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10-YR. TREASURY ▼ 17/32, yield 2.291%

OIL \$49.71 ▲ \$3.94

EURO \$1.1751 YEN 110.69

What's News

Business & Finance

Charter Communications said it isn't interested in buying Sprint, rebuffing a gigantic merger offer and ending weeks of deal talks. **A1**

◆ **S&P 500 companies** are on track to post two straight quarters of double-digit profit growth for the first time since 2011. **A1**

◆ **Dow's CEO faces** an attack by four activist investors over his plan to break up DowDuPont after the chemical firms' merger. **B1**

◆ **European banks** are stabilizing as restructuring starts to pay off, but they still lag behind U.S. peers in profits and dividends. **B1**

◆ **Samsung surpassed Intel** as the No. 1 semiconductor maker by sales on strong demand for memory chips. **B3**

◆ **Private-equity firms** accelerated the financial collapse of some retail chains, creditor lawyers contend. **B1**

◆ **Aluminum use** in vehicles is expected to grow but at a slower pace than forecast before as auto makers shift to a mix of materials. **B3**

◆ **Saint Laurent** is launching online sales in China as the French fashion brand seeks to expand in that fast-growing market. **B3**

◆ **Tesla showed off** details of its new, all-electric Model 3 sedan. The base model will start at \$35,000 and have a 220-mile range. **B5**

◆ **Apple removed** software from its app store in China that allowed users to circumvent internet filters. **B4**

◆ **Uber is rolling out** its own credit card. **A2**

World-Wide

◆ **Trump's turbulent week**, which included a staff shake-up and collapse of the Republican health bill, has widened rifts in the GOP. **A1**

◆ **White House officials** expect further staff changes following Priebus's ouster. **A4**

◆ **Trump administration** officials urged China and other nations to band together to confront North Korea over its missile ambitions. **A6**

◆ **China unveiled** a new, more mobile ICBM at a parade of advanced weaponry and combat troops. **A6**

◆ **Seoul said** it would upgrade its Patriot missile system in response to North Korea's latest ICBM test. **A6**

◆ **Putin said** the U.S. would have to cut 755 diplomats and staff in Russia in retaliation for impending U.S. sanctions on Moscow. **A6**

◆ **The U.S. and Iran** reported their second confrontation of the week in the waters off the Persian Gulf. **A9**

◆ **The White House** is exploring a pullback from Afghanistan amid concern over sending more troops. **A9**

◆ **The EU launched** legal action against Poland over the government's overhaul of its court system. **A8**

◆ **The U.S. is considering** stepping up sanctions against Venezuela by targeting its oil industry. **A7**

◆ **Deadly protests flared** across Venezuela as Maduro urged supporters to vote for a new assembly. **A7**

◆ **Western states** are focusing on the risk of floods in areas scorched by wildfires. **A3**

CONTENTS Opinion A15-17
Business News... B3 Outlook A2
Crossword A12 Sports A14
Head on Street B10 Technology B4
Keywords B1 U.S. News A2-4
Life & Arts A11-13 Weather A12
Markets B9-10 World News A6-9

3 1 1 3 4 >
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Stare Down: Russia's Putin Orders U.S. Diplomats to Leave



COUNTERMEASURE: Russian President Vladimir Putin, at a naval parade on Sunday, ordered the U.S. diplomatic presence in the country be cut by more than half, or 755 personnel, in retaliation for U.S. sanctions on Moscow. Some would be forced to leave the country. **A6**

Trump Deepens GOP Divide

President's turbulent week fuels frustration in his party; core supporters remain loyal

By SIOBHAN HUGHES AND THOMAS M. BURTON

WASHINGTON—President Donald Trump's tumultuous past week has widened rifts in his party, between those who vocally support the president's combative style and others who bridle at it, according to interviews with GOP officials and supporters across the country.

Mr. Trump has long been a polarizing force among members of his party, but for the first several months of his tenure, the GOP was largely united by a shared desire to make the most of his election and the party's total control of the government for the first time in a decade.

After a week that included the president attacking his attorney general, the collapse of a GOP health bill, a surprise effort to bar transgender people in the military and a White House staff shakeup, divisions that were largely set aside at the start of 2017 have emerged anew.

New Pressures

- ◆ Kate Davidson: GOP's next task is raising debt limit... **A2**
- ◆ Priebus's ouster has staffers on alert..... **A4**
- ◆ Trump warns China on North Korea..... **A6**

"Particularly among some of my former colleagues in the House, there is a frustration and lament about opportunities squandered in what should be a prime time for a GOP legislative agenda," said former Republican Rep. David Jolly of Florida. In 2015, Mr. Jolly urged Mr. Trump to drop

out of the presidential race and, as a result, lost the support of some GOP voters during his unsuccessful re-election bid.

Mr. Jolly added that Mr. Trump remains popular among many of his voters.

"They are going to stick with Trump—they like him the more combative he is and the more his back is against the wall," he said.

During the Obama years, the party was split between establishment Republicans and hard-line conservatives who rose to prominence out of the tea-party movement.

Please see TRUMP page A4

OPEC'S EXISTENTIAL PROBLEM

Big budget obligations drive members to keep pumping despite deal to cut oil output

OPEC, the once powerful oil cartel, is struggling to hold the line in a make-or-break fight to limit oil production, prop up crippling low prices and prove its relevance.

Why? Its members are addicted to oil.

By Benoit Faucon in London,
Lynn Cook in Houston
and Summer Said in Cairo

Eight months after the Organization of the Petroleum Exporting Countries announced a plan for its 14 members and 10 allied countries to withhold almost 2% of the world's oil every day to boost prices, seven of the 11 OPEC members that pledged to cut appear to be producing more oil than promised.

Crude prices have actually fallen, by 7.6% to \$52.52 a barrel, since the beginning of the year—half what the cartel called a fair price just three years ago and a level that some say is here for the long term.

Previously, low production costs meant OPEC members profited even when oil prices fell. These days, members have ramped up government spending to keep populations happy and cover military expenses, and don't have a cushion to let oil revenues slip. Their

strained budgets can be covered only through increasingly high prices per barrel, and if prices are low they need to produce more.

The inability to control output poses a potentially existential threat to OPEC's influence. The longer prices remain low, said Helima Croft, the global head of commodity strategy at RBC Capital Markets and a longtime watcher of the cartel, "the harder it is to make the case to the most cash-strapped producers that they are 'better together.'"

Tensions were laid bare last week in St. Petersburg, where OPEC and its non-OPEC allies discussed why output was going in the wrong direction.

Russia aimed to boost camaraderie with a visit to the Hermitage museum and a picturesque evening cruise on the Neva River, where ministers donned matching hoodies bearing the logo of the city's soccer team, FC Zenit.

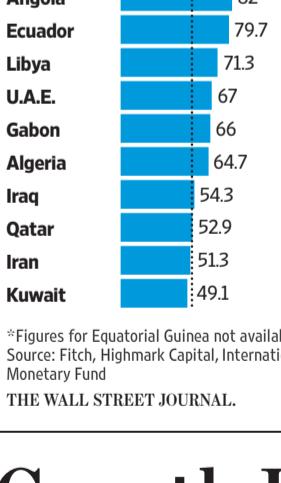
But during the weekend, Saudi Arabia's energy minister, Khalid al-Falih, and other oil officials holed up in a hotel conference room at the Four Seasons calling other OPEC minis-

Please see OPEC page A10

- ◆ U.S. takes aim at oil industry in Venezuela... **A7**
- ◆ Investors await detail on shale plans..... **B2**

Funding the Budget

Price per barrel needed by OPEC members to cover national spending*



*Figures for Equatorial Guinea not available

Source: Fitch, Highmark Capital, International Monetary Fund

THE WALL STREET JOURNAL.

INSIDE



WHY A \$1,400 IPHONE ISN'T CRAZY

BUSINESS & FINANCE, B1



VENEZUELA HEADS FOR CIVIL WAR

OPINION, A15

Purple Craze: Long Island Lavender Draws Mystery Crowds



* * *

A farm and nearby town are swamped by selfie-takers; 'Instagram picture, man!'

By CORINNE RAMÉY

EAST MARION, N.Y.—During some July weekends the past few years, traffic on the two-lane country road passing through the hamlet of East Marion, population 926, has been backed up for miles.

Townspeople, unaccustomed to such things, initially found tour buses parked in front of their homes and wayward picnickers on their lawns. "When it was a

quiet place that nobody came to, it was great," said Anne Murray, president of the East Marion Community Association. "Now it's kind of a nightmare."

Long Island's North Fork isn't immune to seasonal overcrowding. Weekenders flock here to visit wineries in the summer, pick pumpkins in the fall, and saw down Christmas trees in the winter. East Marion, which lacks such

Please see BLOOM page A10

Earnings Growth Heats Up After Years of Cost-Cutting

BY THEO FRANCIS AND THOMAS GRYTA

America's largest companies are on pace to post two consecutive quarters of double-digit profit growth for the first time since 2011, a product of years of cost-cutting, a weaker dollar and stronger consumer spending.

Earnings at S&P 500 companies are expected to rise 11% in the second quarter, according to data from Thomson Reuters, following a 15% increase in the first quarter. Almost 60% of the firms in the index have reported second-quarter results so far.

Corporate America's strong earnings performance comes as several policy initiatives

that were expected to help boost companies' bottom line—corporate-tax cuts and increased government spending on infrastructure—have been sidetracked amid political infighting in Washington, D.C., which culminated with the recent failure of the health-law bill.

Even as activity inside the Beltway bogged down, markets have been on an almost nonstop rally since the election. The S&P 500 is up 16% since early November and 10% this year.

You could argue that the stock-market investor overestimated Trump but underestimated earnings," said Christopher Probyn, chief economist for State Street Global Advisors.

The second-quarter profit gains are spread across industries from Wall Street banks to Detroit's car factories to Silicon Valley's software labs. Earnings are expected to decline only in the utilities sector, according to data from Thomson Reuters.

Several factors are at work, analysts and economists say. A weaker dollar has made it easier to sell U.S.-made goods overseas and has kept borrowing costs low. U.S. wages have improved enough to help bolster

Please see PROFIT page A8

◆ Europe's lenders are stabilizing..... **B1**

◆ Private equity take fire as some retailers struggle..... **B1**

U.S. NEWS

THE OUTLOOK | By Kate Davidson

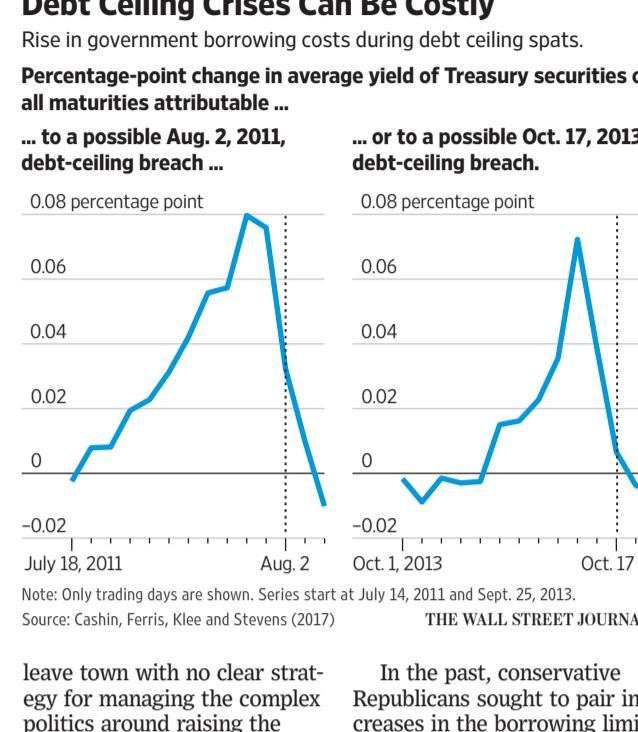
GOP's Next Task: Raising Debt Limit

 Republicans are leaving town for an August recess after a failed attempt to repeal the Affordable Care Act. When they return in September, they'll have just 12 working days to deal with another big problem.

In a letter to lawmakers Friday, U.S. Treasury Secretary Steven Mnuchin said the federal borrowing limit, or debt ceiling, needed to be raised by Sept. 29 or the government risked running out of money to pay its bills.

The Treasury Department has been employing cash-conservation measures since March, when borrowing hit the formal ceiling of nearly \$20 trillion. Those measures are expected to run out in early to mid-October. When they do, the government won't have money to pay interest on debt, write Social Security checks or make millions of other routine payments, unless it can tap credit markets for borrowing to raise additional cash. Missing payments could send financial markets in a tailspin.

Lawmakers have managed to resolve bitter feuds over the debt limit before. But markets are starting to reflect angst about Washington's ability to navigate a new showdown given the challenges Republicans have had reaching common ground on issues like health care. Lawmakers



leave town with no clear strategy for managing the complex politics around raising the limit when they return.

"We just don't know what the process is going to look like this time," said Goldman Sachs political economist Alec Phillips.

This will be the first time Republicans will control both chambers of Congress and the White House while navigating a debt-ceiling increase since 2006, when a House rule existed that bypassed the need for a debt-limit vote. The rule was repealed in 2011. Now, they face resistance in their own party.

This time the GOP will have to own the consequences if the government defaults on debt or fails to make other payments.

Mr. Mnuchin has made clear the administration wants to see the debt limit increased, with no strings attached. But GOP leaders will almost certainly need Democratic support to pass any increase, some-

thing Democrats might be reluctant to provide without something in return. They have been unified in opposition on other issues.

The path to raising the debt limit will be the first major political test for Mr. Mnuchin, a Washington novice who has been intensely focused on the Trump administration's forthcoming tax-overhaul proposal.

It is going to be a tight squeeze. Treasury's cash balance is expected to drop to near \$25 billion in September—a precariously low level, especially in the event of some unforeseen shock, such as a severe natural disaster, global crisis or unexpected drop in revenue.

Strategic challenges hang over Mr. Mnuchin's options. When President Barack Obama was in power, some Republicans sought to allow cash to run down and prioritize some payments, such as interest on debt, over others, such as discretionary spending. That idea could return.

Transcripts from a 2011 meeting of the Federal Reserve showed the central bank, as the Treasury's financial agent, was prepared to continue making payments to bondholders, while potentially delaying other payments, if Congress failed to raise the borrowing limit.

Mr. Mnuchin told lawmakers on Capitol Hill last week he had "no intent" to prioritize payments, which would put him in the uncomfortable

position of choosing whether to pay foreign bondholders ahead of retirees or government workers.

The showdown will coincide with the end of the fiscal year on Sept. 30, and the prospect of a government shutdown if Congress fails to authorize new spending for 2018. That could make the debt limit increase more difficult to address, if lawmakers get bogged down in a fight over spending.

Adding to the political muddle, some lawmakers want to relax spending caps set into law six years ago as part of a compromise reached between Mr. Obama and congressional Republicans to end an earlier debt-limit standoff.

The costs from delaying action on the debt ceiling are already mounting, Mr. Mnuchin warned lawmakers.

Two recent debt-limit fights on Capitol Hill, in 2011 and 2013, raised yields on Treasury securities ahead of the expected date of default, ultimately boosting Treasury's borrowing costs by about \$260 million in 2011 and \$230 million in 2013, according to research released by the Federal Reserve this year.

"Right now effectively, as opposed to borrowing in the market at lower rates, we're borrowing and making our trust funds whole at slightly higher rates," Mr. Mnuchin said. "There is a real cost to doing that."

ECONOMIC CALENDAR

TUESDAY: The eurozone has been one of the positive surprises for the global economy this year, having outpaced the U.S. in the three months through March. Eurostat's preliminary estimate of gross domestic product in the second quarter is expected to show growth continued at that pace or possibly a little faster.

The U.S. Commerce Department releases the June personal-income report, including figures on consumer spending, as well as the Fed's preferred inflation gauge, the price index for personal-consumption expenditures. The 12-month figure is expected to remain weak.

THURSDAY: The Bank of England announces its latest policy decision, with no change expected. With inflation easing in June, and growth still modest in the second quarter, a majority of the Monetary Policy Committee's members are likely to oppose a rate rise.

FRIDAY: The U.S. Labor Department releases the July employment report, after the June report showed employers added a seasonally adjusted 222,000 jobs in June, and the unemployment rate rose slightly to 4.4% as more people joined the labor force. Economists surveyed by The Wall Street Journal forecast the economy added 180,000 jobs in July, while the unemployment rate ticked down to 4.3%.

The U.S. Commerce Department releases the June international trade report. The trade deficit narrowed in May on a rise in exports, and Friday's gross domestic product report showed trade boosted the economy in the second quarter, suggesting any headwinds from a strong U.S. dollar might be subsiding.

U.S. WATCH

TENNESSEE

Nashville Mayor's Son Found Dead

The 22-year-old son of Nashville Mayor Megan Barry was found dead on Saturday night in Colorado, of an apparent drug overdose, Ms. Barry's office said in a statement.

"Early this morning, we received news that no parents should ever have to hear," Ms. Barry and her husband Bruce, said. "Our son Max suffered from an overdose and passed away. We cannot begin to describe the pain and heartbreak that comes with losing our only child."

Max Barry had graduated in June from the University of Puget Sound, the statement said.

Jenny Fulton, a spokeswoman for the Jefferson County Sheriff's Office, said sheriff's deputies responded to a call around 9 p.m. on Saturday night in South Jefferson County, which is part of the Denver metropolitan area.

Ms. Fulton confirmed the deceased was Mr. Barry. She said the death wasn't suspicious, but she didn't release the cause of Mr. Barry's death.

—Dan Frosch

MONTANA

Gianforte to Atone As a Volunteer

Greg Gianforte will work off his sentence for assaulting a reporter by volunteering for an organization that builds custom wheelchairs for children.

The Republican was ordered to perform 40 hours of community service as part of his sentence for attacking Guardian reporter Ben Jacobs the day before the congressman was elected in a May 25 special election.

Gallatin County Court Services Director Steve Ette said Mr. Gianforte will work with ROC Wheels, a Bozeman, Mont., nonprofit organization.

The Bozeman Daily Chronicle reported that Mr. Gianforte is working with ROC Wheels on when and how his hours will be completed. He has until Nov. 28.

Mr. Gianforte must complete 20 hours of anger-management counseling after he pleaded guilty to misdemeanor assault in June. He told the court he would be seeing a therapist in Bozeman.

—Associated Press

Arc of Triumph: Young Athletes Strut Their Stuff Between the Lines



SKIP IT: Members of the Ninja team of Englewood Cliffs, N.J., competed in the Double Dutch Summer Classic at Lincoln Center in Manhattan on Sunday. The event took place in Lincoln Center for the first time in years, organizers said.

ALEXANDER COH/WSJ

DEAL

Continued from Page One

Sprint entered into exclusive talks with Charter and Comcast Corp. in late May about an array of deal possibilities including one that would allow Comcast and Charter to offer wireless service under their own brands using Sprint's network, people familiar with the matter have said.

Also on the table was a potential investment in the wireless carrier from the cable companies, people familiar with the matter have said.

The exclusivity ended last week, but Sprint and Mr. Son, who is also SoftBank's chairman, continued to pursue a full combination with Charter, the people said. Together, the companies have a market value exceeding \$130 billion, though Charter, worth roughly \$100 billion, is much bigger than Sprint.

Comcast has made clear it wasn't interested in participating in any merger with Sprint. The telecommunications company is free now to resume merger talks with rival T-Mobile US Inc., which it had held earlier this year. Sprint shifted to the talks with the cable companies when discussions with T-Mobile, which have been on and off for years, hit an impasse,

people familiar with the situation said.

T-Mobile has also made public statements lately indicating it is in no hurry to strike a merger, as the carrier has been adding new customers at a fast clip while also improving financial performance.

Sprint recently reversed years of subscriber losses but still hasn't turned profitable. It reports quarterly results on Tuesday.

The rebuff adds to the already high drama surrounding the cable, telecom and media industries, which are jockeying for position as consumers spend more time watching video and surfing the web on smartphones. AT&T Inc. is awaiting approval for a proposed \$85 bil-

lion acquisition of the content company Time Warner Inc.

Comcast Chief Executive Brian Roberts said on an earnings call last week that he was happy with his current business units, including cable, content and theme parks, all of which show healthy growth.

The wireless industry, meantime, is under great pressure, as there are more active cellphones in America than people. Carriers have resorted to price cuts and bigger data allowances to win a smaller pool of available subscribers.

The competitive pressure in the wireless business that gives carriers motivation to consolidate has been a boon for consumers, who have recently seen prices fall. The

consumer-price index for wireless service saw its largest fall ever earlier this year, according to the Labor Department.

The wireless industry is also poised for another major technology cycle to fifth generation, or 5G, technology, which will require significant investment. T-Mobile and Sprint, the nation's third- and fourth-largest carriers by subscribers, respectively, have indicated that greater scale will help them invest in such technology, which their larger rivals are already working on.

Sprint isn't the only carrier to have an eye for Charter. Verizon also discussed a deal with the cable company earlier this year, but the talks didn't amount to anything.

Uber, Lyft Open Door To New Credit Cards

By ANNAMARIA ANDRIOTIS AND GREG BENINGER

Ride-sharing rivals Uber Technologies Inc. and Lyft Inc. may soon take their fight to your wallet.

Uber is rolling out a credit card for its U.S. customers, choosing Barclaycard, a unit of Barclays PLC, as the issuer, the companies said Friday. The card will be available in the fall, according to a Barclaycard spokeswoman.

Visa Inc. is expected to be the network for the card, according to a person familiar with the deal.

San Francisco-based Uber would be the first major ride-sharing company to

launch a credit card. It could help the firm lock in more customer relationships, a crucial goal as it faces an invigorated Lyft, which recently raised fresh funds and has been expanding into new U.S. markets.

Lyft is also working on rolling out a credit card, according to people familiar with the situation.

The bank's CEO, Jes Staley, announced the partnership on Barclays's earnings call Friday.

An Uber spokeswoman said the company will be launching a co-branded card with Barclays but declined to share more details.

Consumers will be able to use the card outside of Uber.



Charter indicated it would stick with an existing wireless reseller agreement with Verizon.

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U.S. NEWS

Colleges Tie Up With K-12 Public Schools

Partnerships aim to improve areas near campus, boost student pipeline

BY MELISSA KORN

Colleges have long encouraged students and faculty to get involved in local public education. Now they are taking over entire schools.

The University of Central Florida, Johns Hopkins University and others are lending their names to new charters or partnering with districts to overhaul troubled institutions, often investing millions or tens of millions of dollars in cash or faculty time.

They say the K-12 work is about testing education theories, such as the value of socio-economically diverse classrooms and being good neighbors, but acknowledge the engagement is far from altruistic. It is also about improving blighted blocks that abut their campuses and strengthening the pipeline of students who could eventually enroll at their institutions.

The strategy has risks and sometimes doesn't pan out, as shown by a University of Southern California experiment that was called off in 2012 after five years and stumbles at a Baltimore school in which Johns Hopkins has invested millions of dollars.

Aiming to avoid the potential headaches of working within the confines of a school district, Purdue University invested \$1.1 million for startup costs at the Purdue Polytechnic High School, a science, technology, engineering and math focused Indianapolis charter school opening this fall. It has also pledged \$1.7 million over the next five years to cover faculty advising on the hands-on curriculum and an emergency backstop if enrollments don't



At City Polytechnic High School of Engineering, Architecture, and Technology in New York, students prepared for state exams.

pick up quickly.

The school, about 70 miles away from Purdue's main campus and in Indiana's largest city, was created in part "to increase significantly the unacceptably low number of Indianapolis Public School students who are qualified to succeed at Purdue," said university President Mitch Daniels.

A new prekindergarten through 8th grade public school in Orlando's poor Parramore district will open in August, with backing from the University of Central Florida, the Orange County Public Schools and several community groups. It is across the street from where UCF recently broke ground on its downtown Orlando campus.

The \$41.3 million Parramore

school is funded and operated by the district, but UCF is providing curriculum guidance and teacher training, staffing social work and speech pathology interns and helping with overall strategy and operations. The school said it couldn't put a firm dollar amount on the investment as more students and faculty likely will continue to get involved.

UCF has gotten more than \$4 million from the state legislature over the past four years to fund its Center for Community Schools, which now works with 18 Florida districts interested in pursuing the model that teams universities with local health-care providers, school districts and social service nonprofits.

Johns Hopkins President

Ronald Daniels acknowledges "growing pains and stumbles" in the rollout of the \$54 million Elmer A. Henderson: A Johns Hopkins Partnership School in East Baltimore, near the university's medical campus.

Johns Hopkins contributed \$12 million toward school construction between 2011 and 2014. The university continues to provide \$750,000 in annual operating funds for the K-8 school via unrestricted donations, foundation support and the School of Education budget.

But Mr. Daniels said the school isn't yet "where it should be."

It isn't as economically diverse as leaders first envisioned, as construction was delayed on new middle-income housing included in a broader

East Baltimore development project. And test scores, while on the rise, match those at schools with similar demographics and trail the city average.

The school, which is known as Henderson-Hopkins and operates as a contract school with the district, underwent a reboot last year with a new executive director, principal and curriculum that focuses more on nonfiction texts and critical reading.

"Starting a new school turns out to be difficult," said Mr. Daniels, though he added that Hopkins has no choice but to be in the game.

"Our fate is inextricably linked to the fate of Baltimore," Mr. Daniels said. "As goes Baltimore, so goes Hopkins."

Lessons From a Frustrated Union

Universities' efforts to help local schools don't always work out.

The University of Southern California's Rossier School of Education—in partnership with the Urban League, the Los Angeles Unified School District and an area foundation—began working with Crenshaw High School in 2007, aiming to turn around a school where enrollment had plunged and accreditation was in peril.

USC intended to provide professional development to teachers and administrators, conduct research on urban education and have a say in who was hired as principal.

The partnership dissolved after five years, citing frustration with the district's oversight, disrespectful student behavior and different sets of goals among stakeholders, including balancing immediate test-score gains against community support of the school's culture.

"Although the teachers and the parents voted on having this partnership, as you know with anything, you can say, 'Yes we need change' but don't all have the same thing in mind," said Rossier Dean Karen Symms Gallagher. She has called the experience "humbling and instructive."

USC has since created Ednovate, a network of five charter schools around Los Angeles, including two opening this fall. The university doesn't operate the charters outright or provide funding, though it does help with fundraising advice and extended a \$1 million line of credit—which is being repaid—as enrollments grew.

—Melissa Korn

States Bridge Differences With New Milelong Span

BY KRIS MAHER

A new bridge connecting Minnesota and Wisconsin is set to open Wednesday in a rare win for cooperation in the often-contentious realm of cross-border infrastructure.

For years, environmentalists and others, most notably former Vice President Walter Mondale, strongly opposed building a new bridge over the St. Croix River. The Mississippi River tributary is protected by the Wild and Scenic Rivers Act, a 1968 federal law aimed at preserving 12,734 miles of 208 rivers in the U.S.

But after a decades-long effort by state officials to build consensus—preliminary planning for a new four-lane bridge in the region began in the late 1960s—many are now welcoming the opening of the St. Croix Crossing.

The new bridge, which will replace a nearby two-lane bridge built in 1931, is expected to give an economic boost to local communities by rerouting traffic and cutting out the delays and congestion that have plagued the old crossing.

"There has been so much pent-up anxiety and emotion. Now, there is a sense of relief that it is finally opening," said Bill Rubin, executive director of the St. Croix Economic Development Corporation, in St. Croix County, Wis.

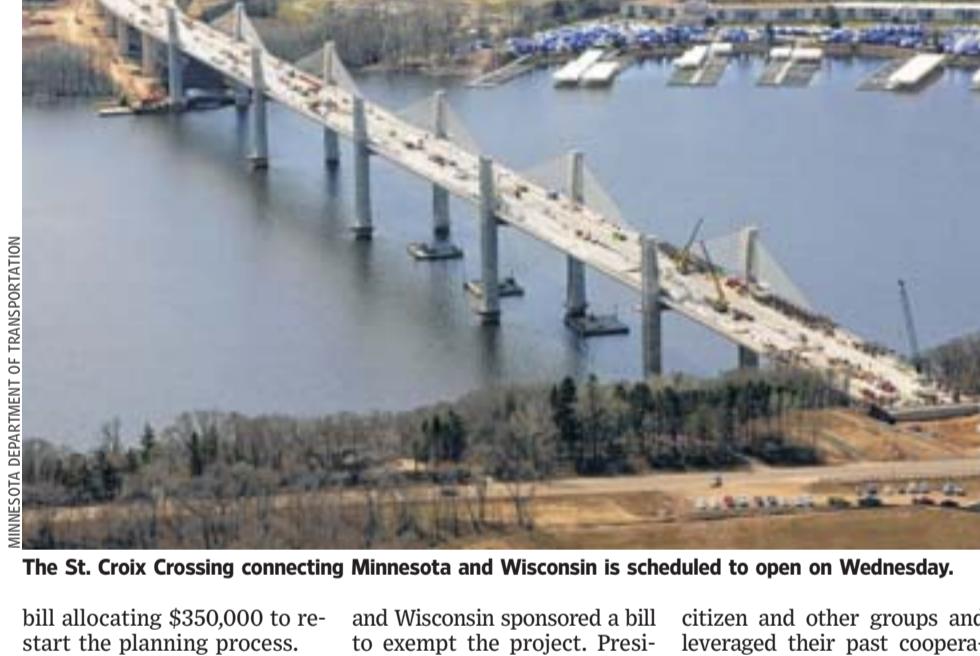
The nearly milelong span, which will connect Oak Park Heights, Minn., just east of the Twin Cities, and St. Joseph in rural Wisconsin, is projected to cost \$646 million. Minnesota will spend about \$367 million, which includes 60% federal funding; Wisconsin is projected to spend about \$279 million, with 5% coming from federal funds. States can choose different funding sources for projects, including bonds and state highway monies.

At a time of increased attention on improving the nation's bridges, roads and other infrastructure, the St. Croix Crossing is an example of how to avoid the pitfalls that often beset such projects involving multiple states with competing interests. "Bridge projects in particular have some of the toughest times moving from blueprint to final construction," said Adie Tomer, a fellow at the Brookings Institution who focuses on infrastructure policy.

Funding challenges across states and differing voter priorities often undermine projects, he said. "All it takes is a few state legislators on either side to derail it based on just one component."

But it isn't just bridges. Minnesota is fighting with North Dakota over the location of key parts of a major project to divert floodwaters from the Red River of the North, around Fargo. Disagreements between Kentucky and Ohio have long delayed repairs and upgrades to the 53-year-old Brent Spence Bridge, one of about 84,000 U.S. bridges that the Federal Highway Administration considers functionally obsolete.

Four years ago, Washington state lawmakers withdrew funding from a proposal that was being developed in conjunction with Oregon to build a new bridge connecting Vancouver and Portland, to replace the Columbia River Interstate Bridge, which first opened in 1917. In May, Washington Gov. Jay Inslee signed a



The St. Croix Crossing connecting Minnesota and Wisconsin is scheduled to open on Wednesday.

bill allocating \$350,000 to restart the planning process.

The St. Croix Crossing has had its share of disputes. The Minnesota Chapter of the Sierra Club twice sued to block the project in federal court.

The environmental group argued that making an exception to the Wild and Scenic Rivers Act would set a precedent that could put other rivers at risk.

Ultimately congressional lawmakers from Minnesota

and Wisconsin sponsored a bill to exempt the project. President Barack Obama signed it in 2012, paving the way for construction to begin a year later.

"This is going to happen. We don't like it, but that's a fact," Mathews Hollinshead, the Sierra Club chapter's conservation chair, said of the bridge's opening this week.

Despite the opposition, officials in Minnesota and Wisconsin earned the support of 28

citizen and other groups and leveraged their past cooperation on other bridges joining the two states. In this case, Minnesota took the lead on the bridge project, which was the largest in the state's history and required highway work as well.

"We work together all the time because we have a lot of border bridges," said Diana Maas, a spokeswoman for the Wisconsin Department of Transportation.

night.

"That isn't a big deal for a place like Florida with sandy soils, but here in the West, that amount of rain in such a short period of time causes extreme runoff," he said. "And the result can be a flash flood."

Currently, some 40% of the West is experiencing drought conditions, down markedly from last year at this time, when 72% of the West suffered from a drought, federal weather data show.

While weather experts say a wet winter, coupled with the recent rains, helped ease the drought, they have left other areas such as parts of Montana, Nevada, Idaho and California tinder dry.

That means the region's familiar foe, wildfires, are still lurking.

—Covey Son

contributed to this article.

Controlling Fires, Western States Now Fear Floods

BY DAN FROSH

As wildfires have quieted in some parts of the U.S., Western states have turned their focus toward another problem this summer: floods.

While heavy rainfall in recent weeks was a welcome respite for the typically parched Southwest, it has also caused deadly and in some cases historic flooding in Arizona and Utah, while portions of New Mexico have been under a flash flood watch.

Meanwhile, as pockets of rain are expected to continue, state emergency officials say they are keeping a close eye on areas that were scorched by fires in summers past, now barren of vegetation and particularly prone to flooding.

The wildfires increase the dangers of flash floods by denuding land of vegetation that can retard water flow.



April Rodriguez pulls son Francisco along a flooded Utah street.

In large portions of southern Colorado, the National Weather Service put out a flash flood watch for Sunday afternoon and evening, due to the threat of heavy rainfall. The weather service said burn scars in the area from prior wildfires were especially

vulnerable to potential floods.

A flash flood tore through a portion of Salt Lake City on Wednesday morning, flooding several schools, a public library and leaving parts of the city's transit system underwater. The flood was the equivalent of a 200-year event, ac-

cording to Laura Briefer, director of the Salt Lake City public-utilities department, noting that 2.5 inches of rain drenched the area in about 40 minutes.

"It was unique in its intensity and its suddenness," said Ms. Briefer, adding that city officials were still assessing damage from the floods.

Arizona has been hit particularly hard by flooding this month.

On July 15, 10 people died after a flash flood swept through a popular swimming hole in the Tonto National Forest, about 90 miles north of Phoenix.

Bill Boyd, spokesman for the Arizona Department of Forestry and Fire Management, said two wildfires that had charred the area this year contributed to the flood, as burned terrain allowed floodwaters to roll downhill unob-

structed.

Eight days after the deadly flood, 17 hikers had to be rescued from a canyon on the edge of Tucson, after another flash flood roared through the area.

While monsoons are typical this time of year, some parts of the West have seen more rainfall than normal, adding to the flooding concerns.

In Denver, for example, rainfall was above normal, and in some cases well above normal, for all but one day over the past week, according to the Colorado Division of Homeland Security and Emergency Management.

Chris Spears, professor of meteorology at Metropolitan State University of Denver and meteorologist for the local CBS affiliate, said that Douglas County, south of the city saw 2 to 4 inches of rain in just a few hours on Wednesday

U.S. NEWS

Priebus's Ouster Has Staffers on Alert

Further White House changes are expected after Trump replaced his chief of staff

BY REBECCA BALLHAUS

WASHINGTON—Two hours after President Donald Trump tweeted Friday he was replacing Chief of Staff Reince Priebus with his homeland security secretary, Mr. Priebus's colleagues filed into the White House's Roosevelt Room to watch their former boss tape an exit interview on CNN. The question on many of their minds, according to administration officials: Who would be next?

Mr. Priebus's departure came a week after Sean Spicer—who was among the group watching the CNN interview—resigned as press secretary over the president's hiring of a new communications director, though he plans to stay on until August. The latest move left West Wing officials awaiting over the weekend other changes to come in a White House coming off of one of the most turbulent weeks for any administration in recent memory.

Several officials, some of whom had left the building on Friday when Mr. Trump made his announcement, said they expected further shuffling in coming weeks as new Chief of Staff John Kelly sets up shop. Anthony Scaramucci, the



JONATHAN ERNST/REUTERS

Reince Priebus, at right, and fellow White House staffers arrived with President Trump at Long Island MacArthur Airport on Friday.

newly installed communications director, had already spent the past several days threatening to fire officials caught leaking information to the news media.

The departure of Mr. Priebus, a former chairman of the Republican National Committee, also prompted concerns from some Republicans about the administration's relation-

ship with the party, which has shouldered some communications work for the White House in recent months.

Mr. Scaramucci sought to ease those concerns Sunday, tweeting that he had spoken to RNC Chairwoman Ronna Romney McDaniel and looked forward to "building [an] even stronger relationship."

Mr. Priebus was the third

former RNC aide to leave in a single week, and other former RNC staffers in the West Wing have feared they would soon be purged over doubts—which many say are unfounded—about their loyalty to the president, according to several White House officials.

The officials over the weekend said they hoped Mr. Kelly, a retired Marine Corps gen-

eral, would command the president's respect and attention in a way that Mr. Priebus appeared unable to do. "If he says you should stop, he might actually think twice about sending that tweet," one official said of Mr. Trump, whose top advisers have proved unable to curb his penchant for bombastic social-media posts.

Many White House aides

said Mr. Priebus's departure was sealed after the demise of the Republican health-care bill in the Senate early Friday and when Mr. Priebus declined to respond to a profanity-riddled rant by Mr. Scaramucci in an interview with the *New Yorker* on Wednesday in which he disparaged the chief of staff as a "paranoid schizophrenic, a paranoiac."

Mr. Priebus's relationships with the GOP's top donors—many of whom had initially resisted Mr. Trump's campaign—were instrumental in Mr. Trump's fundraising efforts last year and led in part to his appointment. In the 2016 election, the RNC ran Mr. Trump's large-dollar fundraising operation, helping it raise more than \$100 million in a joint fundraising vehicle with the campaign.

"It was nice having one of our own in that position," said Jeff Kaufmann, chairman of the Iowa Republican Party. "Reince understood the minutiae of campaigns. That level of understanding was helpful."

Several top Republican donors said they didn't expect Mr. Priebus's departure to affect the administration's relationship with the party committee. The White House has also grown in some ways dependent on the RNC's communications staff, which has taken on much of the administration's rapid response and surrogate efforts.

—Peter Nicholas contributed to this article.

Voting Technology Is Put to the Test

BY ROBERT MC MILLIAN AND BYRON TAU

LAS VEGAS—A touch-screen voting machine used in a 2014 election in Virginia was hacked in about 100 minutes by exploiting a Windows XP flaw that was more than a decade old as part of a demonstration on security vulnerabilities in election technology.

The hacker was Carsten Schürmann, an associate professor with IT University of Copenhagen. He was one of the computer hackers invited to the Defcon convention in Las Vegas to test the security and integrity of common pieces of voting technology, many of which were purchased more than a decade ago and are rapidly becoming obsolete.

Within hours of the doors opening Friday at the Voting Machine Hacking Village, hackers penetrated the WinVote voting machine and gained access to an electronic poll book. Microsoft Corp., which made the Windows XP operating system, declined to comment.

They also penetrated the hardware and firmware of a kind of touch-screen voting machine used in hundreds of jurisdictions across the country, and attacked a simulated



STEVE MARCUS/REUTERS

Hackers at the Defcon convention probed weaknesses in systems.

county voter-registration network.

Hackers were invited to "do the things that if you did on Election Day, they would arrest you," said Matt Blaze, a computer science professor at the University of Pennsylvania and election security specialist who helped organize the event.

Fears have mounted over the security of the U.S. voting system following the 2016 presidential election.

Last month, Jeanette Manfra, the acting deputy undersecretary for cybersecurity and communications at the Department of Homeland Security,

told the Senate Intelligence Committee that election-related systems were targeted last year as part of a Russian campaign of hacking and disinformation.

Russia has denied the alleged interference.

U.S. officials have said that no evidence has been uncovered that systems involved in vote casting or counting were hacked. But researchers say that tampering with touch-screen machines wouldn't be detectable. The WinVote machine was decertified and not used in last year's election, Mr. Schürmann said.

After the disputed 2000

presidential election, when a hand recount of Florida's paper ballots produced weeks of uncertainty, a new law awarded more than \$3 billion to state and local governments to help them replace aging mechanical voting machines.

By and large, those governments bought touch-screen electronic voting machines that started to come into service in advance of the 2004 presidential election. But what was once state-of-the-art technology is now antiquated.

The WinVote system hacked at Defcon was likely vulnerable to a wireless attack for years, Mr. Schürmann said. WinVote's manufacturer, Advanced Voting Solutions Inc., is no longer in business.

The display on the WinVote machine at Defcon indicated that it was used during Fairfax County, Va.'s, Aug. 19, 2014, special election.

Attempts to reach Fairfax County after business hours Friday were unsuccessful. The county's Office of Elections overhauled its voting system in 2014, according to a post on the county's website.

The Defcon organizers purchased about 30 decommissioned voting machines, including the WinVote, on eBay Inc.

Senator Criticizes President on Health

BY THOMAS M. BURTON

Sen. Susan Collins, one of three Republican senators who blocked the GOP's health-care bill last week, on Sunday said President Donald Trump's threatened cuts in payments to insurers would be "detrimental" to America's poor.

The secretary of health and human services, meanwhile, was noncommittal about the payments and also declined to say whether the Trump administration would enforce the portion of the Affordable Care Act that generally requires individuals to carry insurance.

At issue are millions of dollars under the Affordable Care Act that the federal government pays in order to lower deductibles and out-of-pocket costs for the poorest enrollees.

It really would be detrimental to some of the most vulnerable citizens if those payments were cut off," Ms. Collins, of Maine, said in a CNN interview. "They're paid to the insurance companies, but the people that they benefit are people who make between 100% and 250% of the poverty rate.

Mr. Trump made one of his

most explicit threats to cut off the payments in a tweet over the weekend, when he also floated the idea of cutting off lawmakers' own health benefits. "If a new Healthcare Bill is not approved quickly, BAIL-OUTS for Insurance Companies and BAILOUTS for members of Congress will end very soon!" Mr. Trump said on Twitter.

The next set of payments is scheduled in three weeks. This issue is especially critical now because deadlines for insurers to decide whether to participate in health-insurance marketplaces are also looming.

These payments are under legal challenge by Republicans in the House, who say the money never was authorized by Congress. A federal judge is allowing the funds to continue during the litigation.

During appearances on Sunday talk shows, Tom Price, the secretary of health and human services, said "no decision's been made" on whether the administration would enforce the ACA's "individual mandate." Mr. Price said he couldn't comment on the status of payments to insurers because he is a party to the House litigation.

TRUMP

Continued from Page One

Now, more Republicans are beginning to split from the president, seeing him as easily riled and hampering the party's ability to govern.

Last week started with Mr. Trump's criticisms of Attorney General Jeff Sessions as "weak" and "beleaguered" and ended with his decision to push out his chief of staff, Reince Priebus. Along the way, Republicans reacted to new White House communications director Anthony Scaramucci's profane denunciation of his fellow West Wing aides in a published interview and Mr. Trump's military transgender ban, a policy change that Republicans neither requested nor anticipated.

Sunday on CNN, Sen. Susan Collins of Maine, a Republican who has said she didn't vote for Mr. Trump, took a shot at the president's propensity to communicate by Twitter, saying that "whether it's health care or the transgender issue for our military, I just don't think a tweet is the right way to go."

Speaking on CBS, Sen. Jeff Flake (R., Ariz.) said that Republican leaders were complicit if they didn't call out Mr. Trump for his behavior. "We can't respond to everything," he said. "But there are

times when you have to stand up and say I'm sorry. This is wrong."

On the other side are Republicans who echo Mr. Trump's behavior and tone.

Rep. Blake Farenthold (R., Texas) last week suggested that he would have settled differences with Ms. Collins and Sen. Lisa Murkowski (R., Alaska), who both made decisive votes against a GOP health plan, by challenging them to duels if they had been male. Mr. Farenthold later apologized. Rep. Buddy Carter (R., Ga.), asked about Trump's decision to attack Ms. Murkowski on Twitter over her "no" vote, used a confusing but coarse phrase that suggested resorting to physical assault. His spokeswoman said he wasn't commenting on Ms. Murkowski but was using a southern idiom roughly translating to "get your act together."

"They're just attacking him for everything, even some of the Republicans," said Republican New Hampshire State Rep. Al Baldasaro, about Mr. Trump. "I'm really disgusted over the GOP." He had praise for the new White House communications director, Mr. Scaramucci, saying "we've finally got someone who's outspoken."

Rep. Chris Collins (R., N.Y.), the first member of Congress to endorse Mr. Trump, said that instead of turbulence, Mr.

Trump last week "had one of the best weeks he has ever had." Pointing to his calls to crack down on the street gang known as MS-13, Mr. Collins said that "he is addressing one of the scourges of America."

In Congress, some Republicans are pushing back at Mr. Trump. Last week, the House and Senate passed legislation that would make it hard for Mr. Trump to relax economic sanctions on Moscow or to restore Russia's control over diplomatic compounds, in re-

sponse to U.S. intelligence findings that Russia interfered in the elections, which Russia denies.

In the meantime, Republican senators moved to block every path Mr. Trump might try to use to fire and replace Mr. Sessions, out of concern that doing so would disrupt the independence of the investigation into any election interference.

Senate Judiciary Committee Chairman Chuck Grassley (R., Iowa) said his committee didn't have time to fit in hear-

ings on a new attorney general. Sen. Lindsey Graham (R., S.C.) said he was writing legislation to protect the independence of a special counsel hired to investigate links between Russians and the Trump campaign, a probe that Mr. Trump has called a witch hunt.

Senate Majority Leader Mitch McConnell (R., Ky.) and House Speaker Paul Ryan (R., Wis.) are driving ahead with their agenda. Mr. Trump has been insisting that Republicans dive back into the

health-care fight, but Mr. McConnell hasn't budged since declaring early Friday morning that it was "time to move on" from the GOP health bill. In a Fox News interview on Sunday, Mr. Ryan talked only about advancing a tax overhaul.

Signs are emerging that the intraparty battle could threaten the party's standing in the 2016 elections and the president's beyond that. Mr. Jolly, the former Florida congressman, said he is part of a group discussing how to put together a primary challenge to Mr. Trump in 2020. "There are people looking for a mainstream Republican to lead, and it's not in Trump's Republican Party," he said.

Michael Steele, a former Republican National Committee chairman, said "the president is in his element when in front of a crowd of 40,000 instead of behind his desk dealing with the minutiae of governing. That's not governing, that's theater, a reality TV presidency."

Gary Kirke, an Iowa businessman and prominent Trump donor, said his support is unshaken. He said he wonders whether various White House staff who have been pushed out "were loyal to him after he appointed them."

"So far, I think he's done a good job," Mr. Kirke said.

—Janet Hook contributed to this article.



SUSAN WALSH/ASSOCIATED PRESS

President Donald Trump on Friday named John Kelly, right, as his new chief of staff.

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WORLD NEWS

U.S. Presses China on Pyongyang Threat

Pence, in Estonia, says Beijing, others need to join in isolating regime over nuclear ambitions

Trump administration officials urged China and other nations to band together to confront North Korea over its nuclear and ballistic-missile

By Peter Nicholas
in Tallinn, Estonia,
and Felicia Schwartz
in Washington

ambitions, with Vice President Mike Pence declaring "all options are on the table" to rein in Pyongyang.

"The continued provocations by the rogue regime in North Korea are unacceptable and the United States of America is going to continue to marshal the support of nations across the region and across the world to further isolate North Korea economically and diplomatically," Mr. Pence told reporters traveling with him in Estonia on Sunday, two days after North Korea's second intercontinental ballistic-missile test. "We believe China should do more."

Speaking at a trade briefing on Monday, China's vice minister of commerce, Qian Keming, said the U.S. and China should separate issues over trade from those over North Korea's missile test, adding that Beijing is willing to work with the U.S. to boost bilateral trade.

Mr. Qian didn't directly address North Korea's latest missile test, but said China re-



A Terminal High-Altitude Area Defense interceptor was tested in Alaska, on Sunday, as South Korea's defense minister said the country would upgrade its missile defenses.

mains committed to ridding the Korean Peninsula of nuclear weapons.

At the United Nations, U.S. Ambassador Nikki Haley rejected calls for an emergency session of the Security Council, saying "the time for talk is over" and that a further Security Council resolution that doesn't "significantly increase the international pressure" on North Korea would be "worse than nothing."

Secretary of State Rex Tillerson also singled out Russia on Friday, saying it could do more to blunt Pyongyang,

while Ms. Haley in a tweet on Sunday said Japan and South Korea could step up as well.

Their remarks came as President Donald Trump signaled his chagrin at what he described as China's inaction on North Korea's nuclear and ballistic-missile ambitions.

After North Korea's first ICBM launch, in early July, Defense Secretary Jim Mattis said the U.S. wasn't closer to war, and said the Trump administration would give diplomacy more time to resolve the crisis.

On Friday, the White House said Mr. Trump would sign a

package of sanctions passed last week by Congress designed in part to limit the cash available to North Korea to further its nuclear and missile programs. Yet on Sunday, it wasn't clear the administration's strategic calculus had fundamentally changed with the second missile launch.

"I don't see the test leading to any change of the administration's approach," said Robert Einhorn, a former senior State Department official who worked on North Korea in the Obama and Clinton administrations. "I think they will try

to use the test to reinforce what they're doing—maximizing pressure on North Korea.

"I think the Trump people know you have to get China on board, and part of that is to confront the Chinese with real costs if they don't get on board."

For now, Trump administration officials have been making preparations to act unilaterally, including by drawing up measures targeting Chinese companies and banks that are funneling funds into North Korea's nuclear and weapons programs.

The U.S. also been demon-

strating military force in the region, including by conducting a missile test, sending two American bombers to fly over the Korean Peninsula and testing a sophisticated missile-defense system known as Thaad.

The State Department's acting top Asia diplomat told lawmakers last week before North Korea's second test that the U.S. would soon impose sanctions on additional Chinese entities for violating U.N. sanctions on North Korea.

China's ambassador to the U.S., Cui Tiankai, warned against unilateral sanctions.

South Korea Revises Defense Policy

By JONATHAN CHENG

SEOUL—South Korean President Moon Jae-in was elected in part on promises to extend an olive branch to North Korea and put the brakes on the installation of a controversial U.S. missile-defense system.

But less than three months into office, Mr. Moon has been forced to rethink that approach after North Korea test-launched its first two intercontinental ballistic missiles.

On Sunday, South Korea's defense minister said the country would upgrade its Pa-

triot missile system in response to North Korea's second ICBM test-launch late Friday.

That decision came a day after Mr. Moon said he would weigh further deployment of a separate longer-range missile-defense system, called Terminal High-Altitude Area Defense, or Thaad, in South Korea.

Mr. Moon had suspended Thaad's deployment this year as one of his first acts in office on concerns that it had been pushed through by his unpopular predecessor without proper public consultation.

While Thaad is meant to defend the Korean Peninsula from shorter-range missiles—not an ICBM that would be capable of reaching the continental U.S.—Mr. Moon's pursuit of beefed-up military capacities reflects broader regional concerns about Washington's commitment to defending its regional allies as the U.S. homeland comes under threat.

China, which strongly opposes the Thaad deployment, warned on Saturday that the deployment of further Thaad components "gravely damages strategic balance in the region and harms the national security interests of countries in the area, including China's."

On Sunday, the U.S. Defense Department said it had conducted a successful Thaad missile-interception test over the Pacific Ocean.

North Korea's latest test launch could add momentum to Japan's push for greater missile-defense capabilities of its own, including a possible Thaad battery or the Aegis Ashore missile-defense system, which would enhance its ability to defend itself against a North Korean attack.

Putin Aims to Cut American Presence

By THOMAS GROVE

MOSCOW—Russian President Vladimir Putin said Sunday that the U.S. would have to cut 755 diplomats and staff in the country by September in retaliation for impending U.S. sanctions on Moscow.

In an interview with Russian state television, Mr. Putin said the U.S. presence in Russia would be reduced by more than half, following the passage of new sanctions legislation by Congress that has further frayed ties between Moscow and Washington. The White House has indicated that President Donald Trump plans to sign the legislation.

"We had hoped that the situation would somehow change," Mr. Putin said. "But judging by everything, if it changes, it won't happen fast."

Mr. Putin held out the possibility of additional measures but said that at this point he was against taking further punitive steps. "I hope it doesn't come to that," he said.

Mr. Putin told state television that slightly more than 1,000 U.S. diplomatic and technical staff work in Russia at present.

Last week, the Russian foreign ministry said the number of U.S. diplomatic and technical staff in Russia as of Sept. 1 would be reduced to 455, the same number of Russian diplomats now operating in the U.S.

It's unclear how the reductions will affect American citizens working in the U.S. embassy and in three U.S. consulates in Russia; many of the people who work in those facilities are local hires.

A State Department official said Sunday, "This is a regrettable and uncalled for act. We are assessing the impact of such a limitation and how we will respond to it."

A U.S. official said the move

Vice President Reassures Allies

TALLINN, Estonia—U.S. Vice President Mike Pence arrived in Estonia on Sunday for a three-day trip that officials said was aimed at reassuring allies along Russia's border that the Trump administration will back them in resisting Russian aggression.

Mr. Pence met for nearly an hour with Estonian Prime Minister Juri Ratas, reinforcing the point that the administration wants to help Russia's pro-Western neighbors defend themselves against cyberattacks, propaganda and military intimidation, people who attended the meeting said.

—Peter Nicholas

to trim down staff could slow down the embassy's ability to issue visas, among other possible consequences.

The largest-to-date diplomatic expulsion involving Washington and Moscow occurred in 1986, when President Ronald Reagan ordered 55 Soviet diplomats to leave the country.

Russia's relationship with the U.S. has been a major factor in Mr. Trump's first months in office. During the presidential campaign, Mr. Trump avoided criticizing Mr. Putin even as he claimed China, Mexico and others were dealing unfairly with the U.S., chiefly in terms of trade.

Mr. Trump also has voiced skepticism over U.S. intelligence findings that Russia meddled through hacking and propaganda in the presidential election to favor Mr. Trump.

—Felicia Schwartz
in Washington
contributed to this article.



President Xi, standing, inspected PLA troops at the Zhurihe combat-training base on Sunday.

The parade was held amid escalating military tensions in the region, with North Korea accelerating its nuclear-weapons program since January through a series of tests, including the launch of an intercontinental ballistic missile on Friday.

U.S. President Donald

urday in response to North Korea's latest missile test.

China's parade would have been planned months in advance, analysts said, and wasn't a direct response to Pyongyang or Washington, but it demonstrated Mr. Xi's efforts to build a military that can respond to external challenges—including on the Korean Peninsula.

Last year, the Chinese leader launched sweeping military overhauls that are designed to overhaul Soviet-modeled command structures and better prepare the armed forces for combat if needed.

The People's Liberation Army is training for scenarios that include a conflict over the disputed South China Sea and a blockade of China's oil supplies through the Indian Ocean, and operations to protect its citizens and investments in Africa and the Middle East.

Mr. Xi has also sought to assert his authority over the PLA through an anticorruption

campaign that ensnared several current and retired generals, and by assuming the new title of "commander-in-chief" last year.

In June, he inspected PLA troops stationed in Hong Kong in another move to boost his political stature ahead of this fall's 19th Party Congress, where he is expected to try to promote allies to the top leadership.

China hasn't provided details about the DF-31AG, but a model was displayed for the first time this month in an exhibition at Beijing's Military Museum. Analysts say the missile's design and name suggest it is an improved version of the DF-31A.

China has an estimated 75 to 100 intercontinental ballistic missiles, including the solid-fueled DF-31A, which has a range of more than 7,000 miles and can reach most locations in the continental U.S., according to the Pentagon.



Russian President Vladimir Putin attended a parade on Sunday.

Trump has warned repeatedly that he is weighing military action to halt North Korea's nuclear program, and in recent weeks has become increasingly critical of China, accusing it of failing to rein in Pyongyang. The U.S. Air Force flew two B-1B bombers over the Korean Peninsula on Sat-

WORLD NEWS

U.S. Takes Aim At Oil Industry In Venezuela

BY CHRISTOPHER M. MATTHEWS
AND JOSÉ DE CÓRDOBA

U.S. government officials are considering stepping up sanctions against Venezuela by targeting its vital oil industry, although an embargo against Venezuelan crude oil imports into the U.S. is off the table for now, people familiar with the deliberations say.

The measures could be announced as early as Monday, the people say, after a vote Sunday pushed by embattled Venezuelan President Nicolás Maduro to elect a special assembly that will rewrite the constitution. Venezuela's opposition is boycotting the vote, fearing the assembly could dissolve the opposition-controlled congress or postpone elections.

The U.S. Treasury Department didn't immediately respond to a request for comment on the potential sanctions. The U.S. government levied sanctions on 13 high-ranking Venezuelan offi-

cials Wednesday for alleged corruption, human-rights violations and undermining democracy in the South American country. While more sanctions against other individuals are also under consideration, on Friday, Vice President Mike Pence vowed "strong and swift economic actions" if the vote goes ahead.

The Venezuelan government has responded defiantly, dismissing sanctions and warnings from Washington. Mr. Maduro and his top aides have insisted the government would notch a triumph in Sunday's vote.

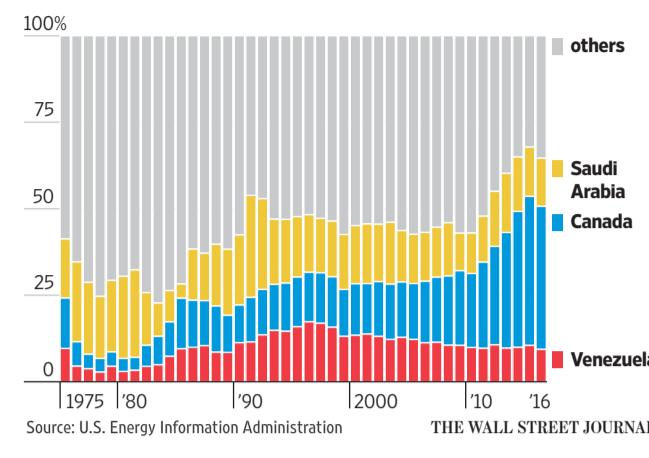
Observers say broader sanctions against Venezuela could accelerate an economic meltdown and push the cash-strapped country to the brink of default on its debts.

The toughest of possible sanctions—an embargo on imports of Venezuelan oil—isn't on the table right now, these people said, but could be considered later. Options being considered include a ban on

Major Source

While Venezuelan oil exports to the U.S. have slipped, the country remains the third biggest U.S. supplier.

Share of U.S. oil imports, by source



Source: U.S. Energy Information Administration

THE WALL STREET JOURNAL



SECURITY FORCES FACED OFF AGAINST DEMONSTRATORS ON SUNDAY.

MARCO BELLO/REUTERS

sales of U.S. oil and refined products to Venezuela, and financial restrictions on the country's state oil firm, they said. Those measures are seen as potentially crippling for the Venezuelan government without being too disruptive for the U.S. economy. No final decision has been made, the people said.

"Even limited new US-imposed sanctions or discussions of broader sanctions could be a catalyst for Venezuela defaulting on its upcoming debt payments," Barclays said in a recent note to investors. Venezuela's oil industry supplies 95% of the country's hard currency.

"The dollars aren't there to pay for the food and medicine Venezuelans need," said Moisés Naím, a former trade and economy minister in Venezuela.

U.S. refiners, including Valero Energy Corp., Phillips 66 and Chevron Corp., have lobbied strongly against a ban on Venezuelan oil imports, because refiners on the U.S. Gulf Coast rely on Venezuela for heavier grades of crude oil to convert into fuel.

Venezuela sells about 750,000 barrels a day to the U.S., mostly to Gulf Coast refiners.

The most likely option, say

the people familiar with U.S. discussions, is a ban on exports to Venezuela of refined petroleum products and lighter crude grades that Venezuela mixes with the heavy crude it then sells to the U.S. That could force Venezuela to import light crude at higher prices from distant places like Algeria or Nigeria, and deepen its steady oil output decline, says Francisco Monaldi, a Venezuela expert at Rice University.

Another option is to ban state oil company Petróleos de Venezuela from using the U.S. banking system and U.S. currency, the people say.

Such sanctions would stop U.S. firms from buying Venezuelan oil and make it difficult for any oil trader or firm to do so, pushing Venezuela into default, said Russ Dallen, a managing partner at investment bank Caracas Capital.

The U.S. could also ban U.S. companies from investing in Venezuela's energy sector, these people said. That would drive out oil-field service firms such as Halliburton Co. and Schlumberger Ltd., which provide key technology and expertise in oil drilling and production.

—Ian Tally contributed to this article.

Protests Turn Deadly as Maduro Backers Vote on New Assembly

CARACAS, Venezuela—Deadly protests flared across Venezuela as President Nicolás Maduro's supporters voted Sun-

By Ryan Dube,
Anatoly Kurmanov
and Juan Forero

day for a new assembly to redraft the constitution, a pivotal move that has been sharply criticized by countries from Argentina to the U.S.

At least six people died, according to the attorney general's office, amid clashes between antigovernment protesters and state security forces on a day that the president called vital

toward unwinding the country's political and economic crisis. The opposition said as many as 16 people died in the past 24 hours in the protests. The government has denied any deaths related to the election.

Government opponents warn that the new assembly will lead to a dictatorship. Mr. Maduro and his allies, speaking on state television, celebrated what they called a large turnout. They say the new assembly, which will have overwhelming powers, will permit them to more easily deal with unrest and a devastated economy.

But there were short lines and few voters at more than

50 polling stations in Caracas and Maracaibo, Venezuela's second-biggest city, that were visited by reporters from The Wall Street Journal. Pollster Datanálisis said before the election that just 13% of the 19 million registered voters were very open to voting.

Many voters said they worked for the state. Others, like Vanessa Castillo, a 30-year-old single mother of four, said they feared losing benefits from a government-subsidized food program if they stayed home.

To urge voters to the polls, top Maduro administration aides have publicly warned state workers—who number nearly 3

million—that the government will keep tabs on whether they voted. "I didn't want to vote, but in my house they were going to take away [the benefits]," said Ms. Castillo.

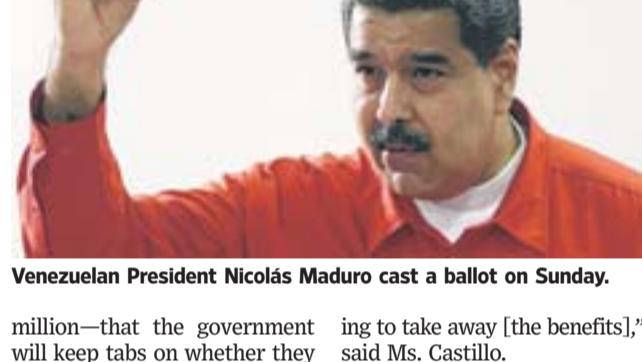
In Caracas, protesters used garbage, bricks and tree logs

to block roads. In an opposition-controlled neighborhood, a large explosion hit police on motorbikes. In another area, the National Guard launched tear gas during clashes with protesters.

On Sunday, pro-government voters were electing 545 delegates for the constituent assembly from some 6,000 hand-picked ruling party officials and allies. The government's state television apparatus interviewed voters pleased they were voting for an assembly that they said would bring calm.

—Kejal Vyas, Mayela Armas

and Sheyla Urdaneta contributed to this article.



VENEZUELAN PRESIDENT NICOLÁS MADURO CAST A BALLOT ON SUNDAY.

MIRAFLORES PALACE/REUTERS

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WORLD NEWS

EU-Poland Legal Rift Grows

BY LAURENCE NORMAN

BRUSSELS—The European Union on Saturday launched legal action against Poland over part of the government's planned overhaul of its court system, a move that could result in the government being fined and taken to the bloc's top courts.

The EU's executive arm, the European Commission, sent a letter to the Warsaw government formally raising concerns after a new law on the organization of the Polish court system was formally adopted on Friday.

The law is part of a package of measures pushed by Poland's nationalist government that would have allowed the government to restaff the judicial bench, from the Supreme Court down to small, local courts.

On Wednesday, Brussels warned that the democratic rule of law remains at risk in Poland, even after President Andrzej Duda vetoed legislation that would have retired every high court judge.

Poland and the EU are in an extraordinary standoff over whether the former communist country can put virtually the entire judiciary under the control of the justice minister and remain a full-fledged member of the union.

Brussels could seek broader, unprecedented sanctions against Poland, although it is unlikely that would win sufficient backing from all EU member states.

While Mr. Duda vetoed the government's effort to restaff

the Supreme Court, he allowed through legislation that affects who sits in lower courts.

The commission said this law breaches EU rules since it sets different retirement ages for male and female judges. More broadly, by giving the government the power to pick whose terms can be extended beyond retirement age, "the independence of Polish courts will be undermined," it said.

Poland has a month to respond to recommendations that would bring Polish law back in line with EU norms.

Failing that, the commission would move to the second of a three-stage infringement process that would end with Po-



ARTUR WIDAK/NURPHOTO/ZUMA PRESS

Demonstrators at Krakow's District Court on Wednesday protested the government's judicial overhaul.

the Supreme Court, he allowed through legislation that affects who sits in lower courts.

A spokeswoman for the Polish Foreign Ministry didn't respond to a request to comment Saturday.

European Commission First Vice President Frans Timmermans also wrote to the Polish government on Friday, inviting the foreign and justice ministers to Brussels to discuss the situation. In recent weeks, Warsaw has brushed off such requests.

The EU has limited room to maneuver in its broader rule-of-law showdown with Poland. The governing Law and Justice party says the reforms are needed to purge officials who entered public service during the communist era. Previous

land being taken to court.

A spokeswoman for the Polish Foreign Ministry didn't respond to a request to comment Saturday.

European Commission First Vice President Frans Timmermans also wrote to the Polish government on Friday, inviting the foreign and justice ministers to Brussels to discuss the situation. In recent weeks, Warsaw has brushed off such requests.

The EU has limited room to maneuver in its broader rule-of-law showdown with Poland. The governing Law and Justice party says the reforms are needed to purge officials who entered public service during the communist era. Previous

warnings have done little to sway the government.

The bloc's most severe punishment—stripping a member country's EU voting rights—requires unanimous backing from all member countries. But this is unlikely given Hungary's support for the Polish government.

The fight is part of broader tensions between Brussels and some of the bloc's newer members in Eastern Europe, which have chafed at the bloc's policies and oversight. The EU has also raised a host of worries over legislation passed by Hungarian Prime Minister Viktor Orban.

—Drew Hinshaw
and Emre Peker
contributed to this article.

WORLD WATCH

GERMANY

Knife Attacker Was Suspected Islamist

A 26-year-old Palestinian man suspected of killing one person and injuring six others in a stabbing spree at a Hamburg supermarket on Friday was known to authorities as a suspected Islamist, authorities said Saturday.

The attack seemed at least in part motivated by Islamist extremism, officials said. But no links to terrorist or Islamist networks on the part of the suspect, who was taken into custody, have been found, officials said. The identity of the suspect, who police said was born in the United Arab Emirates, wasn't released.

A friend and the head of the



KIM KYUNG-HOON/REUTERS

Elementary-school sumo wrestlers await a hoped-for television interview at the Wanpaku tournament in Tokyo on Sunday.

asylum-seeker shelter in which the suspect lived had reported that the man seemed to be adopting more radical religious views, officials said. Authorities

added him to a list of suspected Islamists. But investigators didn't determine he posed an immediate threat.

—Anton Troianovski

QATAR

Arab States Meet To Discuss Sanctions

Four Arab states that cut ties with Qatar met Sunday to discuss the crisis, insisting on compliance with a list of demands while refraining for now from imposing more punitive measures against the Gulf state.

It was the second meeting for the foreign ministers of Saudi Arabia, the United Arab Emirates, Egypt and Bahrain since the countries cut diplomatic ties and transport links with Qatar on June 5. The quartet accuses Qatar of supporting extremists. Qatar denies the charges and sees them as politically motivated.

—Associated Press

PROFIT

Continued from Page One
ster consumer spending without raising employer labor costs so much to dent the bottom line.

Companies also continue to reap the fruits of their recent zeal for cutting costs, Mr. Probyn said. "We underestimated some of the cost-cutting and restructuring that has gone on within the various industries; that has permitted earnings to keep doing well."

Sales, too, rose in the quarter, by an expected 5%, the second-biggest increase in more than five years, according to data from Thomson Reuters.

The figures reflect actual results for about half the S&P 500 index, and analysts' estimates for those that had yet to report results as of Friday.

On Friday, the Commerce Department reported that gross domestic product rose at a 2.6% rate in the second quarter, up from 1.2% in the first quarter.

Executives say even rapid progress on a tax rewrite or an infrastructure bill is unlikely to help improve profits soon.

"We're halfway through the year, and they haven't done [tax overhaul]," Christopher Nassetta, CEO of Hilton Worldwide Holdings Inc. said last week.

"We're not going to have enough time for it to trickle through and really benefit this year."

The White House didn't respond to a request for comment.

"Political and policy uncertainty continues to weigh on health care, taxation, regulation and trade," Debra Cafaro, chief executive of Ventas Inc., a real-

estate investment firm specializing in senior housing and health-care property, said Friday.

"Washington has been wildly unpredictable."

As executives discuss results with investors and analysts, events in Washington have faded into the background. S&P 500 companies that mentioned President Donald Trump or his administration during their latest conference calls are down by a third compared with three months

ago, according to an analysis by research firm Sentieo.

The market has also largely stopped reacting to blow-by-blow developments in Washington, despite uncertainty over the size, shape and timing of any tax and infrastructure initiatives, said Quincy Crosby, chief market strategist with

Honeywell International Inc. CEO Darius Adamczyk earlier this month said he hoped lawmakers would advance plans for revamping the tax code as soon as the current quarter. Still, he isn't counting on it.

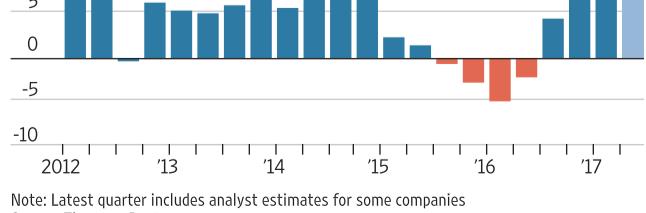
"I think there's more uncertainty in that now than maybe even before, so I can't let that sort of rule the business," Mr. Adamczyk said.

That uncertainty could make it difficult for companies to sustain robust earnings growth, said Omar Aguilar, chief investment officer of equities for Charles Schwab Investment Management.

Companies are reporting solid cash flow, but capital spending has been weak until recently. Uncertainty over tax policy may exacerbate that reluctance to invest, Mr. Aguilar said. "Tax reform is clearly what the future may require for these numbers to continue on the same pace."

Profits Defy Washington Gridlock

Year-over-year change in S&P 500 earnings



Note: Latest quarter includes analyst estimates for some companies

Source: Thomson Reuters

THE WALL STREET JOURNAL.

WORLD NEWS

Navy Fires Warning Flares at Iran Ships

The U.S. and Iran on Saturday reported their second confrontation of the week in the waters off the Persian Gulf, as political tensions between them flare.

By Asa Fitch in Dubai and Dion Nissenbaum in Washington

The U.S. Navy said several vessels operated by Iran's Islamic Revolutionary Guard Corps in the Gulf approached American ships at high speed on Friday. After the U.S. Navy failed to reach the Iranian ships by radio, a Navy helicopter fired warning flares at a safe distance, according to the U.S. Naval Forces Central Command.

The Iranian ships subsequently stopped moving toward U.S. ships, it said, describing the interaction as "safe and professional."

The IRGC, however, said an American Nimitz-class aircraft carrier accompanied by a warship came near IRGC boats patrolling Iran's Resalat oil-and-gas field. The aircraft carrier flew a helicopter close to the Iranian vessels on Friday afternoon, according to the official Islamic Republic News Agency.

The IRGC accused the American forces of firing "provocative and unprofessional" warnings on its vessels before leaving the area. The vessels continued on their mission, the IRGC said.

Confrontations between U.S. and Iranian vessels in the Persian Gulf are common. On Tuesday, the U.S. Navy said it fired warning shots at an Iranian patrol boat that came within 150 yards of ships conducting an exercise in the waterway.

Tensions have been escalating over Iran's ballistic-missile program and its compliance with a 2015 nuclear deal with six world powers that gave it relief from international sanctions.

U.S. Weighs Afghan Drawdown

Unable to agree on plan to help turn back Taliban, White House is exploring its options

By DION NISSENBAUM

WASHINGTON—President Donald Trump's reservations about sending more troops to Afghanistan have triggered a new exploration of an option long considered unlikely: withdrawal.

Unable to agree on a plan to send up to 3,900 more American forces to help turn back Taliban advances in Afghanistan, the White House is taking a new look at what would happen if the U.S. decided to scale back its military presence instead, according to current and former Trump administration officials.

"It's a macro question as to whether the U.S., this administration, and this president are committed to staying," one senior administration official said. "It doesn't work unless we are there for a long time, and if we don't have the appetite to be there a long time, we should just leave. It's an unanswered question."

The exploration is an outgrowth of a deep divide at the White House, where the president and his top advisers are reluctant to send more American troops to Afghanistan without a clear strategy.

There appears to be support in the administration for a modest plan to send a few thousand more U.S. troops to Afghanistan, to put more pressure on Pakistan to crack down on militant sanctuaries, and to seek help from China, India and Pakistan in reaching regional peace deals. But there is no consensus, said people involved in the debate, making it unlikely that the U.S. would send more forces to the battlefield.

"It is becoming clearer and clearer to people that those are the options: go forward with something like the strategy we have developed, or withdraw," said the senior administration official, referring to the modest plan.

But the idea is anathema to American military leaders who have argued that the U.S. needs to send more troops to halt Taliban gains on the battlefield.

"At best, that is a very low minority view," one senior U.S. military official said of with-

A U.S. Marine walked by Afghan army soldiers at a training exercise in Helmand province in July.

wary of embracing an open-ended commitment that could pull more U.S. forces back into a deadly, 16-year-old conflict.

With discussions bogged down, administration officials are taking a new look at pulling out most U.S. forces and focusing on a more limited counterterrorism strategy that might allow the U.S. to reduce its military presence by relying more on drone strikes and special forces to target extremists.

"It is becoming clearer and clearer to people that those are the options: go forward with something like the strategy we have developed, or withdraw," said the senior administration official, referring to the modest plan.

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"At best, that is a very low minority view," one senior U.S. military official said of with-



OMAR SOBHANI/REUTERS

Slow Exit
U.S. troops in Afghanistan
100 thousand



Source: U.S. Central Command
THE WALL STREET JOURNAL.

had predicted that the administration would have a new policy in place by mid-July. But a string of high-level meetings this month has yet to produce a consensus.

The indecision has given more time for skeptics of a modest increase, like White House chief strategist Steve Bannon, to explore unconventional alternatives. One such proposal offered by former Blackwater founder Erik Prince would rely on contractors instead of U.S. troops to work with Afghan security forces.

Mr. Prince has briefed key administration officials at the White House, Mr. Mattis, Central Intelligence Agency Director Mike Pompeo and various lawmakers, including Sen. Bob Corker (R., Tenn.), according to people familiar with the meetings.

"I'm all for continuing to try to come to a conclusion that is something that will change the trajectory there," said Mr.

Corker, chairman of the Senate Foreign Relations Committee.

White House interest in Mr. Prince's plan was piqued by his Wall Street Journal op-ed in May that called for creation of an American viceroy who would have expansive power to push reforms in Afghanistan.

Mr. Prince refined his ideas and created a more detailed proposal presented to Trump administration officials looking for alternatives to a troop increase.

The proposal, seen by The Wall Street Journal, outlines ways for the U.S. to quickly replace most U.S. troops with contractors who would help carry out airstrikes and work side by side with Afghan forces across the country.

"The goal is to provide a clear exit lane and provide a clear end to the longest war in U.S. history," Mr. Prince said in an interview. So far, Mr. Prince has yet to generate enough interest among key officials, who view his plan with skepticism.



FASAL MAHMUD/REUTERS
Shehzad Sharif, who is set to become prime minister, said Pakistan needs 'strength through unity.'

Pakistan Leadership Change Expected to Bolster Military

BY SAEED SHAH

ISLAMABAD—The removal of Nawaz Sharif as Pakistan's prime minister by the courts and the takeover of the position by his younger brother Shehzad Sharif could hand more power to the country's military establishment, political experts said Sunday.

Shehzad Sharif—who will become prime minister in the coming weeks, the ruling party said over the weekend—has a history of being less confrontational with the armed forces, experts say, and he is expected to focus on delivering major electricity projects to help resolve a crippling energy shortage ahead of elections next year, leaving the military with even more autonomy to make policy and carry out operations.

"Public welfare and the country's development is our agenda," Shehzad Sharif said in a statement Sunday. "We need to take Pakistan forward with strength through unity, not disorder."

Pakistan's Supreme Court on Friday disqualified Nawaz Sharif from office for not be-

ing "honest," a requirement for lawmakers under the country's constitution, and ordered a trial over allegations of corruption. He denies any wrongdoing. Mr. Sharif's party said he stepped down immediately following the court's judgment, but stressed he hadn't been found guilty of any act of corruption.

The armed forces could become more powerful with Shehzad Sharif as prime minister.

Confrontation between civilian authorities and the military has been the central driver of political turmoil in Pakistan's 70-year history.

Nawaz Sharif was removed twice as prime minister by the military in the 1990s. His third term beginning in 2013 was marked by repeated clashes with the army, especially over his desire for peace with traditional foe India.

Shehzad Sharif believes in

finding ways to work with Pakistan's armed forces, while Nawaz Sharif tried to assert civilian supremacy over them, an approach that led to near-constant friction, officials said.

In particular, the military seeks to retain control over foreign and security policies, officials and analysts said.

"I think Shehzad will avoid the land mines," said Arif Nizami, editor of Pakistan Today, a daily newspaper. "Shehzad is very cautious and careful. He'll try to have a more cordial relationship with the military."

Shehzad Sharif is likely to be cooler than Nawaz Sharif on relations with the U.S. and harder on India, in favor of better regional ties elsewhere, in particular with China, Turkey and to a lesser extent, with Iran, said a former official who worked closely with him.

"Shehzad believes more in a regional bloc," said the former official. "He respects the reality of the U.S. and wants a good working relationship, but thinks you don't have to get down on your knees."

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IN DEPTH

OPEC

Continued from Page One
ters—including those in Iraq and the United Arab Emirates—demanding to know why they weren't cutting production as much as promised, according to people familiar with the matter.

"Some have underperformed. We have talked to them," Mr. Falih told reporters, adding he didn't "mince words."

Iraq denied it wasn't meeting targets and said OPEC was getting bad information.

OPEC has been under pressure from U.S. shale producers, who since about 2008 have helped to nearly double U.S. oil production.

The output has stolen market share from the cartel's members and pushed prices lower. OPEC's share of the global oil market has shrunk to 40% today from 55% in the early 1970s, when its embargo on sales to the West quadrupled oil prices in six months.

The dynamic working against OPEC is that, collectively, its members need the highest oil prices of any industry player—more than companies such as Exxon Mobil Corp., Royal Dutch Shell PLC and most U.S. shale producers, according to Goldman Sachs.

Low-cost producer

For decades, OPEC was the low-cost producer of oil. During the boom years of 2011 through 2014, OPEC members, which largely fund national spending with oil revenue, could balance their budgets with oil prices \$10 to \$40 a barrel less than most oil companies needed to fund their spending and pay dividends. Today, OPEC needs \$10 to \$20 a barrel more than Big Oil and U.S. exploration and production outfits, the investment bank said in a report to clients.

OPEC members once drew their power from the giant reserves of what is known as "easy oil"—conventional crude that costs as little as \$3 per barrel to pump. That cost guaranteed both fat profits when prices were high and the ability to hunker down when the market tanked.

Several years of \$100 a barrel oil prices lasting until 2014 coincided with big military, security and domestic spending to pacify restive populations during the Arab Spring, hold back the tide of Islamic State and influence the Syrian civil war. Those spending obligations meant OPEC was fundamentally unprepared for the oil-price crash that followed.

The U.A.E. spends only \$12 to pump a barrel of oil but needs oil to sell at \$67 to cover its government expenditures, according to the International



OPEC's Mohammad Barkindo, rear left, Kuwait's Issam Almarzooq, Russia's Alexander Novak and Saudi Arabia's Khalid al-Falih in Russia.

Monetary Fund. Its national budget has quadrupled to over \$114 billion over the past 15 years.

The social spending helps regular Emiratis with housing costs, water bills and cheap electricity—subsidies that the U.A.E. government has been unwilling to significantly cut for fear of street protests.

The Persian Gulf country also has major military commitments, spending about \$23 billion a year on defense—more than conflict-heavy countries like Israel and Iraq—as it helps fight wars in Syria and Yemen.

The U.A.E. is among OPEC's worst offenders in pumping too much oil. It has cut only about half the amount it promised, according to the International Energy Agency, which advises governments and companies about energy trends.

A U.A.E. official said the country's oil production is tied up in joint ventures with foreign oil companies that are hard to change, making it difficult to cut output. The country's officials have said they plan to cut more oil production and recently announced limits on their oil exports.

In a move that could put pressure on the U.A.E., OPEC and Russia are planning a meeting of midlevel officials in Abu Dhabi on Aug. 7, the cartel said, "to assess how conformity levels can be improved."

Overall, OPEC on Nov. 30 agreed to cut production by 1.2 million barrels a day, a deal that took almost a year to negotiate and raised expectations for an oil-market rally. Instead, member exports in June were 120,000 barrels a day lower than October, according to the IEA.

"Completely untrue and groundless," Iraq's Oil Minister Jabbar al-Luaiby said of the overproduction accusation. "Iraq is in full compliance with the OPEC declaration."

In Saudi Arabia, which produces 30% of OPEC's output, oil revenue has fallen 60% since the mid-2014 peak in oil prices. In that time period government spending declined only 18%, according to Goldman Sachs.

Instead of cutting spending, the Saudis have drawn down \$246 billion of their foreign reserves and issued a \$17 billion sovereign bond.

"We calculate, and a lot of people we know calculate, there's about three more years of this they could deal with,

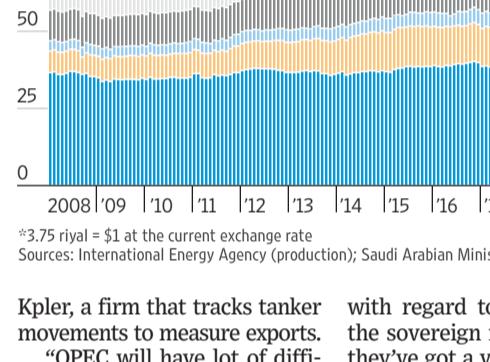
Producers Under Pressure

OPEC has lost market share as shale drillers boost U.S. output. The cartel's members, including Saudi Arabia, have expanded national budgets in recent years and depend on oil's contribution to revenue.

World oil production

■ Other ■ Russia ■ Canada ■ U.S. ■ OPEC

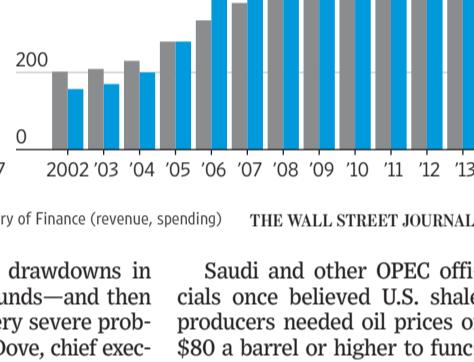
100 million barrels a day



Saudi government spending vs. revenue

■ Spending ■ Revenue

800 billion Saudi riyal*



Kpler, a firm that tracks tanker movements to measure exports.

"OPEC will have lot of difficulties to respect its commitments because of budgetary difficulties faced by some its member countries," said Chakib Khelil, the former oil minister of OPEC member Algeria.

Ecuador's oil minister, Carlos Perez, went on state television this month to say the tiny producer was no longer sticking with its production pledges, "because of the needs that the country has."

Iraq faces a budget squeeze from its war with Islamic State. It pledged to cut over 200,000 barrels a day but has cut less than half that amount on average through June, according to the IEA.

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"We calculate, and a lot of people we know calculate, there's about three more years of this they could deal with,

with regard to drawdowns in the sovereign funds—and then they've got a very severe problem," said Tim Dove, chief executive of Fort Worth-based Pioneer Natural Resources Co., a shale driller.

Saudi officials said they can withstand low prices for longer than any other country.

The Saudis haven't dialed back increases in defense and infrastructure spending, including a \$23 billion Riyadh metro system expected to be completed in 2019. Defense and security spending jumped 50% between 2010 and 2013, and defense spending grew again last year to \$50 billion.

The kingdom is working on plans for an IPO of part of its state-owned oil firm, Saudi Aramco Oil Co., known as Aramco. The listing, likely the largest ever public offering, is expected to fetch tens of billions of dollars that Crown Prince Mohammed bin Salman has said he plans to put in a sovereign wealth fund to invest in new industries.

The impending IPO was the impetus behind Saudi Arabia's decision late last year to reverse itself and push OPEC to cut production and raise oil prices, according to people close to the kingdom's oil ministry. The value of the IPO could depend in part on the price of oil, which the Saudis want to rise to \$60 a barrel, the people said.

Mr. Falih denied the cuts are designed to lift the IPO price.

Saudi and other OPEC officials once believed U.S. shale producers needed oil prices of \$80 a barrel or higher to function. The U.S. financial system and bankruptcy process helped ensure that oil fields continued to pump, even though more than 250 North American oil drillers and service companies have gone bust during the oil slump, according to Haynes and Boone, a law firm specializing in the energy industry.

The continued production helped pay down debt while companies reorganized. When the producers emerged from bankruptcy, new owners had the old debt load wiped clean. With a clean slate, plumbing once expensive shale fields became more economical. Other companies on the ropes sold to stronger rivals that can manage the fields more effectively or issued new shares to raise capital.

On Friday, big U.S. oil firms reported some of their strongest quarterly profits since the price crash.

Less oil in storage

There are signs that OPEC's goal of reducing oil in storage, a proxy for the global oil glut, is slowly starting to happen. U.S. inventories have fallen in 14 of the past 16 weeks.

Lower imports into the U.S. have played a role, with Saudi Arabia intentionally lowering its shipments. Imports from Saudi Arabia to the U.S. are at a two-

year low, down by about a third since January, data-tracking firm ClipperData said Friday.

Russia, the world's largest crude producer but not an OPEC member, has gradually cut output by about 300,000 barrels a day since the agreement, the IEA said.

Oil prices have risen over 9% since last week's meeting in St. Petersburg, when Saudi Arabia said it would go further by also placing a cap on its exports.

Officially, OPEC said the cartel as a whole is complying with its production-cut agreement, with output averaging more than one million barrels a day less this year compared with October, helped by larger-than-agreed cuts by Saudi Arabia.

But monthly figures show output recently has moved higher, according to observers including the IEA, which said seven of the 11 OPEC members that pledged to cut were producing more than promised.

OPEC has a long history of fractious relations among its members, a collection of regimes from the Middle East, Africa and South America.

Even the cartel's most powerful moment, the 1973 oil embargo, divided the group, with only its Arab members cutting off crude to Western nations that supported Israel.

When oil prices began falling in July 2014, then-Saudi oil minister Ali al-Naimi said OPEC no longer had the power—or will—to cut production and save the market. U.S. shale producers were too powerful.

But Mr. Naimi said he believed OPEC members still had essential advantages, such as the ability to produce at extremely low cost.

Mr. Naimi was replaced in May 2016 by Mr. Falih, a Western-educated oilman with long experience at Aramco. Mr. Falih has said Saudi Arabia and even OPEC couldn't make a difference by cutting production on its own.

He reached out to Alexander Novak, energy minister in Russia, where low oil prices were creating a budget crunch.

"We both had an extended crisis," Mr. Novak said in an interview. "We both wanted results."

OPEC's agreement last year with Russia and other big producers gave the cartel a coalition that controlled about 55% of global oil output, its earlier level of dominance. Knowing that OPEC members cheated on production pledges in the past, the cartel created a compliance committee to monitor production and scold members who pumped more.

In April, Mr. Falih was upset after reading a news article about Iraq pumping over its limit and stealing market share from Saudi Arabia.

"See, they are laughing at us," Mr. Falih wrote in a WhatsApp message to a group of peers, according to people familiar with the exchange.

In Iraq, there is a strong feeling that the country should be exempt from cutting production because of the war against Islamic State, said Luay al-Khatteeb, an adviser to the Iraqi parliament.

OPEC members said they are trying now to negotiate a way to quit the production cuts early next year without sending the market into another downturn.

—Georgi Kantchev and Nathan Hodge contributed to this article.



TASNIM ALSULTAN FOR THE WALL STREET JOURNAL

Saudi spending includes King Abdullah University of Science and Tech.

BLOOM

Continued from Page One
attractions, had largely avoided the crowds.

The source of this particular mass contagion, however, came on so suddenly that it left everybody in a state of bafflement.

People had gone absolutely loony for lavender.

At a 17-acre farm here, Lavender by the Bay, more than 1,000 visitors descend each weekend when the fragrant flower is in bloom. The farm sells lavender in sachets, essential oils and bath salts. It sells culinary lavender for use in baking and tea, and lavender pillow mist that, according to the farm's website, will "transport you to our fields" and "bring the spa home to you."

To cope with the crowds and soothe cranky neighbors, the farm began charging admission when the lavender bloomed (\$8 on weekends, \$5 during the week), prohibited tour buses, trucked in portable toilets (stocked with lavender-scented wipes) and—at the town's request—removed more than an

acre of lavender this year to add about 100 parking spots. The farm has made money off admissions, offset by expenses to accommodate visitors.

There is no doubt that lavender-peeping, here and elsewhere, has become a bona fide thing. One obvious question has proven more difficult to answer: Why?

Serge Rozenbaum, who said he did nothing to cultivate his crop's newfound fan base, bought Lavender by the Bay in 2002 with one goal—to grow lavender, and nothing else. He said he first fell in love with lavender when, as a child, he met a man on a donkey selling it in a market in his native Paris.

While driving his golf cart around his fields this summer, the 66-year-old pointed to his beehives (painted lavender), shipping containers (painted lavender) and Adirondack chairs (also lavender). He plucked sprigs of lavender from his meticulous fields, rubbing them between his fingers and describing their "finish" as if he were a sommelier.

"I'm French," said Mr. Rozenbaum, who was wearing a lavender polo. "I don't like

mediocrity."

In France, lavender farms are a popular tourist attraction. That, at least to some extent, seems to explain why some of the new arrivals are making pilgrimages here. "It's a substitute for Provence," said Johnny Guan, 39 years old, who was posing for selfies with his girlfriend.

One aspect of the lavender craze, according to the farmers and locals, is that the majority of the new visitors are of Asian descent. On a recent day, many visitors were born in a swath of Asian countries: China, Vietnam, Japan and Korea. Many first- and second-generation Asian-Americans, and young Asian students studying in the U.S., also trek to the farm, about 100 miles from New York City.

Some carry parasols, wear white or purple dresses, and spend hours shooting photos in the fields. Others bring children or are accompanied by small dogs. Almost everybody comes with a cellphone or camera.

Hoang Dinh, 25, who lives in Manhattan, said he was lured out to East Marion in part by stories he had heard of the lavender fields in France. But he

also came with another mission, he said: "Instagram picture, man!" Photos with lavender are all over social media, he said.

A glance at WeChat, the Chinese social network with nearly a billion monthly active users—and a history of driving huge numbers of visitors to obscure places—shows that lavender has indeed become a popular topic. More than 20 official accounts, not affiliated with the farm, promote it in Chinese.

"If you want to look at lavender you don't have to go to France!" reads one posting. "New York Long Island's

Provence will satisfy you!"

Lavender hasn't always been a tourist attraction, or even particularly beloved. For Victorians who ascribed meaning to flowers, there was nothing romantic about it. "One of the things it signified was distrust," said Diane Miske, former head horticulturist of the Robison York State Herb Garden at Cornell.

On a recent visit with her husband, Tim, to Mr. Rozenbaum's field, Sui McCarthy, 34, from the Flushing neighborhood in Queens, wrangled her 5-year-old and baby into a lavender-painted chair for a photo.

Ms. McCarthy, an ethnic Chinese born in Myanmar, said lavender is beloved by many Chinese.

"We love lavender," she said. "We use lotion and cream and face cleanser."

Some suggest that a source of the craze is a 2000 romantic film from Hong Kong that includes a scene shot in a lavender field in France. A Taiwanese soap opera that ran in the early 2000s, called "Lavender," features a boy giving lavender buds to a girl with heart disease.

Then again, one visitor to the farm suggested the flower probably got a boost from a Tom Cruise movie called "Lavender Sky." (This doesn't exist, although "Vanilla Sky" does.)

For now, East Marion has reverted to its traditional bucolic state. Mr. Rozenbaum and his family have cut their crop, which they sell at New York City farmers markets.

How does he explain the Long Island lavender craze?

"It's one of the few essences that goes straight to your brain," he said. "There's no filter."

—Esther Fung contributed to this article.



GREATER NEW YORK

Gang Fears Enter Classroom

Teachers and police try to spot students at risk as MS-13-linked killings jolt Long Island schools

BY MARIANA ALFARO
AND ZOLAN KANNO-YOUNGS

CENTRAL ISLIP, Long Island—Patricia Christian, a high-school teacher here, said helping non-English speakers learn the language is her calling. But keeping students outside of the grasp of gangs has become part of the job.

In April, four young men were found dead in a park less than 2 miles from Central Islip High School. One was a former student in the high school in neighboring Brentwood. In September, the killing of two Brentwood High School girls, Kayla Cuevas and Nisa Mickens, shook the town, alarming parents and teachers alike. Law enforcement said it believes the killings were carried out by members of a gang called MS-13.

The homicides drew attention from Washington. President Donald Trump visited Brentwood on Friday to talk about gang eradication, saying MS-13 "has shed gruesome bloodshed throughout the United States," transforming "peaceful parks" into blood-stained fields. Mr. Trump promised the crowd MS-13 "will be out of here quickly."

Following the killings, the Suffolk County Police Department launched a gang intervention program with the school district called the Brentwood Youth Initiative. It focuses on identifying students who may be vulnerable to being pressured to join a gang and connecting them with mentorship programs and athletics and music, said Suffolk County Police Commissioner Timothy Sini.

"It provides them a practical path leading a law-abiding life," Mr. Sini said.

The victims of the April quadruple homicide weren't stu-



A memorial to Michael Lopez Banegas near where he and three others were killed in April in Central Islip.

dents in Central Islip. A school district representative said the event was tragic, but not school-related. The Brentwood school district didn't return requests for comment.

MS-13, or Mara Salvatrucha, was formed during the 1980s in Los Angeles by immigrants from El Salvador who left the country during a civil war and sought to defend themselves against Mexican gangs. The gang later expanded across the U.S. in regions with large populations of Central American immigrants, many of them in the country without proper documentation.

MS-13 has had a presence for several years on Long Island where a large population of immigrants from El Salvador, Honduras and Nicaragua has settled, particularly in the communities of Brentwood and Central Islip. These demographics have made Long Island a

main destination for unaccompanied children fleeing gang violence in Central America. Law-enforcement officials say MS-13 is responsible for 27 murders in Suffolk County since 2013.

Monica Martinez, a Suffolk County legislator and Democrat, worked as a teacher at the high school and assistant principal at Brentwood East Middle School from 2000 to 2014. She said she knew she had gang members in her class. She would often see signs of MS-13 written in notebooks.

"One kid, I really loved him," she said. "Once, I pulled him aside and said, 'Why are you doing this?' He said, 'I can't get out.'

Many teachers, Ms. Martinez said, want to talk more to their students and their families about the violence. But they also have to focus on preparing them for their exams.

Police Reject Trump's Advice on Suspects

New York City-area police departments pushed back after President Donald Trump appeared to advocate that officers not be so careful in the handling of suspects.

When Mr. Trump spoke Friday in Brentwood, a community in Long Island's Suffolk County that has been hard hit by violence from MS-13, he said: "And when you see these towns and when you see these thugs being thrown into the back of a paddy wagon—you just see them thrown in, rough—I said, please don't be too nice."

The Suffolk County Police Department said in a statement: "As a department, we do not and will not tolerate 'rough[ing]' up prisoners."

The Nassau County Police Department, also on Long Island, said it trains officers to follow procedures. "Any violations of these procedures would be investigated immediately and dealt with swiftly," said Detective Lt. Richard LeBrun. The White House didn't respond to a request for comment.

—Corinne Ramey

"It's a growing problem," Ms. Martinez said of MS-13. "It's nationwide but it's really come down here on the island."

In the case of Ms. Christian, who teaches at Central Islip High School, she interacts daily with young students who speak little to no English, many of them immigrants from Latin America.

Protecting students from gang violence is hard when some members themselves are in the classroom. Ms. Christian said she has had cases of students who feel so bullied or pressured that they don't go out in the hallway until after the bell.

She said sometimes she will get someone to escort them, because the end of the school day is "usually when stuff will happen, like getting jumped."

—Joseph De Avila

contributed to this article.

Millennials' Exit Hits New Jersey Office Market

BY KEIKO MORRIS

New Jersey's struggling office market is facing another big challenge: the exodus of millennials.

Landlords have faced numerous hurdles during the past decade, from the recession to vacant corporate campuses left

real-estate firm Cushman & Wakefield.

"Smart companies have HR people at the table and in some cases they are driving it," Mr. Judd said of the decisions-making process. "The last thing you want to do is make a move and find you don't have a labor pool to draw from."

The younger workforce is being squeezed by New Jersey's high cost of living and the burden of educational debt that often can't be supported by entry-level wages. The report cites an average statewide salary of \$36,000 for graduates with a bachelor-of-arts degree.

People between the ages of 18 and 34 made up the segment leaving the state at a higher rate than any other age group between 2007 and 2014, according to U.S. Census Bureau data. In 2014, the number of millennials moving to the state fell short of those leaving, making for a net loss of 57,566.

57,566

Net loss of millennials in New Jersey in 2014

Those moving out aren't going that far, said Michele Siekerka, chief executive of the New Jersey Business & Industry Association. Many are moving to Pennsylvania and New York. "This is our future workforce," she said. "New Jersey has always been known for having a highly skilled workforce, and we need to maintain that."

Many landlords have shaped their strategies around appealing to millennials, said Jeffrey Heller, principal and managing director of the New Jersey operation for real-estate services firm Avison Young. The company is the leasing agent for a recently renovated complex called Park Avenue at Morris County in Florham Park. The owner revamped the atrium of the flagship building and added two vans to transport employees to and from the train station and downtown Morristown. The owner also created an open space for collaborating in the atrium of the main building.

Higher-End Joints Give All You Can Eat a Try

BY CHARLES PASSY

Restaurants that offer all-you-can-eat dining are often more about quantity than quality. But a number of higher-end New York City establishments are looking to reverse that trend.

Kesté Pizza & Vino, the pizzeria that offers authentic Neapolitan-style pies, has introduced a daily \$20 unlimited-slices promotion, dubbed "Marathon Pizza," at its Williamsburg location in Brooklyn.

In a more extravagant vein,

Megu, a Japanese restaurant in Chelsea, is rolling out a \$30 "Imperial Oyster Experience," with all-you-can-eat oysters, including some pricier and rarer varieties, for two diners, in addition to a bottle of Champagne. The bivalves are served with 16 accompaniments.

These stuff-yourself specials join longstanding ones at places ranging from Hill Coun-

try Barbecue Market in Manhattan's Flatiron District, which runs a \$32 Monday all-you-can-eat special, to Chez Oskar, a French restaurant in Brooklyn's Fort Greene neighborhood that has a \$20 Tuesday offering of unlimited mussels.

Restaurateurs offer such deals for a variety of reasons. Some say they do it to try to increase business on slower nights. Others say it is just a way to have some fun.

Megu owner Jon Bakshi says it was the latter that inspired him to come up with his concept. An "oyster bar in the middle of summer just had a nice ring to it," he said.

Restaurant-industry insiders warn there could be consequences. "You can devalue what you're serving," said Jonathan Shepard, executive chef at Harlem Burger Co. and Harlem Pizza Co., two restaurants that don't offer any all-you-can-eat specials.



Kesté in Brooklyn offers a daily \$20 unlimited-slices promotion.

Latest Baseball Greats Join Hall of Fame



COOPERSTOWN CLUB: Newly inducted, from left, Bud Selig, Ivan Rodriguez, John Schuerholz, Tim Raines Sr. and Jeff Bagwell on Sunday.

Camping in Comfort Pitched in Queens

BY CHARLES PASSY

Luxury or glamour camping—also known as glamping—is coming to New York City.

Gateway National Recreation Area, a national park that encompasses parts of the city and New Jersey, is partnering with Terra Glamping, a company that specializes in this high-end approach to outdoor recreation, to offer glamping starting Aug. 11 through late September.

The plan calls for five glamping sites to be set up in the park's Fort Tilden area, which is situated on Queens' Rockaway Peninsula. Each site is billed as a comfy affair, replete with a 12-by-14-foot safari-style sleeping tent that includes a queen bed with memory-foam mattress. An outdoor lounge, a restroom and shower facilities are among the shared amenities.

A continental breakfast is included in the cost, which ranges from \$200 to \$250 a night, with weekend prices on the higher end.

The experience is "basically like being in a hotel room,"



Upscale camping will be coming to part of a national park in Fort Tilden in Queens. The tent is outfitted with a queen-size bed.

said David Levine, one of Terra Glamping's co-founders. The company runs a similar glamping operation along California's northern coast.

Gateway opened traditional campsites within its park system, currently priced at \$30 a night, to the general public starting in 2012 as a way to give locals a chance to experience camping without venturing far from home. But the

park's team has looked for ways to broaden its appeal for those who might not want to rough it and pitch their own tents. "We're trying to offer a range of possibilities," said a Gateway spokeswoman.

In that regard, Gateway rolled out a similar offering earlier this summer, with tiny house-style cabins available for nightly rental in other parts of the park system. Demand has

exceeded expectations, with the cabins selling out as soon as they become available, according to Jon Staff, founder of Getaway, the tiny-house company that has joined with the park on the offering.

Once considered something of an oddity, glamping has become more mainstream in the camping community, though some traditionalists still scoff at such fancy setups.

Darshan Kalyani, an analyst who tracks the camping industry for market researcher IBISWorld, said glamping appeals to a "very niche market," but one that can easily see spending up to four figures for a night in the great outdoors.

Or the great indoors, for that matter. Trump International Hotel & Tower, near Central Park on Manhattan's West Side, offers a "Glamping By the Park" package, starting at \$1,425 a night, according to the hotel's website. The offering lets hotel guests experience "camping" in a tent that is set up in their suites, the hotel says. A make-your-own s'mores kit is included in the price.

JOHN TAGGART FOR THE WALL STREET JOURNAL

GREATER NEW YORK

Virtual Therapy Coming to Schools

BY LESLIE BRODY

Some New York City public school students are getting a high-tech twist on mental health care: telepsychiatry.

Northside Center, a non-profit agency in Harlem with clinics in city schools, has received conditional state approval to let its psychiatrists have virtual visits with students and prescribe medicine using videoconference technology. It expects the final go-ahead before school starts in September.

If so, Northside Center would join the expanding ranks of agencies across New York offering telepsychiatry since the state Office of Mental Health set rules for its use in licensed clinics two years ago. So far, the office has approved 46 programs statewide to offer telepsychiatry, including Astor Services for Children & Families, which uses it in seven clinics in public schools in the Bronx.

Telepsychiatry has grown nationwide to serve patients in rural areas and elsewhere without easy access to care, especially as the price of equipment has dropped. "Everyone is trying to get on board with this technology," said Northside Center's executive director, Thelma Dye.

46

Programs in New York state with approval to offer telepsychiatry.

Skeptics have questioned whether telepsychiatry risks losing the intimacy and subtle cues of face-to-face meetings, and some express concern that its convenience could escalate the use of medication as a quick fix. Others are concerned about potential privacy violations if virtual sessions get hacked.

The state requires clinics to

use dedicated, secure transmission links, and video cameras that can pan and tilt so a psychiatrist can check a patient's body language and surroundings.

The Office of Mental Health supports telepsychiatry, saying it "helps bring care directly to patients."

Sonia Barnes-Moorhead, executive vice president of the foundation at Astor Services, said it took some time to work out the technical kinks but staff and students quickly became comfortable with telepsychiatry when it started in its Bronx clinics in the past school year. She said her agency doesn't use it with its most severe cases, but in general, "the feedback has been tremendous."

Jean Holland, clinic director at Northside Center, said videoconferencing saves specialists from spending time traveling among schools, a key benefit due to a widespread shortage of child psychiatrists. A psychiatrist must meet a

child in person before any virtual sessions can take place. The center aims to use telepsychiatry largely for evaluations and monitoring medications, rather than long-term counseling, which usually is provided by social workers.

Ms. Holland said a parent or guardian will stay with a child during every virtual visit, and a social worker might join them as well, so the child is "not just sitting there in a room without support."

The center applied to use the technology in its clinics at P.S. 161 in Harlem and two charter schools, KIPP NYC College Prep High School in the South Bronx and East Harlem Scholars Academy.

Supporters say videoconferencing makes it easier for school staff to update a psychiatrist on a student's behavior. But Claudia Gold, a pediatrician and author of "The Silenced Child," expressed concern: She has long argued that many children are over-medicated, and said the quick



Northside Center Executive Director Thelma Dye, right, shows how telepsychiatry works with the help of social worker Jessica Gulmi.

convenience of telepsychiatry could exacerbate that problem.

When a child acts out, she said, too often psychiatrists look to adjusting medication first before taking time to delve into deeper family problems that could be affecting behavior, such as parental conflict or substance abuse.

Telepsychiatry "will solve the problem of the shortage of child psychiatrists, but unfor-

tunately it makes the path of medication that much easier than dealing with underlying issues," Dr. Gold said.

Ms. Holland, at Northside Center, said that can be a risk at some agencies, but "we are very conservative in prescribing medication, especially with very young children."

Ms. Barnes-Moorhead said techniques to manage medications are similar whether face-to-face or through technology.

PROPERTY WATCH



The landmark building at 2 Gansevoort St., built in 1912, has undergone extensive renovations.

MEATPACKING DISTRICT

Kobalt Music Scores Bigger Space in Move

An independent music-services company is relocating and expanding its New York City office in a former warehouse loft building in the Meatpacking District.

Kobalt Music, which has 10 offices around the world, has signed a lease for 23,000 square feet and will take the entire sixth floor of 2 Gansevoort St., a landmark, nine-story building, according to the property owner, the William Kaufman Organization.

Kobalt, which raised \$75 million in a funding round earlier this year, is relocating from 220 W. 42nd St. and will double the size of its office in one of Midtown South's coveted office neighborhoods.

A Kobalt spokesman said the

company is growing and is expected to have 500 employees by the end of the year.

Built in 1912, the 210,000-square-foot building has undergone improvements such as a new lobby, elevator modernization, a new heating, ventilation and air conditioning system, and replacement of the building's windows, the William Kaufman Organization said. Located in the Greenwich Village Historic District, it originally was designed as a warehouse and trade school.

RED HOOK

Stink Studios Doubles Space in Relocation

The partners behind the conversion of an industrial building in the Red Hook section of Brooklyn are adding a global digital-marketing firm to a tenant roster that includes Tesla Inc.

Stink would double the size of its current Dumbo office, taking 13,000 square feet in Red Hook. The company is slated to build out a production studio on the premises where it could shoot marketing content, said Chris Mele, Stink managing director. The new space also would have editing and voice-over recording facilities, he said.

—Keiko Morris



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LIFE & ARTS

ANALYSIS

Who Decides What You Want?

Streaming services such as Netflix and Spotify push music and movies they helped create

BY BEN FRITZ

IN ANCIENT TIMES, when readers bought actual books in outposts known as stores, one always had to be a little skeptical of the titles stacked on tables by the front door.

Some were the newest and most popular reads. Others were there because publishers had made deals with the biggest retailers to put their books front and center, grabbing the attention of browsers who weren't sure what they wanted.

In the on-demand entertainment world, where companies that began as neutral distribution platforms have become multi-headed media giants, we need a similar dose of skepticism when we walk in the digital front door.

The first time you use Spotify or Netflix, the experience is astounding. Want to drive cross-country to early '90s hip-hop that reminds you of middle-school dances? Feeling blue and want to bury your sorrows in old episodes of "Cheers"? They're just a search and a click away. (All examples are hypothetical, of course, based on people with lower-brow taste than mine.)

After a while, though, you don't always know what you want to listen to or watch when you log on. That's where the content highlighted by these streaming services starts to matter and the behind-the-scenes deals they strike may influence your choices.

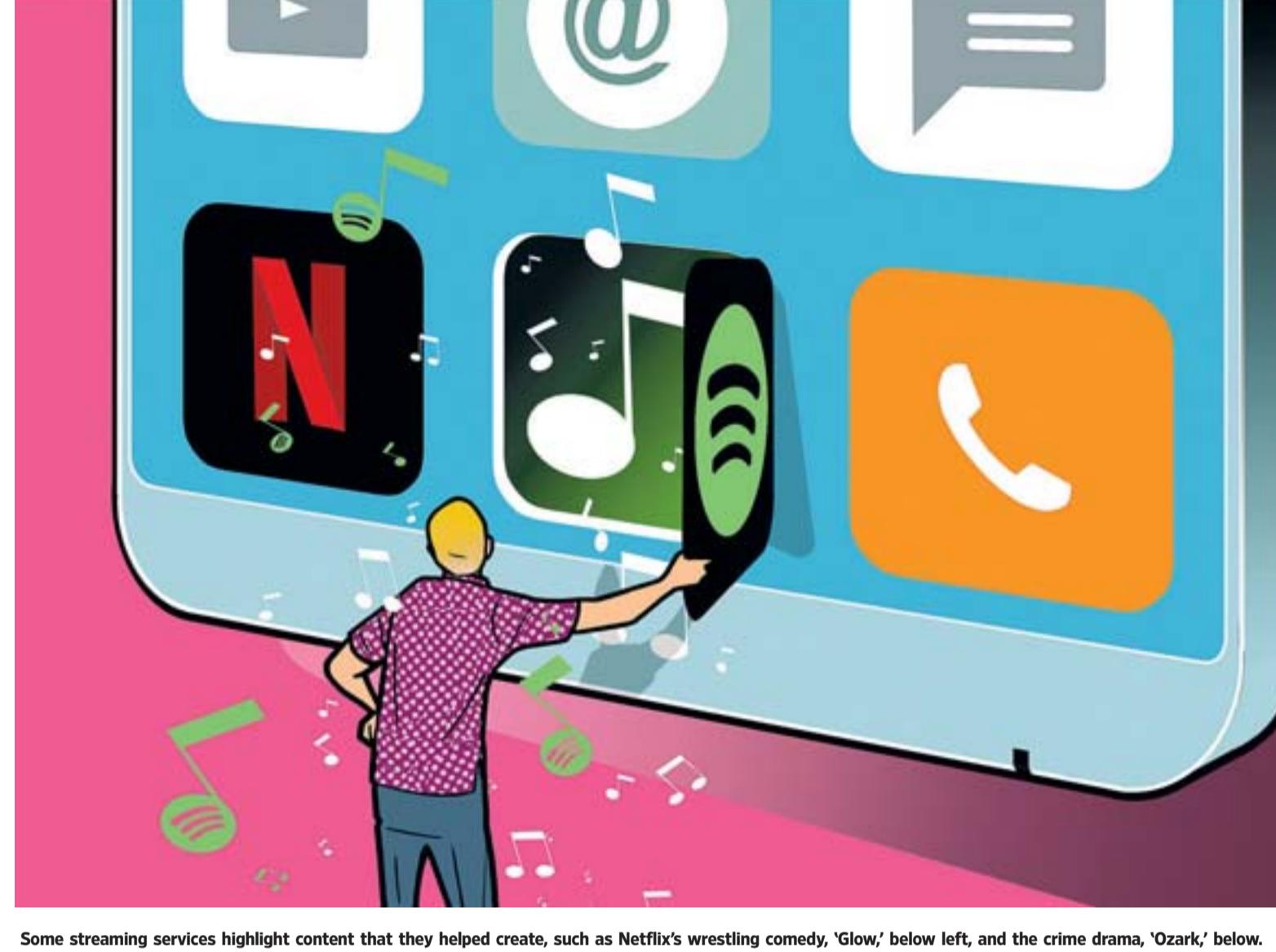
Such deals have given rise to a debate about "fake artists on Spotify" reported earlier on the website Music Business Worldwide. The artists aren't "fake," but rather real, low-profile individuals who are commissioned to create certain types of popular music and sometimes use pseudonyms. Their music, all instrumental, fills massively popular playlists with titles such as "Sleep," "Peaceful Piano" and "Yoga and Meditation."

As anyone who has used Spotify knows, popular playlists are often featured when you open the app, above recommendations based on what you've listened to.

So what's the problem? Reports in the New York Times and elsewhere suggest that Spotify may have special deals with so-called "fake artists," paying them less than the standard share of its revenue that goes to Arcade Fire or Beyoncé for each play.

Thus, Spotify might prefer that you listen to these tracks rather than others. Listen to whatever you want, in other words, but might we suggest these appetizing options that carry a better profit margin for us?

A Spotify spokesman says, "We have never programmed a playlist due to cost. Playlists are programmed based on how each track performs and connects with listeners."



Some streaming services highlight content that they helped create, such as Netflix's wrestling comedy, 'Glow,' below left, and the crime drama, 'Ozark,' below.



Spotify isn't the only digital powerhouse with reasons to steer users to certain content.

Last time I opened Netflix, I had to scroll down two screens to find my list of the programming I had indicated I wanted to watch, skipping past seemingly every recent series, movie and stand-up special Netflix has made, including "Ozark" and "Glow."

The more that people watch Netflix originals, of course, the more the company can control its own destiny

rather than engaging in sometimes-difficult negotiations to buy content from other studios and networks. A Netflix spokesman declined to comment. (Don't worry, I scrolled all the way down to find that episode of "Star Trek: The Next Generation" I've been jonesing to rewatch).

Nothing ever stopped us from combing a bookstore for an obscure poetry anthology and nothing is stopping us today from clicking, searching or setting the DVR to record exactly what we

want to hear or watch, regardless of what's presented to us.

But humans are fundamentally lazy, as illustrated by the sky-high ratings for all those unfunny sitcoms that used to air between "Friends" and "Seinfeld." When something that looks reasonably appealing is presented to us, we may not bother to search for something else or wonder why it has the marquee spot on the home page.

You probably don't care about "fake artists" on Spotify for the

same reason other artists and record labels do: Because they worry they'll make less money.

But just as it's important to know who owns your favorite newspaper or who contributes money to your elected officials, you should care about what Spotify and other streaming services would like you to hear or watch. Because it may be the songs and videos that make them more money, not the ones you're most likely to enjoy.

FILM REVIEW | By Joe Morgenstern

COLD REALITIES OF GLOBAL WARMING

CONSIDERING the potential for incandescent polemics, "An Inconvenient Sequel: Truth to Power" is relatively restrained. Al Gore paraphrases Mike Tyson's deathless maxim that "everyone has a plan until they get punched in the mouth." That's by way of noting how the political climate has changed with the rise of Donald Trump, who had previously referred to climate change as a hoax and called for Mr. Gore's Nobel Peace Prize to be rescinded. Yet the film doesn't dwell on the Trump administration's hostility to climate science, and, because of the production's release date, it includes only an end-title mention of last month's announcement that the U.S. would withdraw from the Paris climate accords. Rather, the emphasis is on the intensifying impact of global warming caused by human activity, on heartening signs of progress in renewable energy, and on the need for sustaining hope that brighter days will come.

Eleven years after "An Inconvenient Truth" Mr. Gore remains a prodigy of hope, with energy that seems endlessly renewable. During much of the intervening time he continued to travel the beleaguered globe with the slide show that became the core content of the first film, though the campaign against carbon emissions sometimes seemed doomed. "If I said there weren't times I considered this a personal failure I'd be lying," he says at one point in this new documentary feature, which was directed by Bonni Cohen and Jon Shenk.

At another he says: "There came a time for me when I thought, wow, we could really lose the struggle. We need to recruit more people." The results of that recruiting effort provide many of the settings for "An Inconvenient Sequel"—climate leadership training sessions where the former vice president exhorts eager recruits to action.

Please see FILM page A13



Al Gore in 'An Inconvenient Sequel: Truth to Power,' directed by Bonni Cohen and Jon Shenk

LIFE & ARTS



ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

WHAT'S YOUR WORKOUT | By Jen Murphy

Leaving Runners in the Dust

A globally competitive race walker smokes rivals on the track; a low-key approach to gear and diet

IF RICHARD LUETTCHAU II wore a Fitbit, it might melt down. As a competitive race walker, he clocks steps at a faster pace than the average adult runs. "The movement looks like a wonky tango, so it's easy to mock," he says. "But it's incredibly difficult."

Mr. Luettchau, a geographic information specialist at Mott MacDonald, an engineering consultancy in Iselin, N.J., is a runner at heart. After a successful high school cross-country career, he went on to race cross-country and track at Stockton University in Galloway, N.J. But he struggled with injuries. "By sophomore year I wasn't fast enough to score at the conference meets," he says. "So my coach asked if I wanted to try race walking." Skeptical but wanting to contribute to the team, Mr. Luettchau gave it a try. He was a natural.

"There were some jokes when I started training, but once I proved I was good, the teasing ended," he says. "None of my friends will race me. No one wants to get beat by a walker."

Race walking requires the walker to be in contact with the ground at all times. Only when the front foot's heel touches down can the back foot's toe lift off. And the race walker's knee must stay straight through the leg swing. "It sounds easy," he says. "But it defi-

nitely limits your speed. When you run, you can float."

Mr. Luettchau, 32, says he still prefers running. But he's internationally competitive at race walking, so he keeps at it. He was the USA Track & Field national champion in the 10,000-meter race walk in 2013 and qualified for Olympic trials in the 20-kilometer race in 2012 and 2016. He will compete July 30 at the USATF 10,000-meter Race Walk Championships in Manalapan, N.J.

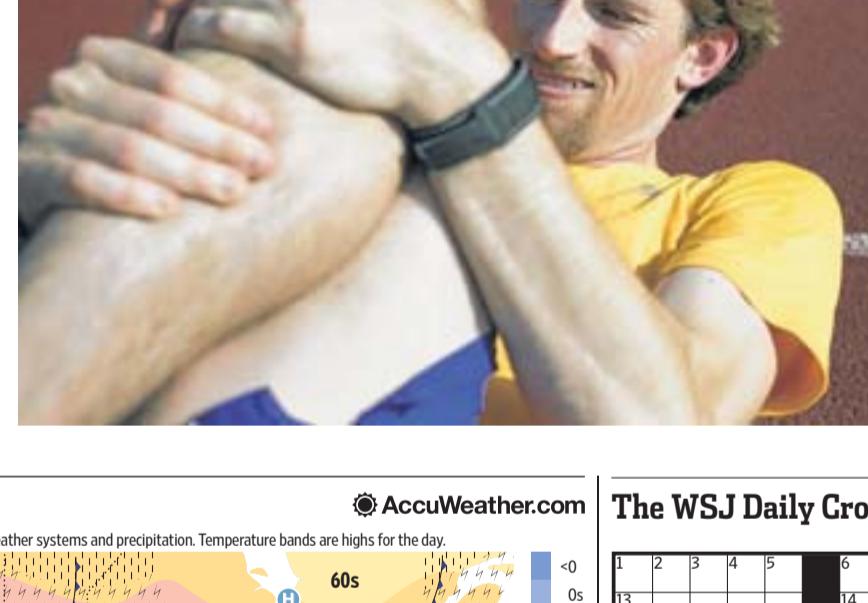
He race walks January through August and devotes fall to running, racing 5K, 10K and half-marathon distances. "I think alternating both sports has helped limit injuries in my body," he says. Mr. Luettchau and his wife live in Bridgewater, N.J.

The Workout

Mr. Luettchau does a 45-minute workout after work Monday through Thursday. He alternates race walking at a park and a high school track. Monday he might

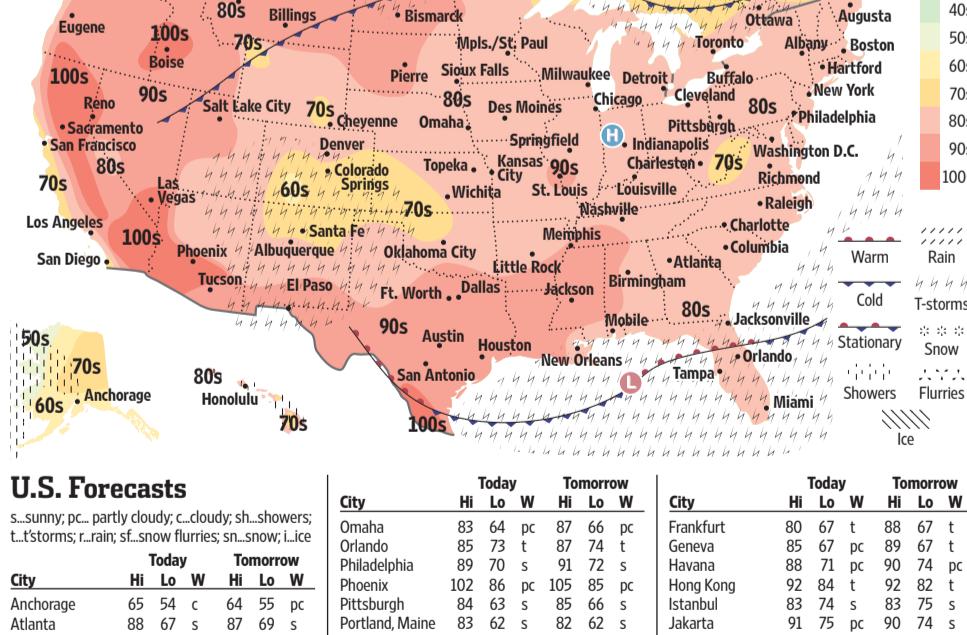
build up to his threshold pace, about six minutes 40 seconds a mile. That's a pace to turn most runners green with envy. Tuesday he does $\frac{1}{4}$ -mile repeats, with 30 seconds of recovery, for 3,000 meters. Wednesdays he works out at a lighter pace.

"As I've gotten older, the rest days have become important," he says. "I used to go hard every day, but my legs don't bounce back like they used to." Thursdays he might do 200-meter repeats with 30 sec-



Richard Luettchau II stretches, left, and sets his watch, above, before a training session at a park in Edison, N.J., top. He still enjoys running but picked up race walking in college after battling injuries.

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; Li...ice

Today Tomorrow

Hi Lo W Hi Lo W

City Anchorage Atlanta Austin Baltimore Boston Burlington Charlotte Chicago Cleveland Dallas Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Today Tomorrow

Hi Lo W Hi Lo W

City Amsterdam Athens Bagdad Bangkok Beijing Berlin Brussels Buenos Aires Dubai Edinburgh

AccuWeather.com

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W					
Omaha	83	64	pc	87	66	pc	Frankfurt	80	67	t	88	67	t
Orlando	85	73	t	87	74	t	Geneva	85	67	pc	89	67	pc
Philadelphia	89	70	s	91	72	s	Havana	88	71	pc	90	74	pc
Phoenix	102	86	pc	105	85	pc	Hong Kong	92	84	t	92	82	t
Portland, Maine	83	62	s	82	62	s	Istanbul	83	74	s	83	75	s
Sacramento	99	65	s	104	69	s	Jakarta	91	75	s	90	74	s
St. Louis	90	72	s	91	73	pc	Jerusalem	91	71	s	90	69	s
Salt Lake City	95	70	pc	97	70	s	Johannesburg	64	43	s	62	45	pc
San Francisco	75	57	pc	77	60	pc	London	71	55	pc	71	57	pc
Santa Fe	79	57	t	80	57	t	Madrid	95	68	pc	90	66	pc
Seattle	81	60	s	89	66	s	Manila	88	81	t	89	79	t
Sioux Falls	83	62	pc	86	61	pc	Melbourne	59	42	s	60	42	s
Tucson	87	73	pc	89	72	s	Mexico City	78	52	pc	79	56	s
El Paso	95	73	pc	97	74	pc	Milan	93	73	s	96	74	s
Ft. Worth	80	66	s	88	68	s	Moscow	75	61	pc	78	58	pc
Dallas	93	75	pc	98	74	pc	Mumbai	87	81	sh	87	79	sh
Austin	85	59	t	85	55	t	Paris	80	62	pc	76	59	pc
Houston	88	68	pc	89	68	pc	Rio de Janeiro	81	63	s	82	65	s
Indianapolis	84	66	s	87	69	pc	Riyadh	113	85	s	113	86	s
Kansas City	81	63	pc	82	65	pc	Rome	90	69	s	91	71	s
Las Vegas	105	87	s	106	87	pc	San Juan	90	81	pc	89	81	pc
Little Rock	88	69	s	87	71	s	Seoul	84	77	t	91	77	pc
Los Angeles	85	68	pc	88	72	pc	Shanghai	96	88	t	96	87	pc
Miami	87	78	t	89	82	t	Singapore	88	80	c	88	79	t
Milwaukee	84	67	pc	85	69	pc	Sydney	65	51	sh	65	50	s
Minneapolis	86	67	pc	85	66	pc	Taipei	92	81	c	96	81	t
Nashville	89	68	s	90	71	s	Tokyo	89	78	pc	86	74	t
New Orleans	89	75	pc	90	76	s	Toronto	84	64	pc	83	69	t
New York City	87	71	s	88	73	s	Vancouver	75	59	s	81	64	s
Oklahoma City	85	64	pc	85	64	t	Warsaw	85	64	t	93	71	s
Edinburgh	64	51	t	63	50	t	Zurich	84	64	pc	89	66	pc

The WSJ Daily Crossword | Edited by Mike Shenk



HOT STUFF | By Aaron L. Peterson

Across	Down
1 Church law	26 Negating word
6 "Thrilla in Manila" winner	49 Bus. letter accompanier
9 Fishhook feature	50 For each
13 Love, to Luciano	51 So far
14 Play the ponies	52 They're hot
15 Houston footballer until 1996	53 Highway division
16 They're hot	54 Find darling
18 Nick of "The Prince of Tides"	55 It's hot
19 It's hot	56 Lamb's lament
21 Victim of a patio zapper	57 They're hot
24 Shapely leg, in slang	58 Striker's demand
25 "My country, ____ of thee..."	59 Forerunner of Conks out
	60 Fermented honey drink
	61 Pen for porters
	62 Toes tally
	63 Smooth and flat
	64 Hawn of "Private Benjamin"
	65 "Shiny Happy People" band
	66 Involuntary jerk
	67 Sawyer on TV
	68 Spa attractions
	69 Lusitania sinker
	70 Green claymation character
	71 Mariner's milieu
	72 Fair-haired
	73 Like some straws
	74 Previous Puzzle's Solution
	75 CARY REACT MEMO ASHE ALLAH OVAL NAYS TEASERVICE ANTIGEN STEELY LAHDIDAH IPO MINX OCTANGLE SKID MALAY ROD INC RAYGUNS ELLI LOA ELSIE SEAT OBILIGATE GOON TAB SOULFOOD SEURAT CHIDAGO MEANDMYGAL BIDE OGRE APART EVER PANS NOSEY DEINS

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

onds of recovery, but not as intensely as on Tuesdays. Fridays he walks for 20 to 30 minutes for recovery. He goes long on the weekends, usually walking 75 to 90 minutes, alternating between pavement and dirt trails.

Mr. Luettchau also focuses on his shoulders and upper back. Every morning he turns on ESPN in his living room and spends 10 to 15 minutes performing 100 push-ups, 200 sit-ups and a set of forward and lateral raises with 10-pound dumbbells.

The Diet
Mr. Luettchau is the first to admit he has terrible eating habits. "I'm 148 pounds soaking wet and 5 feet, 10 inches," he says. "I eat whatever I want."

He averages breakfast three mornings a week: apple juice and a bowl of Rice Krispies with 2% milk. He packs a lunch of pretzels, Gatorade and a turkey sandwich with cheese and mayo on white bread. Mr. Luettchau avoids whole grain bread. "I think it tastes like cardboard," he says. He has pasta for dinner at least twice a week. "A go-to is poor man's chicken parm," he says. "I dump a box of frozen Perdue chicken nuggets into my pasta and sauce." He has a weakness for brownies.

The Gear & Cost
Mr. Luettchau is a minimalist when it comes to gear. "I don't use GPS or anything fancy," he says. "I bought my basic Coleman watch for \$20 off of Amazon." He typically goes through three to five pairs of sneakers a year, at roughly \$65 per pair. He runs in Asics-Gel Cumulus and race walks in Asics GT-1000s.

"I look for clearance deals at the outlet stores or coupons from retailers like Kohl's and they end up being a pretty decent price," he says. He spends \$85 to \$100 on his racing sneakers, Asics Gel-Ds Racer, but says they last all year. "Clothing is always tough for me, since I have longer legs and a short torso," he says. "I find myself wearing the C9 brand from Target."

The Playlist
"I tried running with music in ninth grade and realized I changed my pace based on what beat I was listening to, so I stopped," he says.

The contest answer is BADGE. Each of the five theme answers begins with a homophone of a musical note (ti for TEA, la for LAH, re for RAY, sol for SOUL and mi for ME). Converting the notes to their letter equivalents (in the fixed-do system, where do is C, re is D, etc.) yields

LIFE & ARTS

ART REVIEW

Painting the Bible In New Spain

A colossal depiction of Old and New Testament scenes reveals how the European Baroque influenced colonial Mexican art

BY WILLARD SPIEGELMAN

New York

WITH THE EXCEPTION of the 20th-century works by Kahlo, Rivera, Orozco and Siqueiros, "Mexican art" used to mean pre-colonial. Modernist tastes preferred the "primitive," especially the pre-Columbian. Historians, intellectuals and painters ignored or demoted most work from the post-contact days as manifestations of Spanish imperialism and conquest. In the past quarter-century, the art of New Spain in the period we think of as the Baroque has gained new respect.

As both consequence and proof of this upward revaluation, consider the stunning small exhibition "Cristóbal de Villalpando: Mexican Painter of the Baroque" at the Met Fifth Avenue. Villalpando (c. 1649-1714) was born and probably trained in Mexico City. Through prints, he knew the work of major European predecessors, especially Peter Paul Rubens, a name synonymous with the Baroque. Most of his art came through religious commissions.

With 11 pictures, the Met show gives a North American audience a sample of New Spain's greatest painter at the turn of the 18th century. (It was curated by Ronda Kasl, curator of Latin American Art at the Met; Jonathan Brown, professor of fine arts at New York University; and Clara Bargellini, professor at the National Autonomous University of Mexico.) It is actually anything but small, especially because its centerpiece is the staggering 14-by-28-foot oil from Puebla Cathedral called "Moses and the Brazen Serpent and the Transfiguration of Jesus" (1683) on view for the first time outside Mexico. It occupies the atrium of the Met's Robert Lehman Wing, and viewers can see it as no one in Mexico has. At home, it hangs on a chapel wall. You look up at it. In New York, you see it from the floor and, even more stunningly, from the entry to the Lehman wing above, where you come upon it from a higher angle, virtually head-on.

Extraordinary in conception and execution, the two-part picture is unprecedented in the history of art. The idea was probably

suggested by Manuel Fernández de Santa Cruz, the bishop of Puebla. The picture has two halves, two subjects. It combines scenes from the Old Testament (below) and the New (above): the desert in Numbers, and Mounts Tabor and Calvary in the Gospels.

There is separation and continuity between the parts, as in the Old and New Testaments themselves. The Numbers scene was thought to prefigure the Transfiguration. Below, we see Moses and the serpent he brings forth to save those Israelites who can be healed from the plague of deadly snakes visited upon them for speaking out against God. Above, we see the Transfiguration of Jesus, witnessed by the apostles Peter, James and John.

The eye wanders up and down, seeing differences, making connections. Below, all is crowded darkness. Some figures are almost cartoonish in their agony. At the top, with only seven figures, all is purity and light: clouds, luminous clothing, rays of sun.

With its two scenes, the picture is divided horizontally but united vertically. A torrent of water flows from above into the bottom scene. On high, God the father points to Jesus, who points to Moses and Elijah, and at whose feet sit the three apostles overwhelmed by his transfiguration into light.

Beneath, we see the brazen serpent on its pole, an anticipation of Christ's cross, pictured above. God and Jesus look down; the Old Testament figures are looking up. Moses appears in both halves, clothed in glistening armor that makes him, especially at the bottom, into something like a Spanish conquistador, with heavily muscled calves.

One could keep looking, but other pictures beckon from one of the Lehman's anterooms. These demonstrate their maker's strengths and weaknesses. Villalpando had dynamic brushwork but lacked excellence in drawing. His art is intense and sumptuous, everything we think of as baroque. His people's faces are often unprepossessing, doughy and puffy (an ugly, roly-poly little Jesus, a chinless Virgin Mary). He is more committed to the swirling, dynamic flow of drapery and clouds than to finely chiseled,



Clockwise from above: Cristóbal de Villalpando's 'Moses and the Brazen Serpent and the Transfiguration of Jesus' (1683), 'The Deluge' (1689) and 'The Adoration of the Magi' (1683)

realistic human features. In an "Adoration of the Magi" (1683), the most conventional of the pictures, Balthazar has an over-the-top headdress with plumes, and a long pearl pendant earring. The costumes often get more attention than their wearers.

The two smallest, most crowded pictures are oils on copper from the Ochavo chapel in the Puebla Cathedral. "The Deluge" (1689) is all darkness broken by lightning flashes. Noah's ark is like no boat you've ever seen, floating as if through the air. In front, a woman on a bull (did Europa and Zeus wander in here?) holds a child. Villalpando could powerfully fashion the world's end.

And also its beginning. Villalpando signed "The Deluge" and "Adam and Eve in Paradise" (1689) with his name and then "Inventor" to signal his role as a God-like creator. The second picture compresses eight episodes from Genesis into a space as packed as a medieval tapestry. God creates Adam; the entire Trinity breathes life into him; Eve is born; the serpent tempts; Eve eats, then Adam. You know the rest. A rising sun is on the upper left, darkness on the upper right.

Villalpando worked big even when working small. Excess in miniature: that's the Baroque, Old World and New.

Cristóbal de Villalpando:
Mexican Painter of the Baroque

The Met Fifth Avenue, through Oct. 15

Mr. Spiegelman's most recent book is
"Senior Moments: Looking Back, Looking Ahead" (Farrar Straus Giroux).



FILM

Continued from page A11

Sequels are, by definition, more of the similar, if not the same, and this one covers some familiar ground. It also spends an inordinate amount of time at the 2015 Paris conference where the climate agreement was negotiated. But the world—the physical world—has changed dramatically since the first film was released, and "An Inconvenient Sequel" reflects those changes with startling visuals. In Greenland, glaciers have been exploding from within because of rising temperatures. In Miami, roads and sidewalks have been raised in response to rising sea levels. Some of the videos are so familiar—lapping storms, widespread floods, raging fires, droughts associated with political upheavals and refugee crises—that the

mind glazes over, and Mr. Gore acknowledges the problem: "Every night on the evening news is like a nature walk through the Book of Revelation."

But the man who was often faulted for dispassion during his long political career unleashes the wrath of a country preacher at certain moments here. "What were you thinking?" he imagines future generations wondering about us. "Couldn't you hear what the scientists were saying? Couldn't you hear what Mother Nature was screaming at you?" And he brings good news along with the litany of tempests and record temps—the growth of wind and solar power on exponential curves that were unimaginable a decade ago. No more tilting against windmills when the world is tilting for them.



Al Gore in Greenland

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SPORTS

NFL | By Jason Gay

Could Football Ever End?

It seems crazy to imagine the end of football. The game is so beloved, so profitable, and, frankly, such a cultural mirror that it feels like a permanent feature of American life. Without football, what the heck happens to Sunday? (Or Saturday, or Monday, or an ever-expanding number of weekday nights.)

There are a lot of institutions and franchises and schools with a deep interest in football's continued prosperity. The game is a godsend for the entertainment industry, which is why it commands billions.

That's why if football ever vanishes, it will likely vanish from within.

From the players. And parents.

Consider the conversation of the past week. A disturbing medical study was released showing brain damage in the brains of 110 of 111 deceased NFL players.

Shortly afterward, a PhD-candidate offensive lineman in Baltimore abruptly retired at age 26. In Pittsburgh, a two-time Super Bowl champion quarterback wondered out loud if the 2017 football season should be his last.

As NFL teams begin their pre-season preparations, players were confronted with an ominous query:

How worried are you about continuing to play this game?

Let's be clear: football, an overtly physical game of speed and collision, has always carried bodily risk. Busted knees. Degraded hips, shoulders, ankles, fingers. Careers at the pro level tend to be mercilessly short, and players often leave with chronic pain, which can continue long after leaving the sport.

But it's the grimmer, previously-unknown risks which are finally catching up to football. After years of denial and obfuscation, there is widening agreement that football carries long-term risk from head injuries. A new study in the Journal of the American Medical Association found signs of the progressive neurological disease known as chronic traumatic encephalopathy, or CTE, in 87% of 202 brains donated from deceased high school, college, semi-pro and pro football players.

The report's stunner was that 110 out of 111 figure—of 111 brains donated by late NFL players, all but one showed signs of CTE.

Sure, we could go around and around about the study's limited and self-selecting sample—the late players' families who donated brains suspected a problem—and how it can't be seen as representative of the full football-playing population. The authors don't deny its biases.

But is that enough comfort to players still receiving hits, or their families? Take a look at the recent comments of 35-year-old Steelers quarterback Ben Roethlisberger, who has suffered concussions in the past.

"This [JAMA study] shows there's nothing to mess with," Ro-



SHANE KEYSER/TRIBUNE NEWS SERVICE/ZUMA PRESS

Kansas City Chiefs defensive end Jaye Howard and teammate Chris Jones put pressure on Pittsburgh Steelers quarterback Ben Roethlisberger.

ethlisberger told the Pittsburgh Tribune-Review last week. "If you want to mess with your brain, you can't put a new one in. You can't have a brain transplant. If you want to mess with your brain, go ahead. I'm not going to. I love my family and kids."

"I want to play catch with my kids. I want to know my kids' names. As much as I want my kids to remember what I did and watch me play the game, I also want to remember them when I'm 70 years old."

A new concussion study provokes more existential worry—and an early retirement.

The study was reportedly a factor in the sudden decision last week of Baltimore Ravens offensive lineman John Urschel—currently pursuing a doctorate in mathematics at MIT—to retire early from game. Urschel did not mention the JAMA report publicly, but the Baltimore Sun cited team sources as saying the study was involved in Urschel's choice to walk away.

He's not the first premature exit. A year ago, there was the Buffalo linebacker A.J. Tarpley, leaving at 23 after a pair of concussions. "I am walking away from the game I love

to preserve my future health," Tarpley said at the time. In 2015 there was San Francisco rookie standout Chris Borland, relinquishing millions after a single year in the NFL. "If there was no possibility of brain damage, I'd still be playing," Borland told ESPN.

On and on the quiet drumbeat of early exits goes, attracting far less media attention than, say, a quarterback controversy or locker room dust-up. Widows and children of dead players give heartbreaking interviews, and after a somber wave of respect, they fade from the conversation. Same with the NFL's nearly billion-dollar settlement with former players. It's a lot easier to argue about Colin Kaepernick's job odyssey, or Rob Gronkowski's latest goof, than it is to confront an existential threat to the game.

At this point playing football—even watching football—requires a sharp dissonance between one's enjoyment of it and the growing evidence. Make no mistake: I'm right there with the shameless compartmentalizers. I love football, write about it, often celebrate it in print like a face-painted fan in the parking lot. Come September, I'll be back with my pom-poms. Count on it.

But even the devoted have to feel twinges of conflict now. Consider this recent editorial in the Dallas Morning News sounding the alarm about football in Texas, where the sport is basically religion.

"We're as crazy about football as anyone in Texas, but this new data

gives a sense of urgency to our push for more study on concussions in all sports," the Morning News editorial said. (That "all sports" is a nod to games like soccer, hockey and others, where concussions are also a hazard. Still, football's the game where the head has been routinely weaponized.)

Football has always been a trade-off. There are many, many former players among us who feel every second was worth it. And there will always be players willing to take a chance with their health for a shot at their dream. They're not the only American laborers making such a choice, and in football, there's potentially millions to be made.

In the meantime, current players trade in their own rationalizations:

Those players in that CTE study were from a different era.

The game is smarter now about handling head injuries.

My equipment's better.

I haven't had a bad concussion.

You can get hurt doing anything.

"We're not hitting head-to-head all the time," Jets linebacker Jordan Jenkins told the Journal's Jim Chiarusmi on Saturday. "CTE is something we have to be worried about, but that specific sample isn't completely accurate. People who played pre-2000s, that's a different story. There's not nearly as much contact [now]. We aren't hitting in the first days of camp—[years ago,] it was like that. I feel this generation of football is safer, not softer."

It's possible science will catch up and offer a clearer view. My colleague Matthew Futterman has written about a blood test in development that will give a fast and conclusive diagnosis of concussions. But such a test "may reveal more vividly how dangerous the game really is," Futterman wrote. Dr. Ann McKee, a neuropathologist and the director of Boston University's CTE Center, told him it isn't the big hits, but a career of lesser blows, that appears to be the underlying problem. "It's looking like that—not the concussions, but the duration, the years of playing—is the most significant factor," McKee told the Journal last fall. McKee was one of the co-authors of the recent JAMA study.

Will anything ever alleviate the worry? A few months ago, there was a brief stir when Gisele Bündchen, the fashion mogul and spouse of Patriots superstar Tom Brady, aired her anxieties about her husband's long-term health, and appeared to suggest he's played with head injuries that were not disclosed.

Brady's father, Tom Sr., has said publicly would be hesitant to let his son play football were he a kid growing up today.

Brady has five Super Bowl rings, and has gotten as much out of football as anyone who's ever played it. And he loves the game too much to leave it. On the verge of turning 40, he's back out on the field for the New England Patriots.

It's hard to know what to say, other than: Good luck.

MLB

TV DISPUTE LEAVES DODGER FANS IN DARK

BY JARED DIAMOND

Marc Wilmore solidified his love affair with the Los Angeles Dodgers after receiving his driver's license in 1979, when he and his brother often sneaked off to \$1.75 bleacher seats at Dodger Stadium. Following the Dodgers on television became a ritual in the decades that followed.

This year, the Dodgers have the best record in the majors—and Wilmore can't watch them on TV. He hasn't been able to do so for the last four seasons, the result of an ongoing dispute that has kept more than 80% of the team's games out of millions of fans' living rooms. As the Dodgers speed toward the playoffs, Wilmore finds himself tuning into highlights on MLB Network instead.

"It's like something has been taken away from your life," said Wilmore, a writer and producer.

At a time when regional sports networks are contentious components of cable packages because of their high costs, these types of carriage disputes aren't uncommon. The YES Network, the New York Yankees' home, was blacked out on Comcast for the entire 2016 season because of a similar feud.

The scope of the Dodgers' discord, however, is virtually unprec-

edented. In an era when almost every sporting event imaginable is broadcast on demand around the world, one of baseball's iconic franchises hasn't been televised to a large portion of fans in its home market—the country's second-largest state—since 2013.

Following that season, the Dodgers and Time Warner Cable launched a new channel, SportsNet LA, the product of a 25-year broadcasting agreement valued at \$8.35 billion. The network was available to Time Warner Cable's 1.5 million households, according to SNL Kagan, a group within S&P Global Market Intelligence. The region's other major pay-TV providers, including DirecTV, refused to carry it, citing high distribution costs for all of their customers, including those who had no intention of watching the Dodgers.

Charter Communications' acquisition of Time Warner Cable in May 2016 increased SportsNet LA's reach, but the network remains unavailable to a majority of pay-TV customers in the area, with no end to the standoff in sight.

The upshot is that there is little impetus to fix the situation. The organization is doing fine: The Dodgers get paid under the SportsNet LA deal regardless. The team's average home attendance of more than 45,000 leads MLB for

the fifth straight year, and its player payroll of close to \$250 million is the highest in the sport.

But the absence of Dodgers broadcasts isn't hurting DirecTV and others enough to make them desperate to strike a deal. One person familiar with the negotiations said that Time Warner offered the channel to other providers at a reduced rate before the 2016 season, adding that DirecTV hasn't consented to a meeting "at any price" since April 2014. AT&T, DirecTV's parent company, declined to comment.

What's unusual about the fight in Los Angeles is the length of time it has gone on and the number of people affected. The Yan-

kees-Comcast battle impacted about 900,000 subscribers; DirecTV, the second-largest pay-TV provider in the Los Angeles area, has approximately 1.1 million subscribers alone, according to SNL Kagan. All told, about 60% of the region's 4.2 million pay-TV households don't have SportsNet LA.

Even a recent lawsuit couldn't pave the way to a resolution. In November, the Department of Justice sued DirecTV and AT&T, alleging that DirecTV acted as the "ringleader" of a collusion effort with other local pay-TV providers to keep SportsNet LA off the air. The lawsuit was settled in March, requiring DirecTV not to share competitively sensitive information with its rivals, but the settlement didn't require DirecTV to start carrying the channel.

Naturally, there has been plenty of corporate back-and-forth, with both sides blaming the other for the ongoing fight. Stacey Mitch, a spokeswoman for Charter, said that the company "made a fair offer to DirecTV" and that "DirecTV has simply not been interested in carrying the Dodgers."

None of this is any consolation to a frustrated Dodgers fan base. "They don't care how it happens," said Gary Lee, the founder of the popular Dodgers fan site, Dodgers Nation. "Just make it happen."

—Joe Flint contributed to this article.



The Dodgers' average home attendance of more than 45,000 leads Major League Baseball for the fifth straight year.

KEITH BIRMINGHAM/ZUMA PRESS

OPINION

Venezuela Heads for Civil War



AMERICAS
By Mary
Anastasia
O'Grady

Forget all you've heard about dialogue in Venezuela between the regime and the opposition. Hungry, hurting Venezuelans are done talking. The country is in the early stages of civil war. Sunday's Cuban-managed electoral power play was the latest provocation.

In my column two weeks ago, "How Cuba Runs Venezuela," I failed to mention Havana's 2005 takeover of the Venezuelan office that issues national identity cards and passports. It was a Castro-intelligence coup, carried out with then-President Hugo Chávez's permission. The move handed Havana the national Rolodex necessary to spy on Venezuelans and surreptitiously colonize the country. Islamic extremists received Venezuelan passports to give them false cover when crossing borders. Regime supporters got the papers they need to vote under more than one identity.

This is something to keep in mind when Venezuelan strongman Nicolás Maduro reports the results of Sunday's election for representatives to draft a new constitution. In polls, some 80% of Venezuelans oppose Mr. Maduro's "constituent assembly." But the opposition boycotted Sunday's election because they know Cuba is running things, that voter rolls are corrupted, and that there is no transparency.

The regime has rifles and armored vehicles, but the people have numbers and anger.

The regime has the armored vehicles, the high-powered rifles, and the SWAT gear. But the population has the numbers

in the operation of electronic voting machines.

Opposition leaders in Caracas are still trying to use peaceful means to unseat Mr. Maduro. Last week they orchestrated an effective 48-hour national strike and on Friday another day of demonstrations.

But grass-roots faith and hope in a peaceful solution has been lost. One symptom of this desperation is the mass exodus under way. On Tuesday the Panam Post reported that "more than 26,000 people crossed the border into Colombia Monday, July 26, according to the National Director of Migration in [the Colombian city of] Cúcuta."

Venezuelan applications for asylum in the U.S. were up 160% last year, making Venezuelans No. 1 among asylum seekers to the U.S. According to the United Nations Refugee Agency, there were 27,000 Venezuelan asylum seekers world-wide in 2016. By mid-July this year there were already 50,000.

Last week the National Guard arrested and badly beat violinist Wuilly Arteaga, who has become a national symbol of peace. Many of those fleeing say they fear that after Sunday the regime crackdown will intensify. Some of those staying behind have already begun to launch counteroffensives. This provides the regime an excuse for increasing repression, yet there is a growing sense that violence is the only remaining option.

The regime has the armored vehicles, the high-powered rifles, and the SWAT gear. But the population has the numbers

and the anger. It also may increasingly have support from dissident government forces.

Consider what happened in the municipality of Mario Briceño Iragorry in the state of Aragua earlier this month, when the pro-government mayor and the regime's paramilitary, known as *colectivos*, began looting shops that were closed during a one-day national strike.

The regime has rifles and armored vehicles, but the people have numbers and anger.

Eyewitness testimonies sent to me by a source in Caracas describe how townspeople tried to defend the shops. The mayor brought in paramilitary reinforcements. But the town was saved when the judicial police arrived from the state capital of Maracay. According to the Venezuelan daily El Nacional, they arrested the mayor, who was armed, and "many" *colectivos*.

The judicial police, who number around 12,000 and conduct criminal investigations, are Venezuela's largest national police agency. They are also responsible for protecting Attorney General Luisa Ortega Diaz. Ms. Ortega broke with the regime in March when the Maduro-controlled Supreme Court tried to dissolve the opposition-controlled legislature. She is an outspoken critic of Mr. Maduro's constituent assembly.

Mr. Maduro tried Sunday to put a "democratic" imprimatur on his power grab. But by the afternoon there were at least six dead in clashes with the regime. On the streets of Venezuela, it is now fight or flight.

She has not been arrested, probably because the regime doesn't want to confront the judicial police.

There are also dissident members of the military but their possible role in recovering democracy seems difficult. The leadership is pro-regime and though there are rumors of grumbling among the lower ranks, organizing a coup requires communication. The security and intelligence apparatus installed by Cuba makes that challenging.

But a citizens' revolt, led by young people whose families are starving, is already under way. Last week after 24-year-old Ender Caldera died from injuries sustained in a demonstration in Timotes, Merida, his friends exacted revenge by intercepting an armored National Guard truck on a mountain road and setting it afire. Numerous other National Guard vehicles have been torched in Caracas.

The state of Barinas, where the late Hugo Chávez was born, was once a regime stronghold. Today it is an anti-government pressure-cooker where dissidents burn debris in the streets and confront the National Guard. It is the state with the highest number of protest fatalities in the country since the street protests began in April.

Mr. Maduro tried Sunday to put a "democratic" imprimatur on his power grab. But by the afternoon there were at least six dead in clashes with the regime. On the streets of Venezuela, it is now fight or flight.

Write to O'Grady@wsj.com.

The High Cost of Raising Prices

By Andy Kessler

Most investors love companies with pricing power. Me? Not so much. Consider the life of a wealthy expat who asked a broker to show him the most expensive apartments in Rome. The first, at €20,000 a month, was a dump. So was the second, at €18,000. Yet the third apartment, at €16,000, was well-maintained, with gorgeous views of the Italian capital. Sensing confusion, the broker explained that the first two apartments had sat empty for months—and the owners kept raising prices to make up for the lost rent.

Sound familiar? The U.S. Postal Service has seen first-class mail volume drop from a peak of 103.7 billion letters in 2001 to 61.2 billion last year. It raised rates from 34 cents to 49 cents to make up the difference. Movie tickets sold in the U.S. peaked at nearly 1.6 billion in 2002. Last year only 1.3 billion were sold. Meantime, average ticket prices jumped from \$5.81 to \$8.65.

The more prices rise, the more customers bolt. It's like running up a down escalator and never getting to the top. With the stock market hitting highs just about every day, investors need to be wary of companies that raise prices to make their numbers. These stocks make for spectacular sell-offs on even the slightest

earnings miss. Case in point: Starbucks, the \$4.65 macchiato maker, slid nearly 10% on Friday.

Disney's stock has been stuck around \$100 for the past few years as investors bite their nails over cord-cutters. ESPN and cable networks were over half of Disney profits in 2012. Figuring the party would rage on, ESPN signed multibillion-dollar TV deals with the National Football League and the National Basketball Association. The Oakland Raiders' Derek Carr makes \$25 million a year? Thanks, ESPN.

What do ESPN, eBay and the post office have in common? Ask a kangaroo in a bar.

Yet the sports channel's subscribers have dropped from 100 million in 2011 to 89 million today. So ESPN raised prices, from \$4.69 per sub a month to \$7.21 today, a fee five times as high as any other channel. This newspaper reported earlier this month that Disney is in talks with cable operator Altice USA to raise prices again by perhaps 6% a year and institute "minimum penetration guarantees" to make up the difference. We've seen this movie before: ESPN may be a few price increases

away from losing another 11 million subscribers.

I had a friend who worked at General Electric for decades. He told me that in strategy sessions with his management, Jack Welch would constantly berate them, saying, "Any idiot can raise prices."

Except he used a stronger word than idiot to coax them into squeezing out costs, adding features, improving services and generally delighting customers. Contrast this with Berkshire Hathaway. Vice Chairman Charlie Munger found that with See's Candies "we could raise prices 10% a year and no one cared. Learning that changed Berkshire."

But \$40 for a pound of Crunchy Nutty Goodness Peanut Brittle? Lobster is cheaper.

There's a long list of price bumpers. Walk down any supermarket aisle. Kellogg's prices constantly snap, crackle and mostly pop. Procter & Gamble toothpaste sizes shrink faster than my cavity count, always less for the same price. Now private-equity firms are circling P&G. Same for Nestlé. Expect rising beer and liquor prices soon.

Empires are lost on rising prices. Until recently, rather than innovate in mobile or cloud computing, Microsoft kept raising the price of its Windows operating system to computer manufacturers.

Tablets and phones ate their lunch. Fees rose at eBay until

Amazon took its growth away. Booksellers raised effective prices on digital books to offset the decline of physical copies. I never understood that one.

The Durbin amendment to 2010 Dodd-Frank Act cut the fees banks could charge on debit-card transactions. Banks simply cut back on free checking, adding annoying low-balance and overcharge fees, making up the difference elsewhere. Not sure how this affected personal-safe sales.

Increasing prices attracts others to attack your market. Amazon's Jeff Bezos warns: "Your margin is my opportunity." We'll see devastation from rising prices in lots of places: ObamaCare premiums, personal tax rates in Illinois, cap-and-trade costs in California, wages in China.

Competition solves much of this problem. Investors love protected businesses, but eventually relentless price increases kill them all. Consumers are the kangaroo at the bar in the old cartoon: The bartender says, "Say, we don't get a lot of kangaroos in here."

The kangaroo replies, "No, and with these prices, I can see why!" Call me a kangaroo, but I prefer to invest in companies that lower prices and offer more.

Mr. Kessler writes on technology and markets for the Journal.

Last Supper at Nani's Table

By Angela Rocco DeCarlo

I love big family dinners. Bringing out the Wedgwood china and Waterford crystal makes me happy. Cooking does not. I want to see smiling faces around the table. To me, the food is incidental. For an Italian-American this is something of a scandal.

I grew up in Chicago, and my husband and I raised our three sons there. We all live in California now, but we haven't forgotten the endless Italian family dinners of homemade ravioli around my parents' heavily carved walnut dining table. Purchased in 1926, it was the centerpiece of their bungalow on South Mayfield Avenue, a stone's throw from Oak Park.

After my parents and sister died, the bungalow had to be sold. Before that, though, I engineered a Last Supper at the house. The whole gang trekked 2,000 miles for a salute to our happy past in Nani and Papa's dining room.

What was meant as a pilgrimage to our Chicago home served only to remind us how many loved ones we had lost.

Italians seem to lack the capacity for frivolity where death is concerned. I admire the Irish in that regard. They have a gift

We came for the memories. My son left with the furniture.

for festive send-offs. We Italians hearken back to pagan times when the only appropriate response to death was to wail and curse the gods.

You never saw a sadder group seated around a table. The eldest son, Mark, a comedian and author, folded his arms tightly across his chest.

"All the people who sat with us around Nani's table," he croaked. "They're all gone." The middle son, Dr. Michael, sat silent, tears in his eyes. Danny, the youngest, had insisted on bringing his two

babies: "I want them to spend at least one night under Nani and Papa's roof."

We sat for a while in silence, immobile with grief.

Then Mark piped up. "If no one wants Nani's table, I'd like it," he said. "And if no one

wants their bedroom set, I'd like that, too."

The pall was lifted, and the memories started flowing. Mark had been the first grandchild born to the family. Remember the crib that Auntie Cookie had given him? It fit snugly next to Nani's side of the bed so she could hold his foot while he sucked both thumbs. A born comedian.

Now that Nani and Cookie

and all the rest had left us, Mark wanted the bedroom set. He also decided he needed the lovely stained-glass window from Nani and Papa's bedroom. He spirited it away without telling us.

Best of all, I didn't have to cook.

Ms. DeCarlo formerly covered culture, travel and entertainment for the Chicago Tribune and the Las Vegas Review-Journal.

BOOKSHELF | By Robert K. Landers

The Adventurer As Also-Ran

Lincoln's Pathfinder

By John Bicknell
(Chicago Review, 355 pages, \$26.99)

Accepting the Republican Party's first presidential nomination in July 1856, John C. Frémont declared that the very "design of the nation, in asserting its own independence and freedom," made it imperative "to avoid giving countenance to the extension of slavery." This assertion about the hottest issue of the day would be Frémont's "only substantive statement of the campaign," John Bicknell notes in "Lincoln's Pathfinder." At the time, candidates for president customarily chose not to stoop to speechifying or actively seeking the voters' favor.

That was fine with Frémont, a dashing explorer (nicknamed "the Pathfinder") whose best-selling reports on his expeditions in the American West had made him famous. Though he had served briefly in 1850-51 as one of California's first U.S. senators, the 43-year-old former Democrat

was "a babe in the woods when it came to politics," Mr. Bicknell says. Residing in New York City, the Republican candidate spent most of his time "fencing, riding his horse, and taking long walks through what was then still not an entirely urban landscape."

The campaign for Frémont was left to others, chiefly his wife, Jessie, the daughter of former Sen. Thomas Hart Benton of Missouri. Besides organizing the campaign, she made the case for Frémont to newspapermen and influential public figures whom she received in her New York home. Though women couldn't vote, Mr. Bicknell notes, "Republicans were not shy about making direct appeals to women"—presumably hoping they would sway the men in their lives. Next to Frémont's heroic but taciturn persona, Jessie's own appeared "beautiful, graceful, intellectual, and enthusiastic," as Frank Leslie's Weekly described her. Women's clubs sprang up in the North in her name. Women imitated her hairstyle, adopted her favorite color (violet) for their outfits, named their newborns after her—and turned out "in huge numbers" for Frémont rallies, which had banners hailing "Jessie's Choice."

Frémont faced strong opposition in the general election. Even his famous father-in-law, believing that preserving the Union was more urgent than containing slavery, was voting Democratic. Though candidate Frémont is the leading character in "Lincoln's Pathfinder," his opponents and the forces arrayed against the nascent, anti-slavery Republican Party necessarily play large roles, too.

President Franklin Pierce, hoping for a second term, might have been the Democratic candidate. But Pierce, of New Hampshire, had alienated many in New England, a key part of his political base, with his strong support for the Kansas-Nebraska Act (1854). That law, instead of preserving the 1820 Missouri Compromise's ban on slavery north of a certain latitude, let the settlers in each of the new territories of Kansas and Nebraska vote to decide whether the state would be free or slave. The law led to violent conflict in "Bleeding Kansas" and prompted many Northern Whigs and some Northern Democrats who opposed slavery's extension to leave their parties for the new Republican one.

A dashing explorer before his nomination, Frémont spent the presidential campaign fencing, riding his horse and strolling in New York.

The Democratic Party, refusing in June 1856 to nominate the weakened Pierce, instead nominated James Buchanan of Pennsylvania, a Northerner with Southern sentiments. Having recently served as U.S. minister to England, Buchanan at 65 was an elder statesman with a glittering political resume devoid of significant accomplishment.

A third candidate appeared on the November ballot: former president Millard Fillmore, nominated by the American Party of so-called Know Nothings. Distressed by Irish and German immigration after 1845, Know Nothings opposed full citizenship for Catholics and further Catholic immigration. Fillmore tempered the party's anti-Catholicism and emphasized preserving the Union—which meant appeasing the South. "He had no delusions of winning," Mr. Bicknell says, but hoped to throw the election into the House, where "bargaining might produce almost any result."

Mr. Bicknell, a former editor at Congressional Quarterly and the author of "America 1844" (2014), tells the election story skillfully—though the reader may experience some confusing moments due to the large cast of characters and the multiple parties and factions. But "Lincoln's Pathfinder" is about more than the making of the president, 1856. Mr. Bicknell explores what was happening out in the country, where sectional strife and violence were raising the specter of disunion.

It wasn't only settlers in Kansas who were bleeding in the mid-1850s. So were Native Americans and U.S. soldiers in Nebraska, as the Army, in one case, turned a dispute over a lost cow into a fight that wiped out a detachment of its own soldiers and, in its effort to establish its authority a year later, attacked a Sioux camp, slaughtering 85 Native Americans. In Washington, a Northern antislavery senator was beaten in the Senate chamber by a Southern congressman. Mormons were fighting exposure and starvation as they trekked westward to their Zion in Utah. Fugitive slaves were desperately seeking freedom in the North, despite the Fugitive Slave Act (1850). All of this Mr. Bicknell captures in detailed excursions from the election narrative.

When the November 1856 ballots were counted, Buchanan was the victor, though with the lowest percentage of the popular vote (45.3%) since 1824. Fillmore got 21.5% but received almost 44% of the popular vote in the South. Frémont, for his part, got a third of the popular vote, all a smidgen of it in the North, winning a total of 11 states. Had he also carried Pennsylvania and Indiana or Illinois (where Abraham Lincoln had given more than 50 speeches on his behalf), he would have been the victor.

In 1860, Lincoln added those three states, three others and part of a fourth to Frémont's 11 and became president. Frémont may have been Lincoln's "pathfinder," showing him how the country's political forces responded to a Republican candidate, but Lincoln had the political skills that Frémont lacked.

Mr. Landers, a former editor at the Wilson Quarterly, posts his reviews and essays at robertklanders.com.

OPINION

REVIEW & OUTLOOK

The Regime Change Solution in Korea

The North Korean crisis is accelerating as dictator Kim Jong Un moves closer to holding U.S. cities hostage to nuclear blackmail. Some in the U.S. intelligence community are admitting they have underestimated the threat, and President Trump again tweeted his frustration with China's refusal to restrain its client state. A new U.S. strategy is needed, so it's notable that CIA Director Mike Pompeo recently suggested that the Trump Administration may be contemplating a goal of regime change in Pyongyang.

"It would be a great thing to denuclearize the peninsula, to get those weapons off of that, but the thing that is most dangerous about it is the character who holds the control over them today," Mr. Pompeo told the Aspen Security Forum 10 days ago. "So from the Administration's perspective, the most important thing we can do is separate those two. Right? Separate capacity and someone who might well have intent and break those two apart."

Mr. Pompeo is right. Israel is believed to have nuclear weapons but its arsenal is defensive. Democratic India doesn't threaten its neighbors with a first strike. The nature of the regime matters as much as the weapons, and in North Korea that means the dynastic cult that attributes supernatural powers to its young, reckless leader Kim Jong Un.

The U.S. has no time to waste after the North's latest missile test on Friday that experts say flew far enough to put in jeopardy Los Angeles and Denver. Media reports last week say the Defense Intelligence Agency now believes the North will be able to deploy a nuclear-capable ballistic missile by next year. Thanks for letting us know. For years U.S. intelligence agencies have predicted the North was several years away from posing such a threat.

Mr. Trump blasted China on Saturday for doing "NOTHING FOR us with North Korea, just talk. We will no longer allow this to continue." China continues to preach the illusion of a diplomatic solution even as it abets the North's evasions of international sanctions. The U.S. and its allies need to raise the ante if the world is going to avoid another Korean war.

A policy of regime change needn't require an invasion or immediate unification of North and South Korea. Security in Northeast Asia could

The CIA director talks about separating Kim from his missiles.

also improve if the Kim regime is overthrown from within by generals or a political faction that wasn't determined to threaten the world with a nuclear arsenal.

The U.S. does have policy tools to promote this strategy, especially if the goal of regime change is clearly stated. Some are economic, such as the North Korea Sanctions and Policy Enhancement Act that cuts off North Korean banks from the dollar-based international financial system. The Trump Administration recently began to sanction Chinese banks and trading companies that violate U.N. sanctions, and the list should be expanded.

Washington could also promote the truth to the North Korean people and elites about the Kim family's crimes. If army officers believe that Kim is leading the regime toward disaster, they will have an incentive to plot against him.

The Trump Administration can encourage that calculation by drawing a red line at further long-range missile tests. Shooting down future test launches would deny the North's researchers the data to perfect their re-entry vehicles. It would also show U.S. resolve to stop the North's sprint to obtain an intercontinental missile that could strike the U.S. mainland.

The other audience for this policy is in Beijing. Chinese leaders have long calculated that a nuclear North might serve the strategic purpose of driving the U.S. out of the region. And if the U.S. pursues regime change in the North, Beijing will at first react angrily and blame Washington for destabilizing the region.

But a debate is already underway among Chinese elites about the wisdom of supporting the Kim dynasty. China might decide to manage the process of regime change rather than allow a chaotic collapse or war on the Korean peninsula, perhaps by backing a faction within the army to take power.

A military dictatorship beholden to China is no guarantee of reconciliation between North and South. But it would be preferable to the erratic Kim regime and its strategy of nuclear blackmail. A new government would need to grow the economy to build its legitimacy, and it would need foreign investment.

North Korea has become an urgent threat because U.S. administrations pursued endless accommodation. Let's hope Mr. Pompeo is signaling that this era is over.

Putin's Advances in Syria

Vladimir Putin confirmed Sunday that he is expelling 755 U.S. diplomats from Russia in retaliation for new sanctions passed last week by Congress. But a more important thumb in the eye of the Trump Administration came last week as Mr. Putin moved to consolidate Russia's strategic gains in Syria.

On Wednesday Mr. Putin ratified a 49-year lease on Hmeimim air base, near the coastal Syrian town of Latakia. Russia has used the base since 2015 to launch operations to defend Bashar Assad's forces, attack U.S.-backed rebels and provide cover for Iran's Revolutionary Guard Corps operations inside the country.

Russia bases a variety of offensive and defensive capabilities at Hmeimim, including Sukhoi SU-35 fighters, attack helicopters and, occasionally, advanced reconnaissance aircraft that fly in from Russia and land for refueling. The base is also home to a contingent of Russian troops and advanced S-300 air defense systems of the

type that Moscow sold to Tehran and pose a potential threat to U.S. and NATO aircraft flying missions in the region.

The Kremlin solidifies its strategic gains for backing Assad.

Mr. Putin's long-term lease solidifies his position as the primary defender of the Assad regime and sends a message to regional allies that it plans to remain even after the defeat of Islamic State around Raqqa.

Russia's other long-term Syrian lease is for the naval base at Tartus, where Moscow bases destroyers, frigates, submarines, minesweepers and other ships.

The solidified Russian presence shows the naivete of Barack Obama's 2015 claim that Mr. Putin was entering "a quagmire" in Syria. Mr. Obama's abdication in Syria created the opening for Mr. Putin to intervene. But it should also be a dose of reality to President Trump's hopes that Russia will cooperate to stabilize Syria by working out a diplomatic solution. The only solution Mr. Putin wants is a victory for Mr. Assad, Iran and the Kremlin.

A Fiduciary Rule Reckoning

The Obama era imposed many destructive regulations, but few were more arrogantly conceived than the Labor Department's new fiduciary rule on retirement accounts. The good news is that the bureaucratic victory may be rolled back.

Though the new rule took partial effect on June 9, Labor recently said it now opposes allowing an enforcement provision that would encourage class-action lawsuits. President Trump also ordered a review of the economic damage, which won't be complete until later this year. Meantime, the Fifth Circuit Court of Appeals on Monday will hear arguments from business groups seeking to overturn a lower-court decision upholding the rule.

The rule applies a fiduciary standard to the broker-dealers and insurance agents who assist their clients with IRAs. The claim is that this will protect ordinary investors from brokers who recommend certain investments because of the commissions they get. But the new rule imposes many new burdens, from new disclosure requirements to changes to compensation practices.

As so often happens, the new reality is harming the very people the rule is meant to help. One problem is that small investors often can't afford the higher costs associated with the fee-based investments the rule promotes. Another is that some firms will no longer serve the retirement funds of small business plans because the account balances aren't large enough for the risk. Then there's the added paperwork and costs that are many times Labor estimates.

The main legal objection is the flimsy authority Labor used to up-end an industry and

establish control. In a flim-flam worthy of Robert Preston's con man in "The Music Man," Labor made an end run around the Securities and Exchange Commission by claiming authority to regulate these retirement accounts.

In the musical, Preston's character bases his authority to lead a band on a degree from a nonexistent Conservatory of Music in Gary, Ind. Labor did much the same by invoking the 1974 Employee Retirement Income Security Act (Erisa), which gave it the authority to reduce the regulatory burdens on IRAs. Labor turned that on its head and used Erisa to impose a new, industry-altering regulation.

The arbitrary and capricious way this rule was created and imposed is a fitting subject for the Fifth Circuit's attention, not least for what it says about the legal doctrine of *Chevron* deference. Under this doctrine, courts are supposed to defer to regulatory agencies when the language from Congress isn't clear. Labor naturally is banking on *Chevron* to sustain its naked power grab.

But as Judge Brett Kavanaugh of the D.C. Circuit Court of Appeals pointed out in a recent dissent in an unrelated case, in a narrow class of cases involving major agency rules "of great economic and political significance," the Supreme Court has articulated a "countervailing canon" that reflects both common sense and the Constitution's separation of powers.

Judge Kavanaugh puts it simply: "For an agency to issue a major rule, Congress must clearly authorize the agency to do so. If a statute only ambiguously supplies authority for the major rule, the rule is unlawful." Let's hope the Fifth Circuit takes note.

An opportunity for the Fifth Circuit to roll back regulatory overreach.

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LETTERS TO THE EDITOR

Kill Executive Orders Held by Unilateral Fiat

"A Bad GOP Dream" (Review & Outlook, July 20) gets it all wrong on why I led a 10-state coalition asking President Trump to rescind the Obama administration's 2012 Deferred Action for Childhood Arrivals (DACA) program. Phasing out DACA is about the rule of law, not the wisdom of any particular immigration policy.

It's a mystery to me how the Journal could accuse our coalition of political grandstanding when the editorial board itself acknowledges that "DACA has similar constitutional deficiencies" as the Obama-era memo that created the Deferred Action for Parents of Americans (DAPA) program in 2014. Indeed, in both cases the executive branch "usurped Congress's law-writing power," as you say in your editorial.

The rule of law shouldn't be dismissed because the Journal agrees with policies contained in DACA. That's the very same rationale that the Obama administration used when creating DAPA, DACA and many other administrative rules.

To be clear: Our request does not ask the federal government to deport any alien currently covered by DACA. Nor does it ask the Trump administration to rescind DACA permits that have already been issued. Rather, the request is to phase out

The Dems Aren't Any Worse Than the GOP Under Obama

I was amazed reading your editorial "Running the Schumer Blockade" (July 11) in which you accuse the Democrats of abuse of process and sabotaging the presidency. Tell me, what did you call it when, after Justice Scalia's death, Mitch McConnell looked President Obama right in the eye and told him he would never get that Supreme Court vacancy filled? I don't think that is what the Founders intended.

ETHEL GRILL

New York

Someone needs to remind Sen. Schumer why Donald Trump was elected.

RICHARD LARUE

Orlando, Fla.

these unlawful actions by not renewing or issuing any new DACA permits.

We agree with the Journal that a way to address the constitutional deficiencies of DACA is through Congress. But our coalition took action because the program remains in place through sheer unilateral executive fiat.

Last year, when a Texas-led lawsuit of 26 states culminated in the U.S. Supreme Court blocking President Obama's unlawful deferred-action policies, including DAPA, then-candidate Trump was completely correct when he said that the court "blocked one of the most unconstitutional actions ever undertaken by a President." DACA is exactly like DAPA and needs to be phased out to preserve the rule of law and constitutional separation of powers.

KEN PAXTON
Texas Attorney General
Austin, Texas

Your editorial is spot on. In March, more than 550 college and university presidents sent a letter to President Trump thanking him for his positive comments about the outstanding group of young people known as Dreamers. Your editorial correctly notes that the president and a bipartisan majority in Congress understand that Dreamers are talented and high-achieving individuals who contribute in many ways to American society. In terms of the illegal immigration challenges facing our nation, these people should not be on the list because, well, they are not problems. They are assets.

The small group of state attorneys general who are asking the secretary of Homeland Security to end the program allowing Dreamers to work and, in many cases, attend college in this country should stop immediately while the Trump administration and Congress work on a solution that will allow these bright and productive young people to live here without fear and uncertainty.

TERRY W. HARTLE
Senior Vice President
American Council on Education
Washington, D.C.

Americans Hate the Philosophy of ObamaCare

In "Congress Won't End ObamaCare, So Here's How to Mend It" (op-ed, July 24), Jason Furman fails to address the major reason why many Americans detest the Affordable Care Act. It is not about economics and exchanges, it is about philosophy of government. The ACA significantly expands the already extensive involvement of the federal government in the provision and regulation of health care and makes a hash of the principles of limited government.

Particularly offensive is the individual mandate, which poses an existential threat to freedom of conscience.

Regarding health-care reform, Mr. Furman quotes the bard: "striving to better, oft we mar what's well." Setting aside the question of what is "well," here is some advice from Albert Jay Nock: "In proportion, as you give the state power to do things for you, you give it power to do things to you."

JAMES C. CARPER

Columbia, S.C.

Well-spun, but not a whole piece of cloth. That is my reaction to Mr. Furman's piece. You'd think from his article that the only problem with ObamaCare is the marketplaces. He makes no mention of the exploding Medicaid costs.

To improve the rest of ObamaCare, he likes the idea of plans "that would reimburse health insurers for large losses from very sick enrollees," "targeted subsidy increases to increase affordability," and he wants to "ensure that insurance companies continue to be reimbursed for the cost sharing subsidies they provide for households."

Sounds like Mr. Furman's plan is to throw more money at the problem. I wish some Harvard professor would tell me how America is going to pay back all the debts we are incurring.

NES COBURN

Minneapolis

Mr. Furman contends that all we really need to do to mend health care is improve the marketplaces set up by ObamaCare. For an economics professor, Mr. Furman has a most strange interpretation of a marketplace. While those of us who have lived through the life lessons of Econ 101 view markets as places where buyers and sellers competitively interact to exchange goods and services, Mr. Furman argues that the health-care market is a forum for re-jiggering subsidies for buyers (the insured) and reimbursements for sellers (insurers)—all funded with buyers' (taxpayers') money.

DEAN KEDENBURG
Leucadia, Calif.

Mr. Furman makes a powerful case that the Affordable Care Act is working just fine, if you're willing to overlook the huge damage done to about 15% of ACA participants who do not get government subsidies.

The mortgage-sized premiums combined with huge deductibles mean many of these people forego preventive care for which they must pay out of pocket.

He recommends "strengthening the individual mandate by increasing the penalty for going without coverage, though neither party seems likely to consider the idea." But they may not have a choice in the matter. As one false start by the Democrats and two by Republicans have made clear, you can't have a health-insurance system unless you cover pre-existing conditions, and you can't cover pre-existing conditions unless you have either mandatory participation or a single-payer system. Otherwise, costs become prohibitive.

JIM KUDLINSKI
Overland Park, Kan.

Mr. Furman needs to explain how it makes sense that people working full time cannot afford health care, while the able-bodied poor, too lazy to work, have no deductibles.

MARSHALL BULZI
Los Angeles

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

Climate Change Isn't the End of the World

By David R. Henderson
And John H. Cochrane

Climate change is often misunderstood as a package deal: If global warming is "real," both sides of the debate seem to assume, the climate lobby's policy agenda follows inexorably.

It does not. Climate policy advocates need to do a much better job of quantitatively analyzing economic costs and the actual, rather than symbolic, benefits of their policies. Skeptics would also do well to focus more attention on economic and policy analysis.

Enough if world temperatures rise, the appropriate policy response is still an open question.

To arrive at a wise policy response, we first need to consider how much economic damage climate change will do. Current models struggle to come up with economic costs commensurate with apocalyptic political rhetoric. Typical costs are well below 10% of gross domestic product in the year 2100 and beyond.

That's a lot of money—but it's a lot of years, too. Even 10% less GDP in 100 years corresponds to 0.1 percentage point less annual GDP growth. Climate change therefore does not justify policies that cost more than 0.1 percentage point of growth. If the goal is 10% more GDP in 100 years, pro-growth tax,

regulatory and entitlement reforms would be far more effective.

Yes, the costs are not evenly spread. Some places will do better and some will do worse. The American South might be a worse place to grow wheat; Southern Canada might be a better one. In a century, Miami might find itself in approximately the same situation as the Dutch city of Rotterdam today.

But spread over a century, the costs of moving and adapting are not as imposing as they seem. Rotterdam's dikes are expensive, but not prohibitively so. Most buildings are rebuilt about every 50 years. If we simply stopped building in flood-prone areas and started building on higher ground, even the costs of moving cities would be bearable. Migration is costly. But much of the world's population moved from farms to cities in the 20th century. Allowing people to move to better climates in the 21st will be equally possible. Such investments in climate adaptation are small compared with the investments we will regularly make in houses, businesses, infrastructure and education.

And economics is the central question—unlike with other environmental problems such as chemical pollution. Carbon dioxide hurts nobody's health. It's good for plants. Climate change need not endanger anyone. If it did—and you do hear such claims—then living in hot Arizona rather than cool Maine, or living with Louisiana's frequent floods, would be considered a health catastrophe today.

Global warming is not the only risk our society faces. Even if science tells us that climate change is



ALAMY STOCK PHOTO

A dike and a windmill in Rotterdam, a city already prone to floods.

real and man-made, it does not tell us, as President Obama asserted, that climate change is the greatest threat to humanity. Really? Greater than nuclear explosions, a world war, global pandemics, crop failures and civil chaos?

No. Healthy societies do not fall apart over slow, widely predicted, relatively small economic adjustments of the sort painted by climate analysis. Societies do fall apart from war, disease or chaos. Climate policy must compete with other long-term threats for always-scarce resources.

Facing this reality, some advocate that we buy some "insurance." Sure, they argue, the projected economic cost seems small, but it could turn out to be a lot worse. But the same argument applies to any possible risk. If you buy overpriced insurance against every potential danger,

you soon run out of money. You can sensibly insure only when the premium is in line with the risk—which brings us back where we started, to the need for quantifying probabilities, costs, benefits and alternatives. And uncertainty goes both ways.

Nobody forecast fracking, or that it would make the U.S. the world's carbon-reduction leader. Strategic waiting is a rational response to a slow-moving uncertain peril with fast-changing technology.

Global warming is not even the obvious top environmental threat.

Dirty water, dirty air and insect-

borne diseases are a far greater problem today for most people world-wide. Habitat loss and human predation are a far greater problem for most animals. Elephants won't

make it to see a warmer climate. Ask them how they would prefer to spend \$1 trillion—subsidizing high-speed

trains or a human-free park the size of Montana.

Then, we need to know what effect proposed policies have and at what cost. Scientific, quantifiable or even vaguely plausible cause-and-effect thinking are missing from much advocacy for policies to reduce carbon emissions. The Intergovernmental Panel on Climate Change's "scientific" recommendations, for example, include "reduced gender inequality & marginalization in other forms," "provisioning of adequate housing," "cash transfers" and "awareness raising & integrating into education." Even if some of these are worthy goals, they are not scientifically valid, cost-benefit-tested policies to cool the planet.

Climate policy advocates' apocalyptic vision demands serious analysis, and mushy thinking undermines their case. If carbon emissions pose the greatest threat to humanity, it follows that the costs of nuclear power—waste disposal and the occasional meltdown—might be bearable. It follows that the costs of genetically modified foods and modern pesticides, which can feed us with less land and lower carbon emissions, might be bearable. It follows that if the future of civilization is really at stake, adaptation or geo-engineering should not be unmentionable. And it follows that symbolic, ineffective, political grab-bag policies should be intolerable.

Mr. Henderson is a research fellow with the Hoover Institution and an economics professor at the Naval Postgraduate School. Mr. Cochrane is a senior fellow of the Hoover Institution and an adjunct scholar of the Cato Institute.

Kim Jong Un Is Going Ballistic in More Ways Than One

By Henry Sokolski
And Zachary Keck

Among the many types of missiles North Korea is perfecting is a short-range system that Kim Jong Un is almost certain to export. Although not as worrisome as the intercontinental ballistic missile Pyongyang tested last Friday, this weapon has a highly accurate front end optimized to knock out overseas U.S. and allied bases, Persian Gulf oil fields, key Israeli assets and eventually even commercial shipping and warships. The good news is there's still time to halt the system's proliferation, but only if we act quickly.

The missile in question is an advanced version of a Scud, a 185- to 620-mile-range missile that has been in use world-wide for decades. What makes the version North Korea just tested so different is that it has a maneuvering re-entry vehicle, or MaRV, which allows the missile's warhead to maneuver late in flight both to evade missile defenses and achieve pinpoint accuracy. China, Russia, the U.S. and South Korea have all tested MaRVs but decided, so far, not to export them. Iran has

also tested a MaRV, raising questions about Tehran's possible cooperation with Pyongyang.

The worry now is how far and quickly this technology might spread. Pyongyang has already sold ballistic missiles to seven countries, including Iran, Syria and Saddam Hussein's Iraq. These sales generate precious hard currency for the Kim regime, which is otherwise difficult to come by as Washington continues to ratchet up sanctions.

Pyongyang will have no trouble finding customers. While only Iran or Pakistan might consider purchasing a North Korean ICBM, 15 countries besides North Korea already possess older Scud missile systems they might want to upgrade. Getting a MaRV version would be an affordable way to threaten targets that previously could have been knocked out only by a nuclear warhead or scores of missiles.

If Syria—which previously purchased Scuds from North Korea—were to acquire this missile, it would need only a handful to wipe out the bases the U.S. uses to launch airstrikes within its borders. Rebels in Yemen have repeatedly fired Scuds

at Saudi air bases. Most have either missed their targets or been shot down by Saudi forces. A MaRV would ensure a successful strike. If Hezbollah, a North Korean arms customer, got its hands on the new system, it could make good on its threats to take out Israeli chemical plants and

North Korea has developed advanced short-range weapons and is almost certain to export them.

the Dimona nuclear reactor. Eventually, if paired with capable surveillance systems, MaRV Scuds could even be used against moving targets such as warships or oil tankers.

If these missiles spread, hostile nations and terror groups won't need nuclear weapons to threaten America or its allies. They will be able to upgrade their threat level by merely trading up the Scuds they already have.

What should the Trump administration do about this? First, start

talking more candidly about the threat. The U.S. Navy has been clear that it's now vulnerable to China's highly precise conventional MaRV missiles. Our government now needs to spotlight the threat North Korea's MaRV Scuds will pose if these systems proliferate globally.

Second, along with developing defenses to cope with this threat, the U.S. needs to double down on blocking illicit missile exports. In 1987 Ronald Reagan worked with the Group of Seven nations to create the international Missile Technology Control Regime, which today urges missile suppliers (including Russia and China) not to export missiles capable of lifting 1,100 pounds for distances over 185 miles—precisely the type that North Korea might sell.

The MTCR also serves as the basis for the 105-nation Proliferation Security Initiative, which allows countries to search ships and airplanes carrying proscribed missile technology. These tools for stifling the illegal trade of missiles have already been developed. It's time to hone and use them.

Finally, America must get serious about restricting missile sales more

generally. President Reagan wanted to eliminate what he called "nuclear missiles." His efforts to do so—the MTCR and the Intermediate Nuclear Forces Treaty, which banned an entire class of ground-based nuclear-capable missiles—suggest he was focused on eliminating missiles ideally suited for surprise first strikes. Given that today's missiles are accurate enough to destroy their intended targets with conventional warheads, it's time to update our thinking in this area.

Persuading the world's major powers to sign on to new missile-trade restrictions will be no simple feat. Russia, for one, has already violated the existing INF Treaty. Yet before this violation, Moscow proposed expanding the INF to include other countries, especially China, the world's largest land-based missile power. Bringing all parties to the table in good faith will be a long-term proposition. But given the missile threats that are already emerging, the time to begin is now.

Mr. Sokolski is executive director and Mr. Keck a fellow at the Nonproliferation Policy Education Center.

Claremont's Social Justice Warriors Face the Music

By Sophie Mann

It's been a rough year for free speech on campus, but there are glimmers of hope in Southern California. The colleges of the Claremont University Consortium have been laying down the law in response to those who act out to advance their idea of social justice.

Consider the case of Jonathan Higgins. In June, Pomona College announced that Mr. Higgins had been hired as the new director of the Queer Resource Center of the Claremont Colleges, which Pomona administers. Elliot Dordick, a student and writer at Pitzer College, looked at the new administrator's Twitter feed and reported his findings at TheCollegeFix.com and in the Claremont Independent, a conservative student newspaper where I currently serve as deputy editor. Mr. Higgins,

who is black, had responded to a tweet asking, "Who are you automatically wary of/keep at a distance because of your past experiences?" His answer: "White gays and well meaning white women." In another tweet he asserted: "I finally have nothing to say other than police are meant to service and protect white supremacy."

A day after the Fix and the Independent ran the article, Pomona announced that Mr. Higgins wouldn't be taking the position after all. In an email to the Pomona student body, Associate Dean Jan Collins-Eaglin wrote that "we have reopened the national search for the Director of the Queer Resource Center."

Then, two weeks ago, Claremont McKenna College announced punishments for 10 students who had violated college policy in April during a

raucous protest against Manhattan Institute fellow Heather Mac Donald, author of "The War on Cops." The protesters, who spent the evening chanting "No cops, no KKK, no fascist USA!" blockaded entrances to the building where Ms. Mac Donald was speaking, so that she ended up addressing an almost empty hall.

"The blockade breached institutional values of freedom of expression and assembly," the college declared in a statement. "Furthermore, this action violated policies of both the College and The Claremont Colleges that prohibit material disruption of college programs and created unsafe conditions in disregard of state law." The punishments included suspensions, in contrast with Vermont's Middlebury College, where students who disrupted a lecture by social scientist Charles Murray—and attacked and injured a professor as she was leaving the venue—received nothing more severe than "probation."

So instead of defending Dr. Higgins for his high "intersectional" victim status—Pomona had originally touted him as "a motivational speaker dedicated to empowering all

A withdrawn job offer to a bigoted administrator, and serious punishment for disrupting a speech.

LGBTQ students with an emphasis on students of color"—they treated him as a professional whose behavior made him unfit for the job. And Claremont McKenna kept its promise to protect free speech on campus. In his original statement following the protest, the college's president, Hiram Chodosh, wrote, "The breach of our freedoms to listen to views that challenge us and to engage in dialogue

about matters of controversy is a serious, ongoing concern we must address effectively." Bravo to him for keeping his word.

Even at the University of California, Berkeley, where spring riots shut down speeches by conservative controversialists Milo Yiannopoulos and Ann Coulter, administrators now say they'll allow the College Republicans to bring author Ben Shapiro for an appearance in the fall, a request the dean of students initially denied.

That actions such as these are considered unusual, even courageous, is a sign of just how bad things are on campus today. But colleges and universities across the country should be following the examples being set in California.

Ms. Mann is a Robert L. Bartley Fellow at The Wall Street Journal and a rising senior at Scripps College, part of the Claremont University Consortium.

Notable & Quotable: Left-Wing Rhetoric

From "Assassination Fantasies"
by Seth Barron, City-Journal.org,
July 28:

Following President Trump's declaration on Twitter Wednesday that transgender people would not be permitted to serve in the armed forces, protesters converged on Times Square. . . . A few handmade signs stood out in the relatively compact crowd, in particular one that read, in black against a red background,

Lincoln

Garfield

McKinley

Kennedy

Trump

of course, are the presidents murdered in office, in chronological order; the last embodies the seeming wish of many on the American Left that someone put him on it for real. . . . The sign was held aloft for the duration of the event, in full view of the crowd, the media, the NYPD, and at least a dozen elected officials, but garnered no comment or acknowledgement. . . .

Public advocate Tish James spoke at the rally, and, in view of the sign calling for his death, led chants in favor of resistance to Trump. James first ascended to office in 2003, after her predecessor, Council Member James E. Davis, was shot to

death by a rival at City Hall. . . .

Council Member Corey Johnson, speaking at Wednesday's protest, said that Trump's announcement "is not just an attack on trans service members; this is an attack on the entire United States military by this president." Another city legislator, Jumaane Williams, tweeted a picture of the rally, including the sign calling for Trump's assassination, with the inscrutable comment, "At 42nd street rally against @realDonaldTrump #transmilitaryban. You cannot hate nearly. #istandforhuman dignity"—presumably meaning that there is no limit to the amount of hate that one should feel toward the president.

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INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Management.....B1
Alibaba Group HoldingB3
AllianceBernstein HoldingB10
Amazon.com.....B5,B10	
Anadarko PetroleumB2
Annapurna Pictures.....B5	
Apple.....B4	
Ares Management.....B2	
B	
Banco Santander S.A.	B2
Barclays.....B1	
BLUM Capital PartnersB1
C	
Cal-Maine Foods.....B9	
Charter CommunicationsA1
Comcast.....A1,B5	
ConocoPhillips.....B2	
Corning.....A8	
D	
Dow Chemical.....B1	
DuPont.....B1	
E	
eBay.....A4	
EOG Resources.....B2	
ExpressVPN.....B4	
F - G	
Ford Motor.....B3	
Fulfil.IO.....B4	
Glenview Capital	
H	
Hilton Worldwide Holdings.....A8	
Honeywell InternationalA8
Hubba.....B4	
I	
Intel.....B3	
Invesco.....B10	
J	
Jana Partners.....B1	
JD.com.....B3	
K	
Kering.....B3	
KLA-Tencor.....B10	
L	
Lam Research.....B10	
Lumiata.....B4	
LMVH Moët Hennessy Louis Vuitton.....B3	
M	
Micron Technology.....B10	
Microsoft.....A4,B10	
N	
Netflix.....A11,B5	
O	
Oracle.....B5	
P	
Payless ShoeSource.....B1	
R	
Real Matters.....B4	
rue21.....B1	
S	
Samsung ElectronicsB3,B10
SoftBank Group.....A1	
Sony.....B5	
Sprint.....A1	
Star VPN.....B4	
T	
Tesla.....B5	
Third Point.....B5	
Time Warner.....B5	
TowerBrook Capital PartnersB2
Trian Fund ManagementB1
True Religion Apparel.....B1	
21st Century Fox.....B5	
U	
UBS Group.....B1	
V	
Verizon CommunicationsA1
Viacom.....B5	
W	
Walt Disney.....B5	

INDEX TO PEOPLE

B	Bellettini, Francesca.....B3
Bezos, Jeff.....B10	
Bigelow, KathrynB5
Blaze, Matt.....A4	
Boal, Mark.....B5	
Boyd, Bill.....A3	
Breen, Edward.....B8	
Briefer, Laura.....A3	
Butters, John.....B9	
C	
Curchack, Walter.....B2	
D	
Dudley, Alex.....A1	
E	
Ellison, Larry.....B5	
Ellison, Megan.....B5	

F	Field, Doug.....B5
G	Gardner, Dede.....B5
Gates, Bill.....B10	
Guberman, Joel.....B4	
K	
King, Stephen.....B5	
Krosby, Quincy.....A8	
L	
Liveris, Andrew.....B1	
Luettichau, RichardA12
M	
Manfra, Jeanette.....A4	
Mnuchin, Steven.....A2	
Moscogiuri, BrianB2
P	
Pitt, Brad.....B5	
R	
Rai, Bipan.....B9	
Gates, Bill.....B10	
Richman, Doug.....B3	
Rosenstein, Barry.....B1	
S	
Sharma, Ray.....B4	
Shultz, Dick.....B3	
Spears, Chris.....A3	
T	
Thomas, Sharoon.....B4	
U	
Ungerleider, Howard.....B8	
W	
West, James.....B2	
Z	
Zifkin, Ben.....B4	

BANKS

Continued from the prior page
Oudéa, CEO of France's Société Générale SA said recently.

Now the test is whether European banks can live up to the hype. The main problem: Interest rates are still at rock-bottom levels. "After a long, long deleveraging process we are entering into a phase where we can show some growth" in Spanish loan volume, **Santander** CEO José Antonio Álvarez told analysts.

But with interest rates so low, it is hard to make significant profits on those loans. The benchmark rate that underpins most Spanish mortgage loans, on which rates typically float, is eventually expected to rise "but nothing spectacular," Mr. Álvarez said. Currently, it is still slipping.

In other countries, the pain could be prolonged because customers have locked in long-term, low-interest loans; even if rates do go up it could take time for banks to see profits. In Germany, for example, 85% of mortgages

are fixed rate, according to Deutsche Bank.

To counter this, lenders have been slashing costs and shutting businesses. In Italy alone, banks are planning to cut at least 17,500 jobs this year, according to a trade union. Barclays has cut 60,000 people from its payroll over the past year.

Banks have also moved away from making loans to

European banks moved at a glacial pace to revamp after the financial crisis.

selling products not linked to interest rates, such as insurance or investment advice.

The number of big European banks with noninterest revenue accounting for over 40% of their operating income rose to 54 from 49 in the past year, according to the European Central Bank.

Spanish banks CaixaBank SA and Banco de Sabadell SA beat analysts' forecasts on Friday as higher fees helped

boost profit. The sudden jump in bank fee income since the start of the year "was like someone flipped a switch," said Kinner Lakhani, an analyst at Deutsche Bank.

European banks moved at a glacial pace to restructure after the financial crisis but have acted more rapidly over the past year. A handful of teetering banks in Italy and Spain have been wound down, merged or bailed out.

In June, Spain's struggling Banco Popular Español SA was rescued and sold to Santander. Earlier this month, the Italian government took control of long-troubled Banca Monte dei Paschi di Siena SpA. Meanwhile, big lenders have tapped shareholders to fund extensive restructuring. UniCredit SpA, Deutsche Bank and Credit Suisse raised a total of nearly \$30 billion of fresh equity from shareholders.

Some of the overhauls are starting to work. On Friday, **Bank of Ireland** PLC announced it will pay its first dividend since the country was mauled by the financial crisis. The once-limping Banco Comercial Português

announced it is raising salaries to precrisis levels after an average 6% cut since 2014. Its CEO, Nuno Amado, said "it is a sign of normalization for BCP, both internally and for the outside."

This is feeding back into the European economy. Bank-lending volumes have been gradually recovering since early 2014. Small and medium-size businesses in the eurozone have said there is

an increase in the availability of bank loans over the past six months, according to a recent survey by the ECB.

Still, hurdles remain. First, there are too many banks. ECB officials have repeatedly

said that the sector needs to consolidate, but bank executives remain wary of doing deals.

Second, €1 trillion (\$1.18 trillion) of bad loans continues to sit on balance sheets. While the amount of

bad loans is starting to ease, clearing them could be a slow process. Italy's bad loans could take a decade to work through before coming in line with wider European levels, according to an analysis by Morgan Stanley.

A crash in shipping lending continues to pinch German banks. A restructuring of Deutsche Bank is far from complete.

Tougher regulations could also be on the horizon. The ECB is reviewing how the banks model risk. In January, new accounting rules will start to be phased in that force European banks to cover for potential losses on loans in real time, which is expected to add billions to their loan provisions. The global Basel rules are still being hammered out, which could result in banks having to change how they calculate risk. European bank executives are in the dark over how onerous those changes will be.

"It could get worse before it gets better," said Filippo Alloatti, senior credit analyst at Hermès Investment Management.

—Giovanni Legorano contributed to this article.

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BUSINESS NEWS

Aluminum Car Parts Lose Speed

Study expects use of the metal to grow, but other materials also will take the place of steel

By CHESTER DAWSON

Aluminum may not be the new steel, according to a new study, as auto makers' use of a single predominant lightweight material such as aluminum in vehicles like Ford Motor Co.'s F-150 pickup is giving way to a patchwork of materials replacing heavier sheet metal.

Long seen as a lighter but far more expensive alternative to steel for automotive manufacturers, aluminum has enjoyed a surge as engineers scramble to shave weight amid tighter emissions standards.

A study to be issued Monday by Ducker Worldwide says the use of aluminum in vehicles is projected to grow 42% over the next decade, but at a slower pace than in previous forecasts.

The average vehicle sold today weighs nearly 4,000 pounds and is made of rubber, plastic, steel, aluminum, upholstery and other materials. Auto makers have worked to make every component—from



Ford shifted in 2014 from steel sheet metal to aluminum for its best-selling F-150's body panels.

body panels and engines to brackets and windshields—lighter, often by substituting materials that can add costs but improve miles per gallon.

Ford's shift in 2014 from steel sheet metal to aluminum for the best-selling F-150's body panels, which represent a meaty portion of a vehicle's structure, was seen as a tipping point for aluminum because

sales and production volumes of Ford's truck are so high.

Designers more recently have decided to use a mix of materials including magnesium and carbon fiber to achieve weight savings, and steelmakers have rolled out stronger but thinner, lighter steels.

At the same time, the Trump administration is considering softening fuel econ-

omy regulations, which could slow so-called light-weighting efforts as urgency fades.

"You'll probably never see anything again that's as aluminum intensive," Dick Shultz, co-author of the Ducker study, said in an interview. While Ford slimmed down its F-150 by 700 pounds via aluminum, it also added \$1,000 in costs per vehicle, he said, while predicting the

next generation F-150 would likely use less aluminum in favor of other materials.

A Ford spokesman declined to comment on the next-generation F-150.

General Motors Co., Ford's chief rival, has said its updated full-size trucks due in 2019 will use a blend of materials to achieve weight savings.

"Everyone is pursuing the multimaterial approach," said Doug Richman, a vice president at Kaiser Aluminum and technical chair of trade group The Aluminum Association's transport arm. "It's a pretty clear and durable trend that's been helped by significant advances in joining technology and production experience."

The Ducker study was commissioned by the aluminum trade group; steelmakers also commission Ducker for research.

Auto makers have improved fusing steel with other materials on assembly lines to achieve a better balance of strength and durability. The new Chrysler Pacifica minivan, for example, has all-aluminum sliding doors, the industry's first high-volume magnesium rear liftgate and 22% more high-strength steel throughout its body than its predecessor.

Samsung Tops Intel As Biggest Chip Firm

Samsung Electronics Co., the South Korean technology company best known for its smartphones and television sets, has taken the title of world's largest chip maker by revenue, knocking Intel Corp. from a perch it held for nearly a quarter-century.

By Timothy W. Martin
in Seoul and
Ted Greenwald
in San Francisco

Samsung's semiconductor unit, whose fortunes come largely from selling memory chips used in mobile devices, delivered second-quarter sales of \$15.7 billion and operating profit of \$7.1 billion. Intel, which dominates the calculating engines known as microprocessors, reported quarterly revenue of \$14.8 billion and operating profit of \$3.8 billion.

It marks the first quarter in which Samsung, for years a distant No. 2 to Intel in the roughly \$365 billion semiconductor industry, has topped the Santa Clara, Calif.-based chip pioneer in semiconductor sales, according to IC Insights Inc., a semiconductor-market researcher. It is an advantage industry analysts expect Samsung to maintain at least through the end of this year as a shortage of memory chips persists.

Samsung, which started making chips for wristwatches in the 1970s, has become a dominant player in two major types of memory chips: one for data storage, known as NAND, and another, known as DRAM, that gives devices their multitasking speed by holding data needed in the short term.

A surge in demand for memory has caused prices to soar over the past year, benefiting Samsung.

Saint Laurent Readies Online Sales in China

By MATTHEW DALTON

PARIS—French fashion house Saint Laurent is launching online sales in China, a major step in the storied brand's efforts to expand in China's rapidly growing domestic market.

Saint Laurent Chief Executive Francesca Bellettini said the brand is teaming up with online fashion retailer Farfetch to sell over the internet in China. The brand will sell merchandise on a new online platform recently announced by Farfetch in a joint venture with JD.com, China's second-biggest e-commerce company.

The announcement marks a

cautious foray into China's freewheeling internet market by one of the most elite brands in fashion. Until relatively recently, luxury firms had been reluctant to sell over the internet in China because of concerns that China's main online retailers, JD.com and Alibaba Group Holding Ltd., run marketplaces that are riddled with counterfeit goods. Only a few luxury brands have the size to attempt online sales in China without teaming up with either e-commerce giant.

But Farfetch's partnership with JD.com helped ease concerns about knockoffs, Saint Laurent said.

"Protecting the brand from counterfeiting is fundamental for Saint Laurent," Ms. Bellettini said in an interview, adding that the agreement with Farfetch would "guarantee to our clients secured purchases in addition to a very efficient service."

The importance of the Chinese domestic market is overcoming the industry's concerns about relinquishing some control over physical distribution there. Chinese consumers, who account for 30% of global luxury spending, are increasingly shopping at home—partly the result of efforts by Beijing to block Chinese tourists from

bringing expensive merchandise back from abroad.

That means selling to the Chinese consumer in China has become key to the luxury industry's growth.

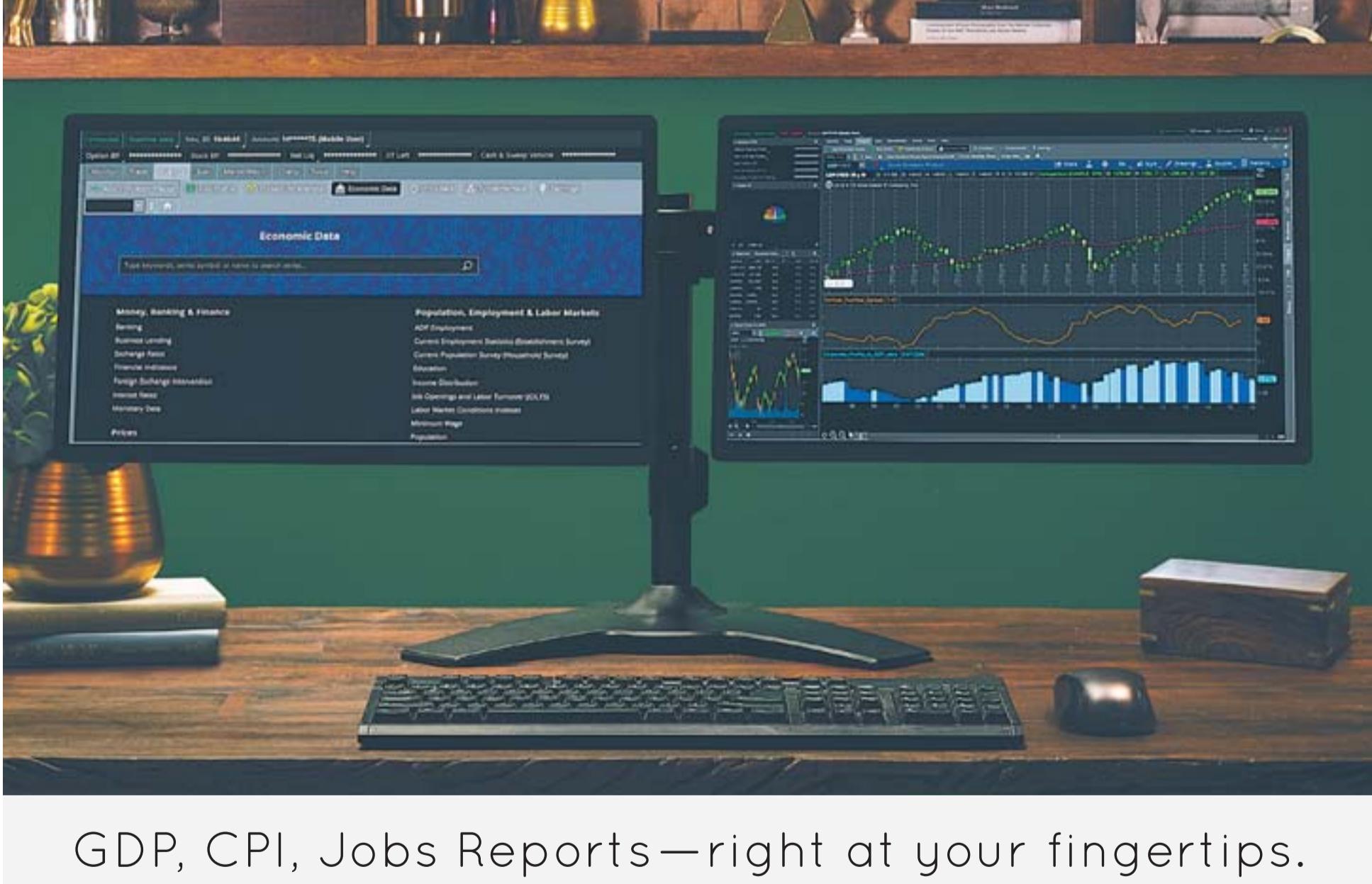
Ms. Bellettini said Saint Laurent's sales to Chinese consumers have surged in recent years despite a slowdown in the global luxury market. Kering Co., which owns Saint Laurent, Gucci and other brands, last week reported that sales rose "sharply" across Asia, "particularly in mainland China."

"There is this population of millennial Chinese, very well educated, in particular Chinese

university students, that are incredibly literate with the brand," she said.

Saint Laurent has taken a relatively conservative approach to expanding in China.

It has only 18 stores in the country, concentrated in Beijing and Shanghai, compared with dozens opened by luxury competitors such as Prada SpA and Louis Vuitton. Ms. Bellettini said the online sales push will help the brand reach customers in smaller Chinese cities without risking overexpansion. "We will be able to deliver to these locations without a physical store," Ms. Bellettini said.



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TECHNOLOGY

WSJ.com/Tech

Canada Touts Tech Jobs as U.S. Wavers

Stepped-up campaign for workers focuses on uncertainties under Trump administration

BY DAVID GEORGE-COSH
AND JACQUIE McNISH

TORONTO—Canada's technology sector, which has long struggled to compete with sunny Silicon Valley, is seizing on the U.S.'s hardening stance on immigration in a bid to lure top talent.

The pitch: Come to Canada, where there are cosmopolitan cities, affordable health care and, most important, more certainty around work permits and entrance requirements that many executives feel is lacking under the Trump administration.

Ben Zifkin, chief executive of **Hubba Inc.**, tells potential employees currently in the U.S.: "You don't have to stay in Canada forever, just the current presidential term." The company, based in Toronto, helps online retailers manage product information.

Mr. Zifkin says he is only half-joking. But his message is part of a coordinated push for talent by Canadian executives, government officials and venture capitalists to pounce on what they see as a rare opportunity for the nation's matur-



Canada is trying to lure talent to its startups such as Shopify as the U.S. curbs immigration.

cloud-based software platform that aids companies in their supply-chain operations. Two of the company's founders decided to come to Canada in May from their native India after they had to leave the U.S. when their H1-B visas expired and renewal proved difficult. They closed their first sales deal a month later.

"Canada looks like the right place to grow," said one, Sharron Thomas, fulfil.io CEO. "I'm just surprised that we didn't think of it first."

It can still be difficult to poach engineers and programmers from Silicon Valley, where large tech firms such as Alphabet Inc.'s Google and Facebook Inc. reign. There, the salaries are higher, the venture-capital sector bigger and the winters warmer.

Meredith Trotter, a data scientist at **Lumia Inc.**, an artificial-intelligence analytics firm in San Mateo, Calif., said she has plans to return to her native Canada but hasn't found anything superior to her current job that would compel her to make the move now.

"Even when those jobs start becoming real, I'm not sure I'll be ready to go home," Ms. Trotter said.

Until recently, it could take as much as a year for foreigners offered a job in Canada to receive a work permit, which immigration

lawyer Joel Guberman said was "unworkable."

But last month, the Canadian government announced a pilot program aimed at cutting this kind of wait and the red tape involved. Under the program, work permits and temporary resident visas are issued in two weeks instead of one year.

Platterz Inc., an online-catering platform, has already used the government program for three new hires, two of whom arrived in Canada last week. "When we started, we had someone from the government call us every day to walk us through the process," said Eran Henig, CEO of the Toronto startup. "I never would have expected that kind of attention from the government."

Canada's stepped-up recruitment effort is getting under way at a time of expansion in its tech industry. Startups such as Shopify Inc., which develops software for online retailers, and **Real Matters Inc.**, a real-estate data and software firm, have launched initial public offerings in recent years. The country is becoming a hub for artificial intelligence. Venture-capital investment hit a record in 2016, with C\$3.2 billion invested in 530 deals, up 41% from the previous year, according to the Canadian Venture Capital and Private Equity Association.

MIMS

Continued from page B1

Mich., and a visiting professor at the University of Zurich. Halo devices have exceptional features representing key attributes of a brand and serve to influence consumers' perceptions of all products in the line, she says.

Take the Dodge Challenger SRT Demon. It has an 840-horsepower engine, making it the world's fastest production car. Not many people will shell out \$85,000 for one, but it can draw them to its lesser siblings, which start at \$27,000.

Crazy new tech

A big reason companies have halo products is that they give them a way to test new technologies, says Dr. Townsend. While many of the potential features of the anniversary iPhone are found in other high-end smartphones, notably the Galaxy S8, Apple is said to be cooking up other technologies, such as an advanced 3-D sensor array.

If crammed into a conventional iPhone, all the new hardware might take too big of a bite of Apple's margins. Yet while Dodge is unlikely to put an 840-horsepower engine into the company's family-friendly crossover sport-utility vehicle, Apple has a history of spreading its high-tech components across entire product lines once their

costs come down.

Supplies are limited

Cutting-edge products often can't be made in quantities Apple demands. During its most recent holiday quarter, Apple sold nine iPhones a second. Apple faced supply shortfalls for the iPhone 7 Plus, and before that for the iPhone 6, and analysts are saying the 10th-anniversary iPhone might face delays.

The solution, as Apple watcher John Gruber observed, is simply to charge more. If Apple's high-end iPhone is aimed at a new segment—people willing to pay more than \$1,000 for a phone—Apple can charge whatever it likes to balance supply and demand for the device, rather than worrying about whether increasing the price will hurt its overall market share. And even if the high-end iPhone's list price were "just" \$1,000, Apple could get people to pay more—as it always does—by offering a small amount of storage on the base model, and then charging for more.

All about the ASP

With a phone priced upward of \$1,400, Apple would have the opportunity to move the single most important metric on its balance sheet: the average selling price of a new iPhone. This number, which hit a record of \$695 in the fiscal quarter ended in December 2016, is the most important driver of Apple's gross profit margin.

In technology, prices usu-

ally decline over time, but Apple bucks that trend by increasing the feature set of each subsequent phone. Since the company discontinued the cheaper iPhone 5C, average selling price has been rising.

High cost = desire

The final reason a pricey iPhone makes sense is that, paradoxically, the more expensive Apple makes the device, the more people will lust after it.

Conspicuous consumption was first described in "The Theory of the Leisure Class" by Thorstein Veblen, who singled out products that, contrary to logic, sold better

aren't U.S. citizens but are living in the U.S. or considering it.

"Now you're introducing your residency as part of that uncertainty? That's crazy."

Extreme Venture, based in Toronto, helps relocate startups based in the U.S. and elsewhere to Canada and assists in securing Canadian citizenship for employees.

"It's such an easy sell sometimes," said Mr. Sharma. "It's like, 'You had me at Canada.'"

One taker was **fulfil.io**, a

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when their prices went up. When the iPhone came out in 2007, it was the epitome of a "Veblen good"—rare and, at \$599 with a two-year contract, expensive.

For the same reasons, an expensive anniversary version could once again make the iPhone a Veblen good,

says M. Berk Talay, professor of marketing at the University of Massachusetts Lowell.

Much like the Mercedes-Benz vehicle line, where each class clearly telegraphs how much the buyer paid, the new iPhone lineup could boost the Apple brand's ability to signal wealth, he says.

This could be helpful to

Apple in China. The company

Cash Cow

The iPhone's average selling prices peak over the holidays, with the new phones. iPhone sales drive Apple's gross profit margin, which is off its March 2015 high.

iPhone's average selling price



Apple Inc. gross profit margin



has been hurt by double-digit decreases in sales there, but Chinese consumers have a history of gravitating toward luxury goods. A higher-priced iPhone could convey status, something that has been harder to do since 2014, when Apple last changed the look of its handsets. If Apple releases a new iPhone at such a lofty

price, expect reviewers to make unfavorable comparisons with devices such as Samsung's Galaxy S8, which packs in advanced features for about \$750. But if the analysts are right, we can expect that, by the end of 2017, Apple might report record-setting numbers in the most important area of its business.

Apple Removes VPN Apps in China

By JOSH CHIN

BEIJING—Apple Inc. has removed software from its app store in China that allowed users to circumvent the country's vast system of internet filters.

Several popular apps giving users access to virtual private networks, or VPNs, that tunnel through China's sophisticated system of internet filters disappeared from the mainland China version of Apple's App Store on Saturday.

One service, **ExpressVPN**, said in a blog post that Apple had notified it that its iOS app was removed from the Chinese App Store.

ExpressVPN published a copy of the notice, which said the app included content that was illegal in China.

Another company, **Star VPN**, said on its Twitter account that it, too, had received the notice. Searches in the China App store for a number of popular VPN apps turned up no results Saturday evening.

"We're disappointed in this development, as it represents

the most drastic measure the Chinese government has taken to block the use of VPNs to date, and we are troubled to see Apple aiding China's censorship efforts," the ExpressVPN blog post said.

Apple later confirmed the removals in a written statement, citing new rules that require VPN providers to obtain licenses from regulators.

"We have been required to remove some VPN apps in China that do not meet the new regulations. These apps remain available in all other markets where they do business," it said.

China's internet regulators haven't responded to multiple requests for comment about their regulation of VPNs.

Apple's move is aimed at helping the company stay on the safe side of a raft of tough new cybersecurity regulations designed to solidify Beijing's grip on the Chinese internet.

Earlier this month, the Cupertino, Calif., technology giant said that, because of the new rules, it planned to store all of its Chinese customers' data on servers oper-

ated by a government-controlled company.

In the past, Apple has removed individual apps from the Chinese App Store that ran afoul of China's censors, but it is rare for the company to eliminate several at once.

Chinese authorities have moved aggressively in recent weeks to tighten controls

over VPNs, which are used by everyone from political activists to scientists to multinational enterprises to access uncensored internet content beyond China's borders.

As part of that push, China's Ministry of Industry and Information Technology issued a notice in January of plans to "clean up" the internet-services market, including a crackdown on the use of unapproved VPNs in cross-border business activities, by March of next year.

Those orders came days after a luxury hotel in Beijing, the Waldorf Astoria, said in a letter to guests that it had stopped offering VPNs "due to legal issues in China."

Earlier this month, a well-known Chinese provider said it had been told by regulators to stop service.

The tightening of controls comes as China edges closer to a fall Communist Party conclave, at which most of the country's top leaders are set to be replaced. Internet controls in China typically wax and wane according to the gravity of political events, but many of the recent moves are in line with a long-term drive by Chinese President Xi to harden China's internet against outside threats by exerting more control over flows of data.

A southern China data-services company with more than 160 clients said it received orders last week from the Ministry of Public Security, which runs China's police forces, to cut off access to foreign providers of VPNs.

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Group D-21, C1-99-0339. Property one (1) Glock

MEDIA & MARKETING

Little Studio Makes Move Into Spotlight

Megan Ellison's Annapurna distributes 'Detroit' as it seeks more control and profit

BY BEN FRITZ

Hollywood's newest studio doesn't operate out of a majestic multi-acre lot or a sleek office tower but an unmarked former art gallery whose lobby is decorated with thousands of VHS tapes arranged in a giant "A."

Megan Ellison's **Annapurna Pictures** has a distinct vibe that isn't imposing like Twentieth Century Fox or Universal Pictures, nor high-tech like Netflix Inc. or Amazon.com Inc. Like its social-media savvy millennial founder, Annapurna projects an image that is retro, artistic and bespoke, even as it is investing hundreds of millions of dollars to compete directly against those giant companies and others that dominate Hollywood.

Personally wealthy thanks to her father, billionaire **Oracle** Corp. co-founder Larry Ellison, the 31-year-old Ms. Ellison has produced and financed several Oscar-nominated pictures in the past five years, including midbudget adult dramas "Zero Dark Thirty," "Her" and "Foxcatcher."

Until now, though, Annapurna has been a small company whose movies are released by other studios, such as **Sony** Pictures Entertainment and **Viacom** Inc.'s Paramount Pictures.

Last year, Ms. Ellison decided she wanted more control over how her movies are released and full credit, as well as full profits, when they succeed, according to people familiar with her thinking. She tripled Annapurna's staff to nearly 120 so it could release and market its own movies, and produce television shows and videogames.

The release this past week-



ANAPURNA PICTURES/EVERETT COLLECTION

end of "Detroit," a historical drama from "Zero Dark Thirty" director Kathryn Bigelow, marked the first time Annapurna has distributed and marketed a film itself.

Annapurna's expansion

Megan Ellison has been frustrated with other studios that controlled when her films were released.

comes as the original, midbudget movies Ms. Ellison favors are struggling for attention against major studios' superhero and reboots. At the same time, deep-pocketed Am-

azon and Netflix have aggressively moved onto Annapurna's turf, raising prices for the hottest indie movie ideas and increasing competition for consumers.

"The fact that Megan is building an independent outfit and taking the risks she is taking puts her in a pretty singular space," said Dede Gardner, a partner in Brad Pitt's production company, **Plan B**, that has signed a deal to work on several projects with Annapurna.

Ms. Ellison, who never gives interviews, declined to comment through a spokesman.

Privately held Annapurna doesn't share financial results, but it has had a mixed record at the box office. Along with

such hits as "Sausage Party" and "American Hustle" have been flops including "Her" and "The Master."

Ms. Ellison has been frustrated working with other studios that controlled when her movies were released and how they were advertised, leading her to build those capabilities in-house, said the people close to her.

With "Detroit," Annapurna is using a particularly risky movie to make that leap, and not only because so few adult dramas have succeeded at the box office recently. The \$35 million picture about the killing of three African-Americans by police during riots in 1967 is opening near the end of a summer packed with big budget event films, known in the

industry as tentpoles. After playing in 20 theaters this weekend, it will be released nationwide Friday against an adaptation of the popular Stephen King book "The Dark Tower."

Annapurna didn't initially intend to release "Detroit" itself. After financing the movie, the company late last year offered it to other Hollywood studios, but was unable to strike a deal. At least two companies passed after concluding its commercial prospects were small, according to people at studios who evaluated the film.

Early reviews for "Detroit" have been positive. It garnered a solid \$365,455 at the box office in 20 theaters this weekend.

Hits and Misses

Domestic box office totals of previous Annapurna movies released by other studios

Year	Film	Gross (\$M)
2012	The Master	\$16M
	Killing Them Softly	15
	Zero Dark Thirty	96
2013	American Hustle	150
	Her	26
2014	Foxcatcher	12
2015	Joy	56
2016	Everybody Wants Some	3.4
	Sausage Party	98
	20th Century Women	5.7

Source: Box Office Mojo
THE WALL STREET JOURNAL.

"This is the kind of movie Hollywood used to make on a regular basis, but the industry [now] relies on mega-mega-tentpoles that sell in China," said "Detroit" writer and producer Mark Boal. "Megan has a different business model."

Focus Features, part of Comcast Corp.'s Universal, and Fox Searchlight, part of 21st Century Fox Inc.'s Twentieth Century Fox, are the two remaining studio labels making low- to midbudget adult movies, similar to Annapurna. Other major studios like Walt Disney Co., Viacom's Paramount and Time Warner Inc.'s Warner Bros. have exited that segment after sustaining losses.

Netflix and Amazon, meanwhile, are betting big. They have bid the prices for hot pictures at festivals such as Sundance so high that Focus and Fox Searchlight have pulled back on acquiring finished films, once a key part of their business. Now, both primarily produce movies themselves and look to develop long-term relationships with filmmakers, said people close to those companies.

Tesla Rolls Out New Model 3 Sedan

BY TIM HIGGINS

FREMONT, Calif.—Tesla Inc. Chief Executive Elon Musk on Friday disclosed new pricing tiers, battery range and other details of the all-electric Model 3 sedan that he hopes will help transform the Silicon Valley niche car maker into a more mass-market company.

The four-door sedan will start at \$35,000, as promised, but will also be offered in a \$44,000 version that has a range of as much as 310 miles between charges, 90 miles more than the base model and higher than the all-electric Chevrolet Bolt's 238-mile range.

The prices exclude any federal tax credits in the U.S.

Tesla has received more than 500,000 reservations for the Model 3, Mr. Musk told reporters at the auto maker's factory in Fremont.

He reiterated that he believes the company can build 10,000 vehicles a week, or 500,000 a year, by the end of next year and cautioned that the next few months could be bumpy as the car maker ramps up production. Production of the Model 3 began earlier this month.

Later in the evening, during a live-streamed event outside the Fremont factory, Mr. Musk showcased the first deliveries of the sedan to employee customers, who will help identify any glitches as they drive the automobile.

Deliveries of the first vehicles to nonemployee purchases might begin in September or October, according to the auto maker.

Tesla revealed that the base Model 3 has a 220-mile range and can accelerate from zero to 60 miles an hour in 5.6 seconds, according to Tesla. The more expensive version can reach 60 mph in 5.1 seconds. For an additional \$5,000, customers can add premium features including a nicer interior, a glass roof and a more powerful speaker system.

Excitement for the car and for Mr. Musk's vision of personal transportation has helped Tesla shares soar more than 50% this year, lifting its market value past that of Ford Motor Co., and Friday is "key

An Early Look Inside Of Tesla's Model 3

FREMONT, Calif.—A first peek inside Tesla Inc.'s new Model 3 compact car revealed a starker, cozier interior than the more spacious and luxurious Model S. But as the sedan sped off, the experience felt similar.

On Friday, the Silicon Valley auto maker showed off details of the all-electric sedan's interior for the first time, allowing a roughly 10-minute test ride around the factory.

The Model 3 represents a milestone for Chief Executive Elon Musk, who has long wanted to create an electric car for the masses. He is betting the new vehicle can help fuel massive growth for his 14-year-old company, projecting Tesla will produce a half-million cars next year, after delivering about

76,000 Model S sedans and Model X sport-utility vehicles last year.

The Model 3's exterior was revealed in March last year, but details about the interior have been scarce.

The \$35,000 sedan is noticeably bare-bones inside—gone are the displays and instrument panel behind the steering wheel and the numerous switches and buttons found in the cockpit of traditional cars. Instead, the Model 3 makes greater use of a video screen in the center dash that controls most of the car's functions.

"We've intentionally gone for a very simple interior," Mr. Musk told reporters Friday at the factory.

Buttons on the steering wheel—coordinated with the 15-inch dash screen—allowed for adjustments of the side-view mirrors and steering

wheel. Instead of traditional air vents, the Model 3's system directs air flow using vertical and horizontal air streams. Those streams run the length of the dash and can be directed in various configurations by tapping the video screen.

"The engineering and the design teams worked together very hard to make a simple economical interior that's simple and elegant—it's not just deleting a bunch of stuff," Doug Field, senior vice president of engineering, told reporters.

By removing and consolidating buttons, Tesla said it was able to find savings to devote money to other areas, such as providing a base battery pack capable of going 220 miles on one charge. A longer-range version offers up to 310 miles.

The drive felt similar to the Model S, humming quietly and starting quickly from a standstill.



to maintaining hype," Colin Langan, an analyst for UBS, told investors this week in a note.

"Expectations are high; therefore positive media reaction to the production vehicle is important," he said.

But Mr. Musk must walk a fine line in marketing the Model 3: stoking excitement without drawing customers away from the more expensive Model S sedan and

Model X sport-utility vehicle. Second-quarter sales fell short of analysts' expectations, fueling concerns that demand for those models was softening.

The Model 3's arrival represents a potential inflection point for the automotive industry.

Car makers long have talked about electrification but haven't captured the popular attention of customers as

Tesla has in 14 years.

"If it's successful—in terms of volume and attracting mainstream buyers as promised—it could be the breakthrough we need to, at least, have wider traction for electric vehicles," said Michelle Krebs, an analyst for Auto-trader. "But there's a big challenge...They've got to launch it flawlessly and build it in high volume flawlessly and deliver what they promised."

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. Dunkirk	Warner Bros.	\$28.1	\$102.8	-44
2. The Emoji Movie	Sony	\$25.7	\$25.7	—
3. Girls Trip	Universal	\$20.1	\$65.5	-36
4. Atomic Blonde	Focus Features	\$18.6	\$18.6	—
5. Spider-Man: Homecoming	Sony	\$13.5	\$278.4	-39

*Friday, Saturday and Sunday Source: comScore

'Dunkirk' Retains Box Office Crown

BY ERICH SCHWARTZEL

A pair of new releases failed to unseat the World War II drama "Dunkirk" from its top spot at the box office this weekend.

"The Emoji Movie" and "Atomic Blonde" both arrived with decent debuts, while second-week grosses for "Dunkirk" declined 44% to an estimated \$28.1 million in the U.S. and Canada.

Christopher Nolan's acclaimed war drama, released by Time Warner Inc.'s Warner Bros., has been a hit, with \$102.8 million so far.

"The Emoji Movie," a critically panned animated movie starring the smiley faces and icons that populate smartphones, grossed \$25.7 million in second place. That is a fine start for the film, released by Sony Corp.'s Sony Pictures Entertainment, considering it cost a modest \$50 million to produce.

"We're thrilled with it," said

Adrian Smith, Sony's president of domestic distribution. "There's still a month of prime summer moviegoing left."

"Atomic Blonde," an R-rated action film starring Charlize Theron released by the Focus Features division of Comcast Corp.'s Universal Pictures, grossed a fair \$18.6 million in fourth place. Taking the No. 3 spot was Universal's own "Girls Trip," which is now the highest-grossing live-action comedy of the year with \$65.5 million.

Both "Atomic Blonde" and "The Emoji Movie" were given "B" grades by opening-weekend audiences, according to the CinemaScore market-research firm.

In other box-office news, "An Inconvenient Sequel," the follow-up to former Vice President Al Gore's 2006 documentary on climate change, opened in four locations and collected \$130,000. It will expand to more theaters in the coming week.



'Atomic Blonde' with Charlize Theron was No. 4 at the box office.

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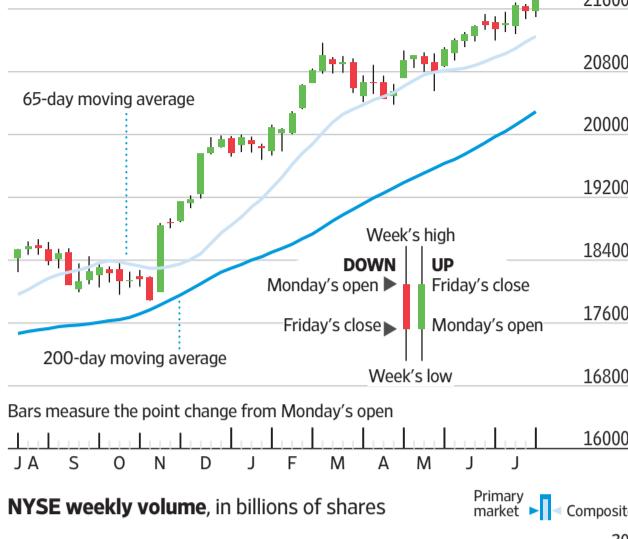
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S&P 500 Index

2472.10 ▼ 0.44, or 0.02% last week
High, low, open and close for each of the past 52 weeks



Financial Flashback

The Wall Street Journal, July 31, 2014

The DJIA fell 317 points, erasing all of its gains for the year, amid concerns about Argentine debt, the condition of a big Portuguese bank and earnings woes in the U.S.

New to the Market

Public Offerings of Stock IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date Filed	Issuer/business	Symbol/ primary Shares exchange (m.)	Pricing Range(\$) Low/High	Through Bookrunner(s)
8/1 6/30	Clementia Pharmaceuticals Biopharmaceutical company focused on the research of bone diseases.	CMTA N	7.2 13.00/ MS, Leerink Prtnrs	15.00
8/2 5/5	Venator Materials Manufacturer of chemical products including pigments and additives.	VNTR N	22.7 20.00/ Citi, GS, BofA ML, JPM, Barclays DB, UBS, RBC Cptl Mkt	22.00

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer symbol	Offer price (\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
Aug. 1	Feb. 2, '17	Ramaco Resources	METC	13.50	81.0	-53.7	180 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	IPO date/Offer price	Friday's close (\$)	% Chg From Offer	1st-day close	Company	SYMBOL	IPO date/Offer price	Friday's close (\$)	% Chg From Offer	
Redfin	RDFN	July 28/\$15.00	21.70	44.7	...	Kala Pharmaceuticals	KALA	July 20/\$15.00	20.37	35.8	10.2
Sienna Biopharmaceuticals	SNNA	July 27/\$15.00	19.54	30.3	1.5	TPG RE Finance Trust	TRTX	July 20/\$20.00	19.83	-0.9	1.3
RBB Bancorp	RBB	July 26/\$23.00	23.47	2.0	0.5	Federal Street Acquisition	FSACU	July 19/\$10.00	10.12	1.2	0.2
PetIQ	PETQ	July 21/\$16.00	23.49	46.8	0.7	Akcea Therapeutics	AKCA	July 14/\$8.00	13.36	67.0	40.9
Calyx	CLXT	July 20/\$8.00	10.75	34.4	-4.4	Co-Diagnostics	CDX	July 12/\$6.00	4.42	-26.3	-23.9

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Symbol/ Primary exchange	Amount (\$ mil.)	Friday's price (\$)	Bookrunner(s)
July 31 Bank of Princeton Finance	BPRN	40.0	n.a. Sandler O'Neill & Partners

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Triumph Bancorp Finance	July 27 Aug. 17/16	\$69.6	\$200.0	Stephens, Stifel
Tetraphase Pharmaceuticals	July 27 June 16/17	\$65.0	\$100.0	Piper Jaffray, BMO Cptl Mkt, Stifel
Neurostem Healthcare	July 27 June 8/17	\$6.0	\$100.7	Canaccord Genuity
Reata Pharmaceuticals	July 26 June 23/17	\$100.8	...	Jefferies, Leerink Partners, Stifel
FORM Holdings Telecommunications	July 26 June 26/15	\$6.6	\$50.0	Roth Cptl Ptnrs
Moelis & Co Finance	July 25 Nov. 25/16	\$25.0	\$576.6	GS, JPM
Sarepta Therapeutics Healthcare	July 24 Feb. 25/16	\$325.1	...	GS, JPM, Credit Suisse

Public and Private Borrowing

Treasuries

Monday, July 31

Tuesday, August 1

Auction of 13 and 26 week bills;

announced on July 27; settles on August 3

Public and Municipal Finance

Deals of \$150 million or more expected this week

Final maturity	Sale	Issuer	Total (\$ mil.)	Rating Fitch Moody's S&P	Bookrunner/Bond Counsel(s)
Aug. 1 July 1, 2035	Regional Transportation Auth		188.4	AA N.R. AA	Preliminary /Dinsmore & Shohl
Aug. 2 April 23, 2018	Massachusetts		1,500.0	N.R. N.R. N.R.	Preliminary / Mintz Levin Cohn Ferris
Aug. 3 June 15, 2020	Multnomah Portland PSD #1J		169.0	N.R. Aa1 AA+	Preliminary / Hawkins Delafield & Wood
Aug. 3 prelim.	Multnomah Portland PSD #1J		219.9	N.R. Aa1 AA+	Preliminary / Hawkins Delafield & Wood
Aug. 3 prelim.	South Carolina		157.2	N.R. N.R. N.R.	Preliminary / Pope Flynn Group
Aug. 4 prelim.	Austin City-Texas		313.5	N.R. N.R. N.R.	Goldman & Co/-
Aug. 4 prelim.	Bay Area Toll Authority (BATA)		1,100.0	N.R. N.R. N.R.	BofA Merrill/-
Aug. 4 prelim.	California Health Facs Fin Auth		200.0	N.R. N.R. N.R.	M. Stanley/-
Aug. 4 prelim.	Kentucky Turnpike Authority		176.8	N.R. Aa3 N.R.	M. Stanley/-
Aug. 4 prelim.	New Jersey Hlth Care Fac Fin Au		265.0	N.R. N.R. N.R.	J.P. Morgan Securities LLC/-
Aug. 4 prelim.	North Carolina Orlando City-Florida		222.5	N.R. N.R. N.R.	BofA Merrill/-
Aug. 4 prelim.	Orlando City-Florida		221.2	N.R. N.R. N.R.	J.P. Morgan Securities LLC/-
Aug. 4 prelim.	San Antonio City-Texas Washington Metro Area Transit Au		205.4	N.R. N.R. N.R.	Piper Jaffray/-
Aug. 4 prelim.	Washington Metro Area Transit Au		496.5	N.R. N.R. N.R.	Wells Fargo & Co/-

Source: Thomson Reuters/Ipro

A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 250.24 points, or 1.16%, on the week. A \$1 change in the price of any DJIA stock = 6.85-point change in the average. To date, a \$1,000 investment on Dec. 31 in each current DJIA stock component would have returned \$33,316, or a gain of 11.10%, on the \$30,000 investment, including reinvested dividends.

The Week's Action

Pct chg (%)	Stock price	Point chg in average	Company	\$1,000 Invested/year-end '16
13.73	29.13	199.49	Boeing BA	\$241.27
8.39	3.71	25.41	Verizon VZ	97.94
7.05	7.51	51.43	Caterpillar CAT	114.10
4.81	3.66	25.06	Wal-Mart Stores WMT	79.81
4.72	4.87	33.35	Chevron CVX	108.12
2.68	2.87	19.65	Walt Disney DIS	109.96
2.36	1.48	10.14	Merck MRK	64.11
2.18	0.98	6.71	Coca-Cola KO	46.01
1.81	1.60	10.96	Procter & Gamble PG	90.21
1.67	0.58	3.97	Intel INTC	35.31
1.65	2.06	14.11	Travelers TRV	127.21
1.56	3.43	23.49	Goldman Sachs GS	223.61
1.25	1.93	13.22	McDonald's MCD	155.85
0.98	1.43	9.79	Home Depot HD	148.08
0.43	0.39	2.67	J.P. Morgan Chase JPM	91.28
-0.33	-0.63	-4.31	UnitedHealth Group UNH	191.15
-0.45	-0.45	-3.08	Visa V	99.15
-0.51	-0.77	-5.27	Apple AAPL	149.50
-0.65	-0.52	-3.56	Exxon Mobil XOM	

MONEY & INVESTING

DEAL

Continued from page B1
changes from the current plan are likely, people familiar with the matter said. Both Dow and DuPont say everything is on the table.

The investors' complaints could grow louder if the review doesn't produce the moves they want, people familiar with some of their thinking said.

A war on multiple fronts would also be the clearest test yet of whether activists can keep successfully pushing companies to slim down—or if their corporate counterparts are regaining ground in arguing that breadth of business is sometimes needed to ensure stability and spur innovation and gains over the long term.

Mr. Liveris said "noisy" investors who don't understand the chemicals business are trying to push him to create value in a spreadsheet. He said he wouldn't judge the review until it is finished and added that any changes must take



MICHAEL NAGLE/BLOOMBERG NEWS

Andrew Liveris says Dow's next iteration will be poised for growth.

into account how employees would be affected. Mr. Liveris, 63 years old, has agreed to stay on for another year as DowDuPont's executive chairman, postponing his planned retirement.

The business at the nexus of the dispute with the activists is Dow Corning, a pioneer in silicones used in products from laundry detergent to building insulation. Dow Chemical took full ownership

of the longtime joint venture with Corning Inc. in a separate deal announced the same day as the Dow-DuPont merger.

Dow Chemical executives say Dow Corning fits hand in glove with traditional chemicals and thus should belong with the materials business, which would become the new Dow in an eventual split. Undoing the deal in the coming breakup would destroy benefits, they argue.

They also say Dow Corning's earnings before interest, taxes, depreciation and amortization have doubled since the takeover after years of stagnant growth—evidence, they say, of the boost the combination has gotten. They now expect silicones to generate \$2 billion in additional Ebitda, double the original goal.

Executives from both Dow and Dow Corning talk about how having silicones and commodity chemicals together has helped sales grow because they are visible to more customers when combined. Dow's head of research talks excitedly about scientists using robots to experiment with mixing silicone with chemicals Dow has long manufactured, hoping to discover new materials. Dow Chemical shares, meanwhile, are at record highs.

"When you come to a fork and you go left, everyone can always hypothesize on what would have happened if you went right, but no one can ever know," Dow Chief Financial Officer Howard Unger-

leider said in an interview. "Dow Corning is the perfect example of: We know both sides of the fork."

The activists argue Dow Corning is among the pieces that should be removed from the new Dow. Instead, they say, it should be part of the specialty-products company.

Days after the review was announced in May, Third Point released a proposal it said would add \$20 billion in market value when compared with the original plan. In that proposal, Third Point estimated Dow Corning would be worth \$20.4 billion based on current valuations of specialty-chemical firms, compared with \$11.9 billion as part of a larger materials company.

In a quarterly letter to investors, Glenview said it largely backed Third Point's proposal and raised the prospect of calling a special meeting to replace directors. Trian and Jana have both privately pushed changes, according to people familiar with the matter.

At the same time, the activists could be happy if several

other changes are made, but Dow Corning isn't moved, people familiar with those investors said.

The original breakup plan can be revised if 11 members of the DowDuPont board agree. The 16-member board comprises eight directors from each company.

Third Point is among the biggest holders in Dow Chemical. Even after selling some of its stake, it still owns \$1 billion of Dow shares. It, Glenview and Jana together hold 2.5%. Trian owns 1.1% of DuPont after cutting its stake by more than half since the deal was announced.

The activists say DuPont and its chief executive, Edward Breen, appear more receptive to their ideas than Mr. Liveris. Mr. Breen told analysts last week the review aimed to "ensure maximum shareholder value is created" and that the work was being done as fast as possible.

Mr. Liveris said he is aligned with Mr. Breen and in close contact, even briefly taking a call from him during an interview for this article.

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their share back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange.

a-The NAV and market price are ex dividend. **b**-The NAV is as of Wednesday's close; exNAV is the day's close. **d**-The NAV is as of Wednesday's close; exNAV is the day's close. **r**-Rights offering is fully subscribed. **f**-Rights offering in process. **g**-Rights offering announced. **h**-Lipper data has been adjusted for rights offering. **j**-Rights offering has expired, but Lipper data not yet adjusted. **n**-NAV as of previous day. **o**-Tender offer in process. **v**-NAV is converted at the commercial Rand rate. **w**-Convertible Note-NAV (not market) conversion value. **y**-NAV and market price are in Canadian dollars. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of entire period.

Dividend yield is the annual dividend per share paid (during the previous two months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, July 28, 2017

52 wk

Fund (SYM) **Prem** **Ttl**

NAV Close/Disc **Ret**

General Equity Funds

Adams Divers Equity Fd **ADX** 17.29 14.79 -14.5 21.5

Boulder Growth & Income **BIF** 11.80 9.90 -16.1 22.1

Central Securities **CET** 30.92 25.73 -16.8 31.3

CohStepp Opprity Fd **FOF** 13.99 13.18 -5.8 20.5

Cornerstone Strategic **CLM** 13.30 14.85 +11.7 6.3

EtnVnc TaxAdv Div **EVET** 22.48 22.14 -1.5 14.5

Gabelli Dividend & Incm **GDV** 23.74 22.34 -5.9 19.1

Gabelli Equity Trust **GAB** 6.39 6.29 -16 21.4

Genl American Investors **GAM** 41.30 35.01 -15.2 19.1

Guggenheim Enh Fd **GPM** 8.75 8.39 -4.1 16.0

HnckJn TxAdv FD **HTD** 25.35 25.68 -3.2 10.4

Liberty All-Stars Equity USA **LSE** 6.54 5.70 -12.8 20.8

Royce Micro-Cap **RMT** 9.83 8.68 -11.7 20.1

Royce Value Trust **RVT** 16.54 14.84 -10.3 25.8

Source Capital **SOR** 43.87 39.40 -10.2 17.0

Tri-Continental **TY** 28.25 24.98 -11.6 21.8

Specialized Equity Funds

Adams Natural Rsrc Fd **PEO** 22.03 19.15 -13.1 3.3

AlznGl NFJ Div Interest **NFJ** 14.58 13.38 -8.2 15.2

AlpnGblPrProp **APP** 7.29 6.56 -10.4 26.0

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MARKETS

As Canadian Dollar Claws Back Ground, Investors Get Bullish

By DAVID GEORGE-COSH

TORONTO—The Canadian dollar is on a tear, and traders and investors are betting it will remain strong.

The currency, known as the loonie for the bird on its single-dollar coin, is up about 10% against the U.S. dollar since early May, boosted by a string of strong economic indicators and the Bank of Canada's first policy rate increase in seven years.

On July 18, investors took a net long position in the Canadian dollar—a bet that the currency would appreciate—for the first time since March. On Friday, data from the U.S. Commodity Futures Trading Commission showed investors held about 26,000 more long than short contracts on the

Canadian dollar had not long ago been hurt by an oil-price slump, becoming one of the worst-performing currencies over the past three years. It sunk to as low as 68 U.S. cents in January 2016 after hitting parity with the greenback in early 2013.

That weakness began to unwind throughout the past year as the currency, weighed down by investors taking bearish bets, helped the Canadian economy sputter back to life.

The loonie is also playing catch-up after its steep decline in April, when the U.S. slapped onerous tariffs on Canadian lumber, spooking investors who rushed to reduce their exposure to the export-sensitive Canadian economy. The tariffs, and related fears about hard-line changes to the North American Free Trade Agreement, pushed the currency to a 14-month low.

The Canadian dollar began to strengthen in May amid reports showing exports jumped nearly 18% to 48.69 billion Canadian dollars (\$US\$38.78 billion), the strongest 12-month showing in nearly six years. Meanwhile, economic indicators measuring employment, retail sales and business-investment intentions gave the Bank of Canada confidence the time was right for a rate rise.

Earlier this month, the Bank of Canada moved to raise its policy rate a quarter of a percentage point to 0.75%, and overnight index swaps show investors believe the central bank will increase the rate again by the end of the year. That caused the loonie to post its biggest rally in about a year, as the U.S. dollar closed at C\$1.2751, down from C\$1.2916 the previous day.

Since then, the Canadian dollar has crept even higher, boosted by a softer greenback and more good economic news out of Canada. The currency rallied Friday after stronger-than-expected May gross domestic product figures, closing near 80.40 U.S. cents.

Currently trading around the 80 U.S. cent mark, the Ca-

'It looks like the loonie's strength is here to stay,' one strategist said.

Canadian dollar in the week ended July 25, up from about 8,000 long contracts in the prior week.

"There's a lot of things conspiring to keep the Canadian dollar firm around these levels," said Bipan Rai, senior macro strategist at CIBC Capital Markets. "It looks like the loonie's strength is here to stay."

The quick rise of the Canadian dollar reflects recent signals that Canada's economy has turned a corner after the commodities slump. Traders and currency analysts say it is unlikely to climb significantly higher, and its strength could even damp the country's resurgent growth, posing a challenge for policy makers.

Currently trading around the 80 U.S. cent mark, the Ca-



Demand for eggs hasn't kept up with producers' efforts to restock in the wake of the avian flu that devastated flocks two years ago.

Glut of Eggs Shells U.S. Farmers

By JESSE NEWMAN
AND JACOB BUNGE

A glut of eggs is putting pressure on suppliers and farmers who are struggling to win back business two years after the **COMMODITIES** worst bout of avian influenza in U.S. history devastated egg-laying flocks.

Poultry farms in the U.S. have fully restocked and rebuilt egg supplies since the outbreak, but demand hasn't kept up. Some buyers who found alternatives during the outbreak haven't returned. Egg prices are near a decade low, a situation that cheers shoppers in grocery aisles but is spurring losses for industry giants and farmers.

"We do not expect to see any meaningful improvement until there is a better balance of supply and demand," said Dolph Baker, chief executive of **Cal-Maine Foods** Inc., the largest U.S. egg supplier by sales. The company last Monday blamed the egg glut for its first annual loss in more than a decade, adding that the average price of eggs sold to its customers dropped 42% over the past year.

Large shell eggs, the type sold at the grocery store, recently cost 98 cents a dozen at

wholesale in the U.S. Midwest, a 62% drop from the past two years, according to market-research firm Urner Barry. Wholesale prices reported by the firm declined to 10-year lows in 2016 and haven't averaged more than \$1 a dozen on a weekly basis all this year. The average price U.S. consumers paid for a dozen eggs last month was \$1.33, down 48% from two years ago, according to federal data.

"This is historic," said Brian Moscogiuri, an analyst who tracks the egg market for Urner Barry.

Earlier in the decade, the egg market enjoyed a strong run thanks to consumers' growing appetite for protein and all-day breakfast offerings at restaurant chains. But bird flu led to the destruction of 34 million egg-laying hens as it struck farms in 2015.

The resulting egg shortfalls and record prices drove producers to quickly refill their barns, bringing the nation's egg-laying hen population to a record 319 million in December 2016, according to the U.S. Department of Agriculture. The U.S. flock overall has shrunk since then, but egg production in June still totaled about 7.5 billion, close to the monthly record of eight billion reached late last year.

Demand for U.S. eggs hasn't

rebounded nearly as quickly. U.S. egg exports have picked up this year but remain below levels seen before the onset of bird flu as buyers such as Mexico and Canada import eggs from alternative suppliers or produce more themselves. According to the USDA, the U.S. exported the equivalent of 170 million dozen eggs last year, or 55% less than the 375 million dozen shipped overseas in 2014.

Some U.S. food makers like bakeries and other companies that use egg products also

have been slow to embrace eggs again. High prices compelled some to reformulate their recipes, substituting in ingredients such as soy or whey protein or simply making do with fewer eggs.

Recent bird-flu outbreaks on farms across Europe and Asia have given food companies further cause to stick with egg alternatives rather than risk another supply disruption, industry officials say. Another deterrent is the time and expense of changing their labels back to include eggs.

73%

The percentage of S&P 500 companies that have reported better-than-estimated sales for the second quarter. Should that figure hold, it would mark a record performance.

U.S. Sales Top Forecasts

Wall Street might be underestimating the strength of American corporations.

With 57% of S&P companies having reported earnings for the latest quarter, some 73% have posted sales above analysts' expectations, a record should it hold through the remainder of

MONEYBEAT

earnings season, according to FactSet.

The proportion of companies beating sales estimates is running well above the five-year average of 53%.

The slew of top-line beats put the S&P 500's revenue growth on track to rise 5.2% year to year in the April-through-June period. Only the first quarter's 7.7% revenue growth has been higher in the past five years.

Better-than-expected sales bode well for earnings in the quarters ahead.

Companies had struggled to expand sales consistently since the financial crisis, often relying on cost-cutting to increase margins and boost their bottom lines. With margins stretched, investors questioned how long American corporations could boost profits without a pickup in sales.

Not only are companies beating sales forecasts, they are doing so by a wider margin.

Companies have reported revenue 1.2% above analyst expectations, better than the 0.5% average over the past five years, says John Butters, FactSet's senior earnings analyst.

—Chris Dieterich

ONLINE

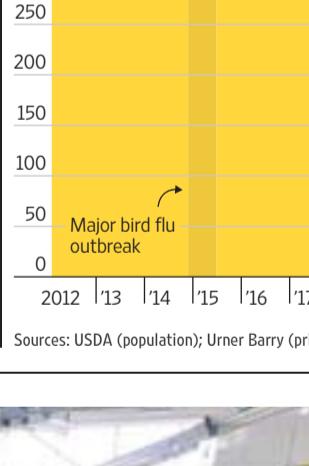


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Egg Drop

As egg-laying hen populations have rebounded from an historic avian-influenza outbreak, egg prices have plunged.

U.S. table egg-laying chicken population



Sources: USDA (population); Urner Barry (prices)

U.S. wholesale price for a dozen large white eggs in the Midwest



THE WALL STREET JOURNAL

THE TICKER | Market events coming this week

Monday

Chicago PMI

June, previous

July, expected

65.7

59.5

Earnings expected*

Estimate/Year Ago(\$)

Affiliated Managers

3.24/3.06

Alexandria Real Estate

0.43/(1.72)

Loews

0.76/0.59

Roper

2.21/1.56

SBA Comm.

0.20/0.26

Vornado

0.48/1.15

Personal income

June, previous

up 0.4%

up 0.4%

Personal spending

May, previous

up 0.1%

up 0.1%

Earnings expected*

Estimate/Year Ago(\$)

AIG

1.20/0.98

Dominion Energy

0.67/0.71

MetLife

1.28/0.83

Mondelez

0.46/0.44

Prudential

2.70/1.84

Tesla

(1.86)/(1.06)

Distillates

down 1.9

Earnings expected*

Estimate/Year Ago(\$)

Activision Blizzard

0.30/0.54

Aetna

2.37/2.21

Allergan

3.92/3.35

Duke Energy

1.02/1.07

Kraft Heinz

0.96/0.85

Regeneron

3.16/2.82

Friday

Nonfarm payrolls

June, previous

222,000

July, expected

180,000

Unemployment rate

June, previous

4.4%

July, expected

4.3%

International trade deficit (billions)

May, previous

46.5

June, expected

44.4

Earnings expected*

Estimate/Year Ago(\$)

Ameren

0.71/0.61

CBOE

0.86/0.60

Cigna

2.48/1.98

Newell

0.87/0.78

</div

MARKETS

THE DAILY SHOT By Lev Borodovsky and Colin Barr

Why the Consumer Keeps Chugging Along

Questions about the health of the U.S. consumer have ticked up in recent weeks, with another tepid GDP reading on Friday and earnings reports from major credit-card lenders showing rising delinquencies. For some investors, those signals amplified concerns about the spending outlook at a time of soft wage growth, stalling car sales and a growing overhang of auto and student-loan debt.

But some key measures of consumer health show why many investors remain upbeat: Consumer leverage and monthly obligations remain far below the levels they reached on the eve of the Great Recession.

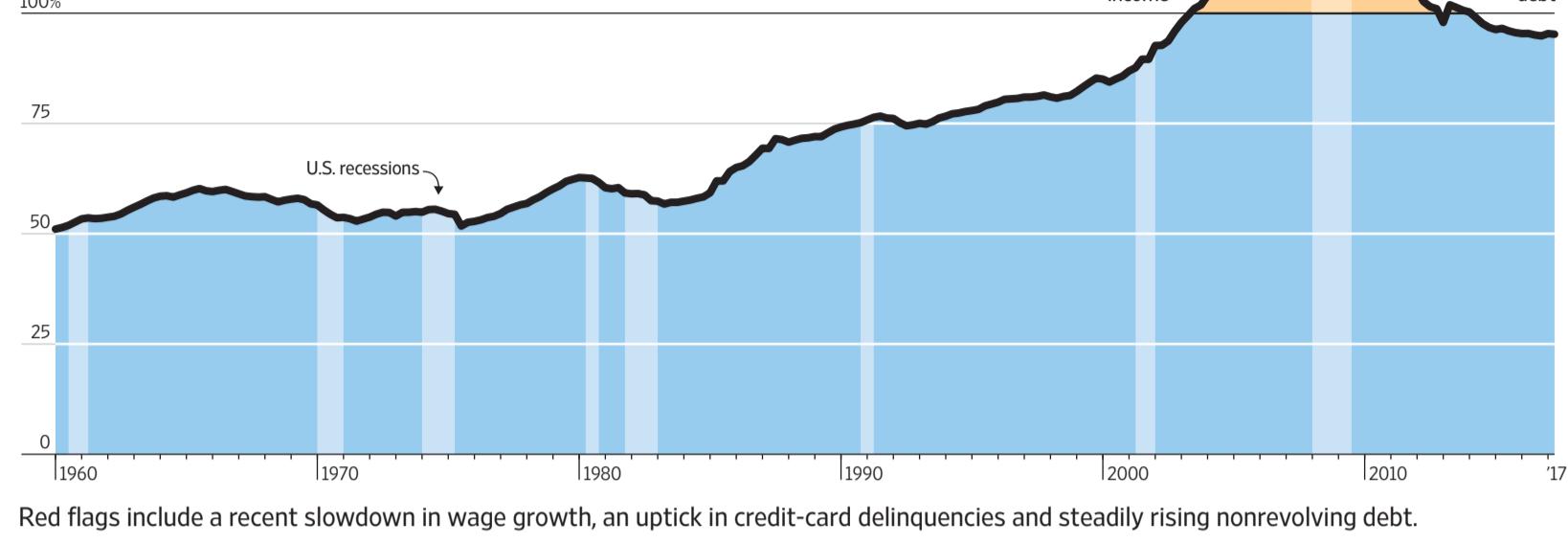
Consumers have been cautious on revolving debt, such as credit cards and home-equity loans—where they got hit hard during the recession. The mortgage market remains tight and homes are expensive (bigger down payments are required), which is keeping a lid on home-loan growth.

While consumer credit excluding mortgages is hitting new highs, reflecting the spike in student debt and auto loans since the crisis, total household leverage is not rising and debt service ratios have fallen. The consumer picture isn't a uniformly happy one, but for now the outlook appears relatively upbeat.

Overall household leverage remains well below peak levels, one positive sign for the U.S. consumer.

Total debt as a share of household disposable income, quarterly

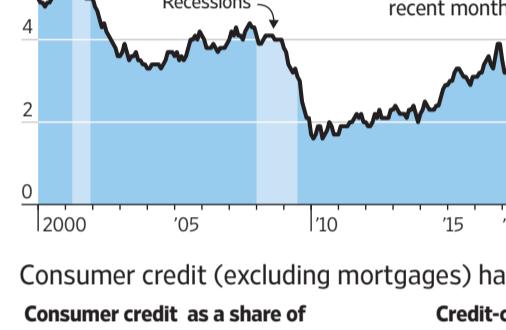
Consumer credit plus mortgage debt



Red flags include a recent slowdown in wage growth, an uptick in credit-card delinquencies and steadily rising nonrevolving debt.

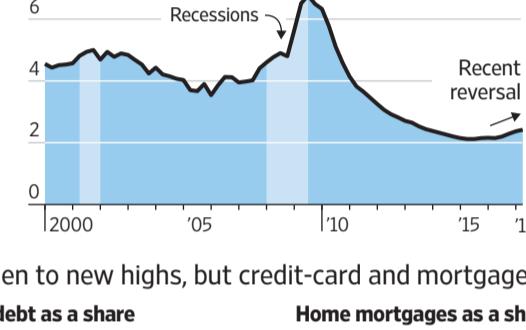
Median wage growth, monthly

Change from a year earlier, three-month rolling average



Credit-card delinquency rate, quarterly

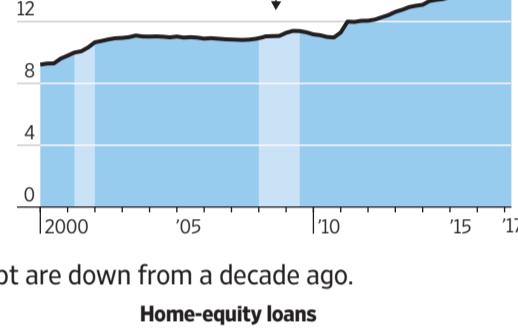
Quarterly



125%
Recession
Debt exceeds income
Consumers dial back debt

Auto and student loans (nonrevolving debt) as a share of GDP, quarterly*

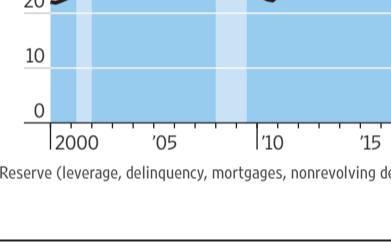
Up from 9.3% in 1Q 2000



Consumer credit (excluding mortgages) has risen to new highs, but credit-card and mortgage debt are down from a decade ago.

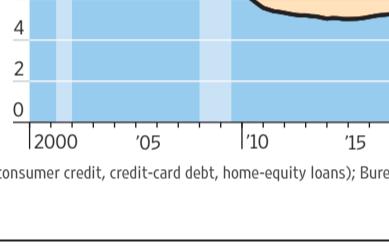
Consumer credit as a share of disposable income, quarterly

Excluding mortgages



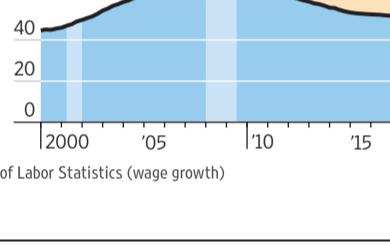
Credit-card debt as a share of GDP, quarterly*

Quarterly



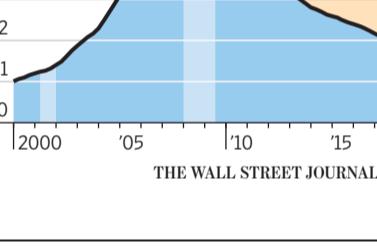
Home mortgages as a share of GDP, quarterly*

Quarterly



Home-equity loans as a share of GDP, quarterly*

Quarterly



WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at wsj.com/newsletters

*Annualized quarterly GDP. Sources: Federal Reserve (leverage, delinquency, mortgages, nonrevolving debt, consumer credit, credit-card debt, home-equity loans); Bureau of Labor Statistics (wage growth)

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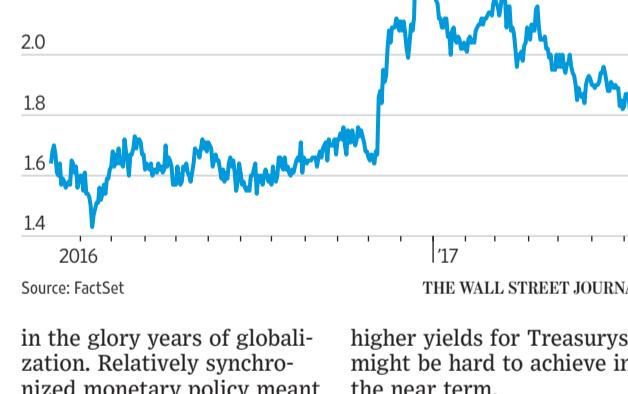
FINANCIAL ANALYSIS & COMMENTARY

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German, U.S. Yields Differ Less

Continental Drift

Yield spread between 10-year U.S. Treasuries and German bunds



in Germany, with the central bank exerting less influence over longer-term interest rates.

An important constraint on the ECB's continuing bond purchases is in Germany; even though the ECB is talking about the flexibility of the program, any tweaks seem unlikely to result in larger purchases of bonds. Meanwhile, the eurozone economy is growing strongly, reducing the allure of German debt as a haven. The rise in the euro this year suggests that faith in the currency bloc is recovering. German yields still look out of sync with economic good news such as the record in the influential Ifo business climate index.

The spotlight moves to ECB President Mario Draghi's speech at the Fed's Jackson Hole conference in August. His last appearance there in 2014 foreshadowed eurozone QE, sending the U.S.-German spread wider. This summer's visit could bring the two sides closer together again.

—Richard Barley

in the glory years of globalization. Relatively synchronized monetary policy meant yields fell together on both sides of the Atlantic.

Where policy goes now is key. Markets doubt how far the Federal Reserve might get with its tightening, and seem unflustered by the prospect of the central bank shrinking its balance sheet.

Investors may be too relaxed, but in the absence of fiscal stimulus and inflation, much

higher yields for Treasuries might be hard to achieve in the near term.

The European Central Bank, meanwhile, is set to move out of emergency-policy territory. Support for low yields on German bonds is likely to diminish as the ECB starts to move gently toward an exit from its bond purchases.

While policy rates are likely to remain ultralow for a long time to come, that implies a steeper yield curve

OVERHEARD

Online shoppers can commiserate with **Jeff Bezos**. Those who prefer to comparison-shop and eschew **Amazon.com**'s "Buy now with 1-click" feature put items they want to buy in their carts.

Sometimes, though, so-called dynamic pricing gives them a rude surprise as the price rises before they can return to complete their order.

There is no place with prices quite as dynamic as the stock market, of course, and Mr. Bezos learned that the hard way last week.

While he probably didn't have a shiny plaque that reads "World's Richest Person" in his virtual shopping cart, he got the accolade on Thursday after Amazon's share price gave him a net worth on paper of around \$92 billion, overtaking **Microsoft** co-founder **Bill Gates**.

But then the shares of Amazon dropped in late trading and fell even more on Friday in reaction to disappointing results.

Another item for the wish list.

These Chip Makers Have Long Memory

Those holding their breath for an inevitable plunge in memory chip prices can breathe a little easier.

A handful of key earnings reports last week suggest the peak in memory prices isn't at hand. **Samsung Electronics**, the world's largest maker of DRAM and NAND Flash memory, posted record profits for the second quarter that were driven in large part by its chip-making business. That comes a month after record earnings from memory rival **Micron Technology**.

Lam Research and **KLA-Tencor**, which make tools used by chip makers, reported record operating profits last week helped by capital investments in memory production.

These companies are benefiting from a resilient memory market. Memory is a volatile market that can turn quickly, but DRAM prices are still about 30% below their five-year peak, with new demand drivers like automated cars still in their infancy.

Also, the current players in the market have a strong motivation to behave rationally. Samsung, which has boosted memory production sharply in past cycles, said in its earnings call last week that it will manage its chip-making business with a "profitability focus" rather than chase market share.

Lam CEO Martin Anstice said in his company's call that capital spending should remain stable at levels well below prior cyclical peaks.

Some things could still upset the balance, such as a group of memory fabs under construction in China that may come online next year. But for now, it is nice to know that the painful lessons of the past haven't been forgotten.

—Dan Gallagher

Asset Managers Keep Spending Money to Make Money

Sudden Reversal

Share-price performance, year to date



were up an average 19%, a remarkable performance for a sector that has struggled in recent years. But these five stocks fell by an average of 4.5% over two days.

Second-quarter results

were mixed when it came to flows. AllianceBernstein, which suffered major outflows last year, saw a surprising \$4.7 billion net inflow for the quarter. Invesco, which has lately enjoyed inflows thanks largely to its strong suite of exchange-traded funds, recorded a \$600 million outflow, largely due to a redemption by a sovereign-wealth fund.

Expenses were the bigger factor. Invesco appears to have sparked the sector sell-off with its warning that costs would be elevated in the coming year. The company cited investments in new growth areas, including its robo-advisory service and

the acquisition of a European ETF company.

On Friday Franklin Resources Chief Financial Officer Ken Lewis told investors he is "leaving no stone unturned" looking for cost cuts. But he added it would still be a challenge to achieve lower expenses next year given the need to fund new strategic initiatives.

These kinds of investments make complete sense. Faced with changes in investor behavior favoring passive, low-cost alternatives, traditional asset managers can't just stand still. It is urgent for them to develop new online distribution methods such as robo advisory

ers and to offer more low-cost products like ETFs.

Based on their reaction this week, investors in these companies needed a reminder that these investments cost money.

This points to a key distinction between asset managers: Some can better afford to spend money on future technologies than others. Invesco, which attracted a net \$13 billion of inflows in 2016, is in a much better place than Franklin, which saw a whopping \$68 billion of outflows.

It can be hard to plan for the future when you are busy trying to close an open wound.

—Aaron Back

Prominent asset managers fell back to earth last week as the fundamental challenges they face resurfaced.

Investors had grown newly optimistic on the sector over the first half of the year amid ever-higher equity markets and even signs that active managers were outperforming their benchmarks for the first time in years.

That came to an end when five of the biggest publicly listed investment managers—AllianceBernstein, Invesco, Legg Mason, T. Rowe Price and Franklin Resources—reported earnings last week.

From the start of the year through Wednesday, they