetria.gallegos@wsj.com.

JOURNAL REPORT | WEALTH MANAGEMENT

To Get More People to Pay Taxes, Give Them a Voice

Research suggests compliance would rise if taxpayers feel they have a say in how the money is spent

BY CAIT LAMBERTON
AND MICHAEL I. NORTON

WHEN PEOPLE FEEL that they don't have a voice in determining what their government does, they often check out of the political process. One result of that: They do what they can to avoid taxes.

But there's a way to change the way people feel—and increase tax compliance in the process.

Research we conducted with Jan-Emmanuel De Neve at the University of Oxford suggests that the key is giving people the sense that they have a voice in how their taxes are spent. In a laboratory experiment designed to mirror the tax system, we gave participants the opportunity to earn extra cash by completing a simple task, but there was a catch. If they agreed to do the task, they would have to pay us a "laboratory tax" of 30%. We would pay them \$10 for their work, but they would need to give us back \$3. And we told them that if they failed to pay the tax, they might be selected for an audit and have to pay the \$3 plus a penalty.

For some people, though, we added a twist. Before they decided whether or not to pay their taxes, they were asked to share their ideas about how their tax money should be distributed to help pay for various "infrastructure improvements" to our laboratory—such as beverages, snacks, and enhanced incentives for future study participants. They were given no guarantee that we would spend according to their ideas, but were assured we would take them into account. Other people weren't given this voice, and simply had to pay up.

Giving people a voice had a big impact on tax compliance. More than two-thirds of those who were asked to share their ideas paid their taxes in full, compared with just over half of those who weren't consulted.

Out of the lab

But does this laboratory experiment really have implications for citizens paying their yearly tax bill? In a separate study, we showed people a version of the Federal Taxpayer Receipt (first created in

2011), which breaks down tax spending by budget category, with more than a dozen categories listed, including national defense, health care, education and job training, natural-disaster response, international affairs and agriculture. We asked some taxpayers to allocate a percentage of their annual tax payment across budget categories in ways that reflected their priorities. And again, other citizens weren't given this opportunity. We then asked everyone about their willingness to take a hypothetical tax loophole for which it wasn't clear they qualified the next time they completed their taxes. About 40% of those people who were given a voice said they would take the loophole, compared with about 65% of those people who weren't asked their preferences.

Our strategy for transforming taxes from a perennially unpopular rite of citizenship to an opportunity for a voice in government has a few caveats. First, people's input can't be limited to helping decide how to distribute tax money among budget categories that are generally unpopular—some popular options have to be included as well. Our research shows that people who are only asked to decide how to allocate money among unpopular budget priorities are more likely to avoid paying taxes.

Second, giving only people who pay taxes a voice in how those taxes are spent would equate participation in government decisions with wealth—people who don't pay taxes must also be given a voice.

And there is one final risk to opening the door to citizens sharing their ideas: People need to believe that someone is actually listening. Offering people a voice can lead to expectations that government will follow through, providing more funding to those causes that people favor. While this may sound like it could lead to mayhem—what if all citizens decided that all money should go toward one single budget category?—our research shows that the preferences of citizens aren't dramatically different from current budgetary priorities.

On average, citizens tend to

lean toward a less lopsided pie, shifting slightly away from military spending toward less well-funded categories. In the aggregate, however, our studies indicate that overall spending allocations would be little changed. Moreover, our research shows that giving citizens a voice in as little as 10% of the total budget is enough to improve their feelings about paying taxes, so the total impact on the budget can be limited that way.

Real-world choice

One example of limited involvement is the Participatory Budgeting program of the city



Having a voice in as little as 10% of the budget could improve feelings about taxes.

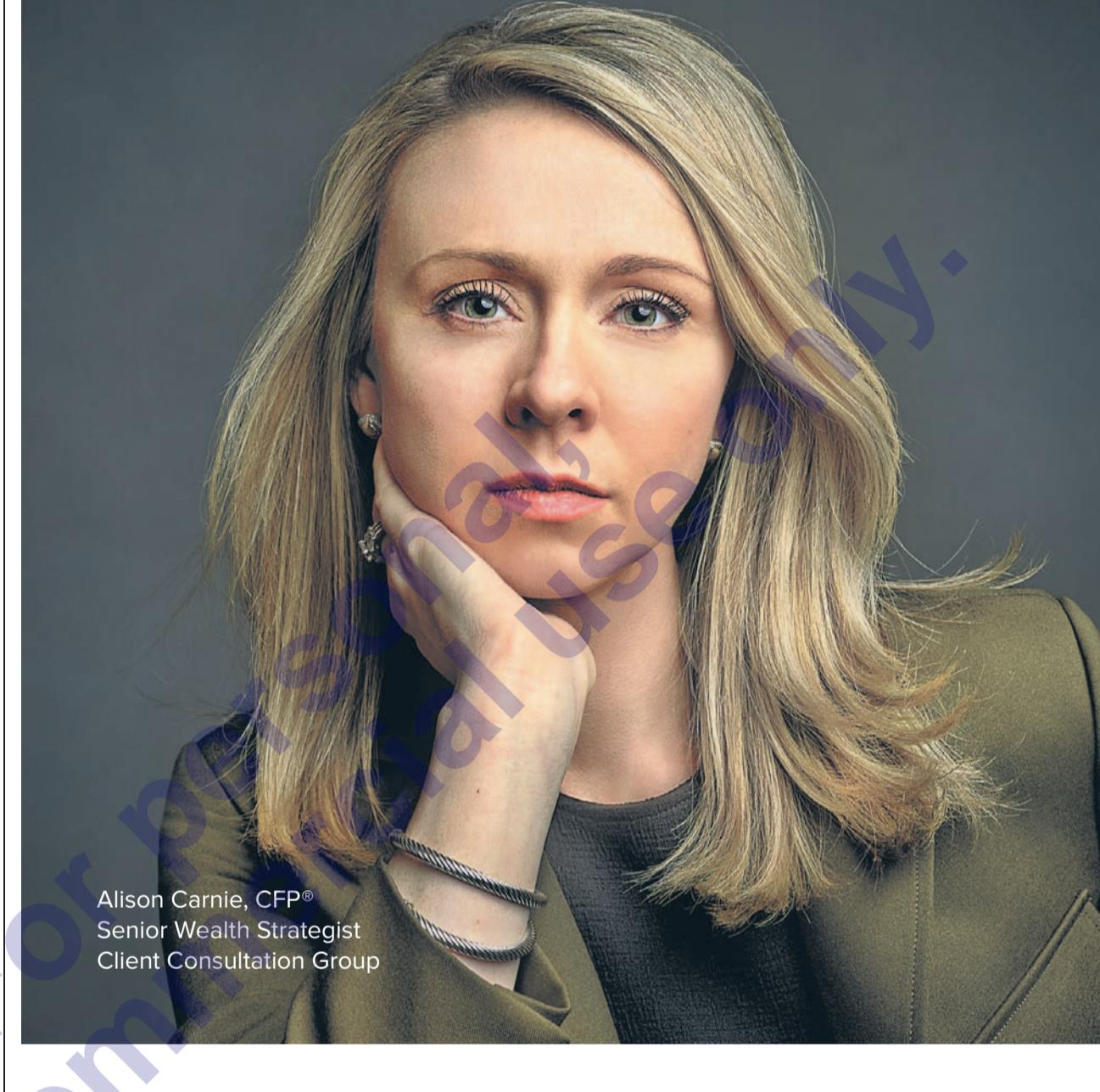
of Cambridge, Mass. The city sets aside a certain amount of money for community-improvement projects, elicits ideas for projects from its citizens and then allows them to vote on which of several projects to fund. Last year, residents chose projects including planting more trees, assisting

the homeless and upgrading crosswalk safety.

Programs like these in the U.S. and around the world offer clear evidence that given the opportunity, people are ready and willing to voice their preferences on how tax money should be spent. The potential benefits that our re-

search has documented should encourage more governments to offer them that opportunity.

Dr. Lamberton is an associate professor of marketing at the University of Pittsburgh. Dr. Norton is a professor at Harvard Business School. Email reports@wsj.com.



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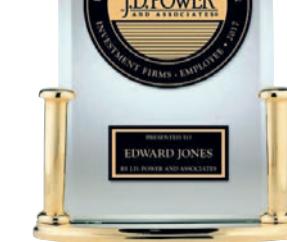
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JOURNAL REPORT | WEALTH MANAGEMENT

TAXES | TOM HERMAN

Many Married Couples Gain Under Tax Law

Also: common myths and misperceptions about marriage and taxes

Tax laws are full of confusing oddities for millions of married couples. But the new law includes important changes that should bring relief for many.

On the whole, the new tax law is likely to have reduced or even eliminated the "marriage penalty" for "many taxpayers" and to have increased the size of the "marriage bonus" for many others, starting with the 2018 tax year, says Mark Luscombe, principal federal-tax analyst at Wolters Kluwer Tax & Accounting in Riverwoods, Ill.

But some significant problems remain. "You might hear someone say [the new law] got rid of the marriage penalty. That's not true," says Jackie Perlman, principal tax-research analyst at The Tax Institute at H&R Block.

"It's still there. The tax code is replete with all sorts of marriage penalties."

Marriage penalties and bonuses have been controversial tax topics for many decades. Here's some background: Thanks to a bizarre combination of various tax provisions, some two-income married couples owe more in taxes than they would have paid on a combined basis if each had remained single. This marriage penalty can be especially painful in certain cases, such as high-income couples where each spouse has roughly the same income.

But in other cases, the opposite is true: Some married taxpayers wind up owing less than they would have paid on a combined basis if each had remained single. That can happen in cases where one spouse brings home all or most of the family's income.

Stephen W. DeFilippis, owner of DeFilippis Financial Group, a wealth-management and tax firm in Wheaton, Ill., offers this hypothetical illustration: Consider a two-income married couple where each spouse has income of

Mr. Herman is a writer in New York City. He was formerly The Wall Street Journal's Tax Report columnist. Send comments and tax questions to taxquestions@wsj.com.

Old and New

Federal individual income-tax brackets for the 2017 and 2018 tax years

Married filing jointly (and surviving spouses)

2017 TAX YEAR		2018 TAX YEAR	
TAXABLE INCOME	TAX RATE	TAXABLE INCOME	TAX RATE
Not over \$18,650	10%	Not over \$19,050	10%
\$18,651 - \$75,900	15	\$19,051 - \$77,400	12
\$75,901 - \$153,100	25	\$77,401 - \$165,000	22
\$153,101 - \$233,350	28	\$165,001 - \$315,000	24
\$233,351 - \$416,700	33	\$315,001 - \$400,000	32
\$416,701 - \$470,700	35	\$400,001 - \$600,000	35
Over \$470,700	39.6	Over \$600,000	37

Source: Wolters Kluwer

\$175,000. Each also has \$10,000 of net investment income. The couple lives in a high-tax area and itemizes their deductions. For 2017, he says their marriage penalty was nearly \$12,000. For 2018, the penalty would decline to about \$5,000.

He warns, however, that the new law won't completely eliminate the marriage penalty for everyone. It is hard to generalize because "there are so many variables," with details hinging on each taxpayer's individual situation.

Several changes in the new law make it more marriage-friendly. For example, almost all of the federal taxable-income brackets for 2018 for joint filers are double those for singles (except for certain high-income taxpayers), says Sidney Kess, senior consultant at Citrin Cooperman and of counsel to the Kostelanetz & Fink law firm.

The new law also contains other changes, too complicated to explain here, that will bring cheer to more married couples. But, as Mr. Kess points out, those changes won't affect returns for the 2017 tax year.

Even so, the marriage penalty still exists in other cases, Mr. Luscombe notes. For example,

Single filers

2017 TAX YEAR		2018 TAX YEAR	
TAXABLE INCOME	TAX RATE	TAXABLE INCOME	TAX RATE
Not over \$9,325	10%	Not over \$9,525	10%
\$9,326 - \$37,950	15	\$9,526 - \$38,700	12
\$37,951 - \$91,900	25	\$38,701 - \$82,500	22
\$91,901 - \$191,650	28	\$82,501 - \$157,500	24
\$191,651 - \$416,700	33	\$157,501 - \$200,000	32
\$416,701 - \$418,400	35	\$200,001 - \$500,000	35
Over \$418,400	39.6	Over \$500,000	37

THE WALL STREET JOURNAL.

under the tax-bracket structure for 2018, some very high-income joint filers will face a marriage penalty compared to two singles.

Then there is the net investment income tax, a surtax of 3.8 percentage points on net investment income above a certain threshold, plus an additional 0.9% Medicare tax. The threshold for singles: \$200,000. For joint filers, the threshold is \$250,000, only \$50,000 more. Under the new law, taxpayers who itemize are limited to deducting up to \$10,000 of state and local taxes, whether they are single or married filing jointly (up to \$5,000 if married filing separately).

Another factor: net capital losses. If your realized capital losses for the year exceed your capital gains, you typically can deduct as much as \$3,000 (\$1,500 if married filing separately) of your net capital losses against other income. Thus, two singles could deduct as much as \$3,000 apiece, or a total of \$6,000. But a married couple filing jointly could deduct only \$3,000. The new law didn't change that.

Here are a few myths and misperceptions:

Myth: What's all this fuss about a so-called marriage penalty? My wife and I can each file

as single, instead of married filing jointly, whichever works best for us.

Reality: No, you and your wife can't file as "single," says Mr. DeFilippis. You can choose "married filing separately," but that "will usually result in paying more tax," says Mr. DeFilippis, who is an enrolled agent, which means a tax specialist authorized to represent taxpayers in cases involving all levels of the Internal Revenue Service.

For more details on filing-status complexities, such as qualifications for "head of household" status, see IRS Publication 17 under "filing status."

However, there can be other factors worth considering. For example, consider filing separately if you fear your spouse is hiding taxable income or lying about other items, such as

credits or deductions. If you file separately, "you're responsible only for the tax return which you are signing," Mr. DeFilippis says. Another reason to file separately might be if the lower-earning spouse has very high medical expenses, Mr. Luscombe says.

Myth: My wife and I didn't get married until last December. So I was single for nearly all of last year and should be able to file as a single or jointly, whichever is better.

Reality: That may sound logical, but the IRS says you typically are considered married for the entire year if you were married as of Dec. 31.

Myth: OK, we'll avoid a marriage penalty by getting divorced each December to enable each of us to file as singles—and then remarry each January.

Reality: Nice try, but that won't work either, the IRS says. If you get divorced "for the sole purpose of filing tax returns as unmarried individuals, and at the time of divorce you intend to do, in fact, remarry each other in the next tax year, you and your spouse must file as married individuals in both years," IRS Publication 17 says.

Grad Students, Pay Attention

Lawmakers are considering cuts that could affect them

BY JILLIAN BERMAN

GRADUATE STUDENTS don't typically make news. But during the recent battle over tax reform, lawmakers looked into capping or eliminating financial benefits that enable most students to pursue graduate degrees.

Though the urgent headlines have died down, lawmakers and higher-education leaders are still considering a number of proposals over the next several months that could affect students in graduate programs, including those hoping to earn business and law degrees or to become doctors.

A couple of the issues lawmakers are still considering:

♦ **Reducing federal loans.** Graduate students now can take out federal student loans up to the cost of the program. But late last year, the leadership of the House of Representatives Committee on Workforce and Education proposed the Prosper Act, which aims to cap this borrowing at \$28,500 a year and \$150,000 total.

Graduate students and advocates on their behalf say such limits could make it difficult for many to afford to live while in graduate or professional school and for others to even attend at all.

Students pursuing a medical degree currently pay \$243,902 on average for in-state public tuition and \$322,767 for private, according to the Association of American Medical Colleges. Of those with debt in the class of

2017, the median amount was \$192,000. At law schools, average in-state tuition was \$28,720 during the 2015-2016 academic year; private tuition averaged \$47,330, according to a report from AccessLex Institute, a legal education advocacy organization, and the Urban Institute, a think tank. Public in-state tuition for a full-time master's or doctoral degree averaged \$11,100 for the same year, and \$25,160 at private nonprofit schools.

The limits proposed "will cut off access" for graduate and professional students, says Christopher Chapman, president and chief executive of AccessLex.

They also could steer students toward financial products with fewer protections. "We are concerned that it will push some students into the private loan market with less favorable terms," says Matthew Shick, director of government relations and regulatory affairs at the Association of American Medical Colleges.

Critics of the current federal loan program for graduate students have for years argued that graduate students and institutions shouldn't be subsidized by government loans.

"Graduate students are perfectly situated to secure financing in the private market," says Jason Delisle, a resident fellow at the American Enterprise Institute, a Washington, D.C.-based think tank. "I don't think there's some massive market failure as to why lenders won't lend to graduate students."

Mr. Delisle says that offer-

ing graduate students loans that equal a program's full cost leads graduate schools to create programs to generate revenue, regardless of the programs' quality, necessity or price. "This is the growth market for the higher-education industry," he says. "It's graduate degrees."

♦ **Elimination of Public Service Loan Forgiveness.** The Prosper Act and officials at the Education Department propose eliminating the Public Service Loan Forgiveness, or PSLF, program, which allows borrowers with certain types of federal loans to have their debt forgiven after 10 years of public service. There are also repayment plans that offer tax-free loan forgiveness after 20 or 25 years to any borrower.

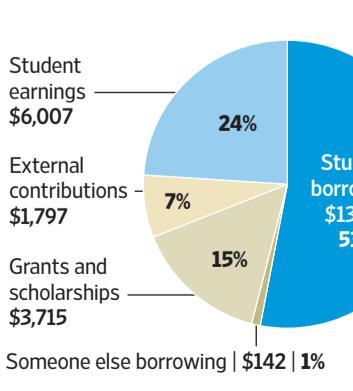
Republicans are proposing curbing both types of forgiveness. Eliminating PSLF, Mr. Delisle says, would free up more money for use elsewhere, possibly to fund undergraduate education. Mr. Delisle and others also argue that programs like PSLF benefit borrowers arbitrarily—helping doctors who work at nonprofit hospitals, for example, but not doctors doing the same kind of work at private hospitals.

Supporters of PSLF say the program is crucial for graduate students, who typically have higher loan balances than undergraduates and may enter low-paying public-service jobs at the outset of their career.

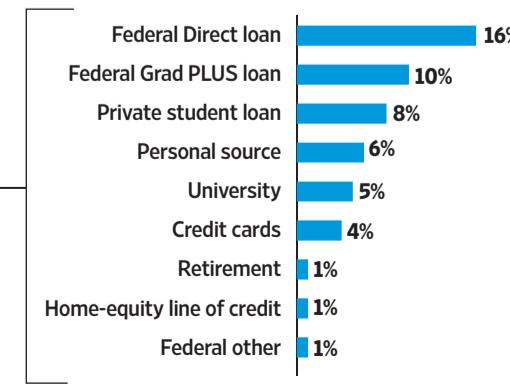
Ms. Berman is a reporter for MarketWatch. Email: jberman@marketwatch.com.

On the Hook

Graduate students paid an average of \$24,812 for the 2016-17 academic year. And 77% of the cost was paid with money students earned, saved or borrowed:



Of the 53% of students borrowing to attend graduate school, the percentage that used these sources:



Note: Average amount is a combination of all disciplines, degree types for both full-time and part-time enrollment.

Source: Sallie Mae's How America Pays for Graduate School 2017

THE GAME PLAN

TIME TO GO ALL IN ON STARTUP

BY LISA WARD

Within the next six months, Dustin Windham would like to quit his full-time job and focus on his small business, Grit Grocery—a grocery truck delivering local, unprocessed foods to Houston neighborhoods.

But while he is "ready to go all-in," the 37-year-old knows quitting would involve a big pay cut, so he may instead ask his employer if he can work as a consultant. Either way, he needs advice about how to best make the financial transition.

Mr. Windham and his wife, Kelly Windham, 35, earn about \$150,000 a year. He does business development for a specialty chemical company. She writes children's books. They have a 2-month-old daughter.

The idea for Grit Grocery, which sells fresh produce, bread, olive oil and other staples, came out of a project Mr. Windham developed at Rice University's Jones Graduate School of Business. After a stint with the Peace Corps in Azerbaijan, he says, he no longer ate fresh foods or saw his neighbors as much, and quickly gained 20 pounds. Trucks that sell produce and other groceries, he thought, could create the vibe of a neighborhood market. Customers will be able to place orders online or just go to the truck to see what is in stock.

Last year, the business earned about \$50,000 in revenue in a three-month trial with one truck. Mr. Windham says. "We met our goals and proved the concept worked, but we didn't book a profit."

He has invested \$60,000 of his own savings and has taken out a \$65,000 loan through the Small Business Administration. He has raised \$80,000 from friends, family and angel investors and hopes to bring in \$70,000 more. With that \$150,000, Mr. Windham plans to buy four new trucks, hire drivers and pay himself a modest salary of about \$35,000 a year.

"I expect to earn \$35,000 to \$40,000 annually [from the business] for the next couple of years, then between \$75,000 and \$100,000 in three to five years," he says. He hopes his wife will get a job since her earnings currently vary each month.

The couple owes \$200,000 on a home they bought for \$260,000 in

JOURNAL REPORT | WEALTH MANAGEMENT

More Students Go Abroad for Internships

They can bolster a résumé, but the price tag can be significant

BY CHERYL WINOKUR MUNK

FOR MANY college students, domestic internships are a rite of passage. Now more undergraduates are seeking international work experience, too, betting it will make their résumés pop and help them stand out in a job market that increasingly values multiculturalism.

An internship abroad can help students develop certain sought-after skills—such as heightened cultural sensitivity and multilingualism. There also is the personal development and flexibility that comes from living and working in a foreign country. These skills, some college officials say, may give recent graduates an edge in hiring decisions.

"As we live in an increasingly globalized world, there is a strong chance that many students will embark on an international career, at least in some capacity," says Nigel Cossar, director of the Penn Abroad program at the University of Pennsylvania. Recognizing this, Penn students across a variety of majors increasingly are looking for international opportunities, says Mr. Cossar, who expects to place 165 to 200 students in international internships this year, up from 32 when the program started in 2009.

Growing demand

According to the Institute of International Education (IIE), a nonprofit that designs international study, workforce training and leadership-development programs, the number of U.S. college students participating in internship programs abroad rose to 28,708 during the 2015-2016 academic year, up 21% from the previous school year. The number is likely much higher because the IIE figures don't include the large number of students who arrange international internships on their own, says David



Chase Therrien (left), a student at the University of Texas at Dallas, says his eight-week internship in Madrid last summer matched his entrepreneurial focus.

Lloyd, chief executive and founder of the Intern Group, which offers work-abroad programs in places such as Hong Kong, Shanghai, Colombia and Melbourne, Australia.

To meet this growing demand, many schools are expanding their international-internship programs, some in partnership with internship providers such as the Intern Group and the Academic Internship Council. Undergrads also can work directly with firms such as the Intern Group to find internships abroad.

The University of Cincinnati has created new internship opportunities in six global locations since the fall semester of 2015 and provided global work experience for 95 of its students during that time, says Willie Clark, director of international experiential learning at the university. The school also has an international co-op program that places about 20 to 30 students annually, and roughly the same number find global internships on their own, he says. Locations include Singapore, Hong Kong, Cape Town, South Africa, Santiago, Chile and London, he says. The

school also offers programs in Seville and Madrid, Spain, and in Berlin, Germany, among other locations. Costs vary depending on the location, duration and other factors.

Things to consider

When evaluating these opportunities, students should think carefully about the expense and what they hope to gain from the experience, experts say. For example, students should ask themselves what skills they expect to develop by working overseas and what connections they might make to help further their career goals, says Mr. Lloyd of the Intern Group. They also should inquire about the type of support they'll receive before they go and while they're abroad, he says, and whether they will receive college credit for the program (often they won't).

Cost is another consideration. Students typically work abroad in the summer of their junior year, anywhere from six to 12 weeks, depending on the program and the country's visa and employment regulations. Most internships are unpaid and generally will cost the participant \$3,000 to

\$8,000 or more, depending on the destination, duration, cost of living and the program. Some colleges and universities give students a stipend to help defray costs, and scholarships are available for some pro-

grams. But many participants are expected to shoulder the expense completely.

Chase Therrien, a junior at the University of Texas at Dallas, participated in an eight-week internship for a startup social language-learning company in Madrid last summer, making him one of about 100 students at his university who do international internships annually. The program through the Intern Group cost him \$4,500 and he spent an additional \$2,000 or so on the flight, food and other incidentals. Mr. Therrien, 21, says he chose Madrid because the cost was "reasonable," he had a decent grasp of Spanish and the job matched his entrepreneurial focus. He adds that the cost was worth it because he received hands-on experience in sales, marketing and project management.

Internship providers generally provide pre-departure and on-site orientations. This allows an opportunity to impart important cultural lessons. Those heading to Singapore or Hong Kong, for instance, might be told it's considered impolite in these cultures to exchange business cards with one hand.

"It's these little things that can make a big difference," says Tony Johnson, president of the Academic Internship Council, which offers internships in multiple locations.

Ms. Winokur Munk is a writer in West Orange, N.J. Email: reports@wsj.com.

EXPERTS' VOICES | DEREK THARP



When One Income Is Better Than Two

Most people assume that—at least from a financial perspective—two incomes are better than one. However, this is not necessarily the case, and a single-income household can have several financial advantages over a dual-income household.

The first is due to what Harvard economist Claudia Goldin refers to as nonlinear compensation. In some fields—particularly law, finance, and business—earnings do not increase in a linear fashion. That is, people who work longer hours end up making substantially more per hour than people who work fewer hours. So someone who works 80 hours per week will earn more than twice as much as someone who works 40 hours per week, while someone who works 20 hours per week will earn less than half as much as someone who works 40 hours per week.

Which means, surprisingly, that allocating earning responsibility to a spouse working in a field with nonlinear compensation can actually result in more income than either could earn on their own.

—Mr. Tharp is the founder of Conscious Capital and a research associate at Kitces.com

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at WSJ.com/Experts.

THE GAME PLAN

AN ARTIST GROWS TIRED OF DEBT

BY CHRIS KORNELIS



An adviser suggests Erin Austin save for six months of costs.

Erin Austin has toured internationally. Her music has been played on TV shows such as "One Tree Hill" and "Royal Pains." She has a new EP in the works. But Ms. Austin, who performs as OK Sweetheart, has yet to turn her successes into positive cash flow.

She estimates she grossed \$100,000 in 2017. But because she writes most of that off, hardly any income is left over for her. She says she's even eligible for Medicaid.

She pays to record, pays other musicians, pays to tour, and pays to travel to work with collaborators. She has roughly \$100,000 in debt related to her business: \$40,000 on a credit card, plus \$55,000 owed to investors who aren't demanding repayment soon.

"I would love to just be able to be done with it," she says.

The 35-year-old independent artist wants to make 2018 the year that she climbs out of debt—or close to it. Someday, she'd like to buy homes in Seattle and Los Angeles, and the building that she practices in.

She's cutting her expenses. She's selling her cars—a van and a Subaru Forester—and while she's on tour she's planning to Airbnb the townhouse she rents in Seattle. The rent is rising to \$3,700 a month (including utilities), but she thinks she can break even by leasing out rooms while she's on the road.

Other monthly expenses include roughly \$1,000 for travel, \$70 on media subscriptions, \$600 for food, \$300 for Uber, as much as \$1,600 for credit-card debt and \$200 toward \$15,000 in student loans. She also pays \$500 a month to her managers, \$200 to her entertainment lawyer, \$100 for a social-media specialist and \$200 for her practice space.

She has no money put away for retirement, but she has \$15,000 between her checking and savings accounts.

Her erratic income has made it hard to plan. She doesn't know when a TV show or an international brand will decide to use one of her songs. And when they do, her paychecks vary wildly. She says sometimes she'll get \$1,000. Other times it's much more. A Zales campaign, she estimates, has made her roughly \$100,000 over the past few years.

Performing is the same. Sometimes she makes nothing. Sometimes she gets \$5,000 to play a deep-pocketed fan's birthday party.

She's tried regular work, such as a short stint in an ad agency. She's also done some

acting, and has been getting some offers to appear on screen. But she's never found anything as satisfying as writing, recording and performing songs.

"It's the thing I'm made to do," she says.

ADVICE FROM A PRO: Dean Catino, president and co-founder of Monument Wealth Management in Alexandria, Va., says while Ms. Austin's goals of owning property are laudable, their achievement is still way down the road. "She's got a lot of catching up to do," he says.

The first thing, before paying off her debt, should be to stockpile at least six months of what it costs her to live and work—two or three times her \$15,000. Having an emergency fund, Mr. Catino says, will help her survive periods without paychecks and help her set a regular budget.

She also needs to get a handle on where all of her money is going. He recommends one of the free budgeting tools banks and credit cards offer online. She also should evaluate how she's spending the money she puts into her business—to make sure it's necessary.

Mr. Catino points out that Ms. Austin has 27 shows in Germany and Austria between Feb. 1 and March 3. If, at age 35, those shows aren't profitable, he says it might be worth looking into more efficient ways of spending her time and money to promote her business.

Mr. Catino says she should be open to other ways to bring in more income, such as the acting opportunities, that could put her on a sustainable course financially.

In short: She either needs to cut expenses or raise her income. "If this is going to be her career going forward, it needs to be profitable for her," he says. "But she's not going to be able to keep up with this. As these liabilities continue to rise, it's only getting worse and worse."

Mr. Kornelis is a writer in Seattle. Email him at reports@wsj.com.

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JOURNAL REPORT | WEALTH MANAGEMENT

Lessons From My Quest for Loose Change

For two decades, I've picked up every coin I've found on the ground

BY BRIAN HERSHBERG

SINCE JAN. 19, 1998, I've found \$971.05.

I know this because, for 20 years now, I've been keeping track of every penny, nickel, dime and quarter that I've found discarded on the ground. As well as every half-dollar (one), every Eisenhower dollar (one) and every penny with a small engraving of JFK across from Lincoln's profile (one). I've found a lot of loose change through the years.

This change quest, as I've come to call it, has at times been an obsession, and at other times a hobby. But whatever you call it, it has taught me a number of lessons—about saving and spending, about patience, and even about life. What's more, its meaning for me has evolved over time, as my priorities have evolved.

Clearly this mission has been about change in more ways than one.

It began in college

I began the quest as a budget-challenged college student on the theory that the money I passed on the ground wouldn't be insignificant if it was added together over time. Most people see a penny on the ground and don't pick it up because, well, it's only 1 cent. Where I would set myself apart, I figured, is by picking up and counting everything. Pick up enough of the pennies that others passed, and eventually there would be a substantial amount.

That ethic was something my father had tried to instill in me, but the truth is that I was too dense to recognize it until I was about to enter the world on my own. One of the most vivid memories of my youth is of my father's big glass water-cooler bottle where he would keep his spare change. I don't think it's a coincidence that I found a similar, though plastic, bottle to put my own change in when I began collecting.

I started keeping track of my finds in a college blue book of the sort used for test essays; today my log resides in a small notebook. In my most lucrative year, 2003, I found \$135.65. In my worst, 2013, I found precisely \$18. The annual average total is just under \$50. The monthly average is \$4.05. The daily average is about 13 cents.



The author's log resides in a collection of notebooks. The most lucrative year: 2013, with \$135.65 found. The worst: 2013, with precisely \$18.

Most of the money I've found has been in and around New Jersey, my home state. New York, where I work, is a distant second. I've otherwise found coins during most of my travels around the country as well as in Europe and several Caribbean islands. One of my favorite finds was a Spanish peseta in Barcelona—several years after the country adopted the euro. (I didn't convert that to U.S. currency, so it doesn't count toward the 20-year total.)

One curiosity of the quest is that I've found at least one piece of paper currency in each year. One year it came down to New Year's Eve. The next year—a day later—I found the annual paper bill on New Year's Day.

No compounding here

Still, I am the first to admit that this isn't about the money. For one thing, I never spent any of it. And while the change does add up over time, it didn't take me long to realize it would never really make much of a difference over shorter periods. Besides, it wasn't as if I was investing the money and watching it grow, which would have been the smart move from a personal-finance standpoint.

Instead, the quest became something else. Early on, it was about adopting a long-term mind-set, about looking at the big picture. The act of tracking my daily finds got me thinking in the right frame of mind about money and career. That perspective

was key to creating a plan for what I wanted to do with my life, as well as saving enough money to do it.

It also was a way to brighten even the most difficult of days. I felt that I could always say I had a good day if I found money, no matter how little, because who doesn't like found money?

What's more, it was an adventure, in a way. And it kept me social: It got me to go out to cafes with friends, to take long walks with family, to stay engaged with the world in an era of distraction, in part for the opportunities to find money.

Family man

At the time I began this experiment, I was starting the first day of my final semester at college. Bill Clinton was president. The Cubs and Red Sox hadn't broken their World Series curses (and the Phillies were stuck on just one championship). The World Trade Center was still standing. There were no smartphones. I wasn't yet married or employed.

Eventually, though, I settled down and started a family. Priorities changed. I still kept track of my daily finds, but I also began to view this quest as less about me, and more as a chance to offer a lesson for my son, now 13 years old, so he could learn from me what I had learned from my father. Maybe even earlier than I did.

I've told him I consider the money to be his, and that he can do what-

ever he wants with it. He has said he will pick up the quest when he turns 21, just as I was when I began. (He does find coins now and then, and I even put his first discovery, a 1977 penny he found when he was 1 year old, in a box, next to the lock of his hair from when he was a baby.)

For a five-year period, with the encouragement of my wife—who, while never as obsessed as I have been, still participates in my quest now and then—I kept a blog chronicling my finds. I mainly did this to put some context to my discoveries, and as a sort-of journal of my son's first years. My entry for Aug. 6, 2004, for instance, notes that I found 12 cents that day—a dime and two pennies. I wrote that I found the two pennies on the ground in Princeton, N.J., as my wife, my then 4-month-old son and I were taking an afternoon stroll.

The blog ended up garnering a small following and encouraging others—some of whom I still call friends—to take up similar change-finding endeavors.

I have to admit that in the past few years, as life has gotten even busier at work and home, keeping track has become something of a chore. I sometimes forget to log the coins on the day they were found. I now even pass coins I might have otherwise paused to get when I was younger.

But...I haven't stopped, and I don't know that I ever will. And this points to perhaps the most valuable lesson I've learned from this quest. It may have started out about a need for money and about thinking long term. But in some ways, it now has become the opposite: a way to force me to not think just about money, and not always think about a long-term plan. Rather, it has become about stopping—even if just for a minute—and taking the time to see what's in front of me, right now, right here.

Because as I look back on this 20-year quest, at all the times I've stopped and at how much my life has changed during that time, it is a daily reminder to me about how short life is and how quickly it passes.

Brian Hershberg is a Wall Street Journal news editor in New York. Email brian.hershberg@wsj.com.

EXPERTS' VOICES

BENJAMIN HARRIS



Smart Saving Amid Changing Tax Code

The problem with incentivizing retirement saving through tax breaks is that no one can predict the future tax code with certainty.

Six months ago, we had no idea what the 2018 U.S. tax code would look like; imagine a young worker trying to predict the tax code four decades down the line.

So what's a retirement saver to do? A new paper by David Brown and Scott Cederburg of the University of Arizona, and Michael O'Doherty of the University of Missouri, suggests savers may have one strategy: diversifying between traditional and Roth-type accounts.

The authors find that most households will be better off if they spread contributions between each type of account. For example, the study finds that it's optimal for most savers with 30-year investment horizons to roughly split contributions between Roth and traditional accounts.

—Mr. Harris is a visiting associate professor at Northwestern University's Kellogg School of Management and formerly the chief economist to Vice President Joe Biden

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