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THE WALL STREET JOURNAL.

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Last week: DJIA 25019.41 ▲ 562.93 2.3% NASDAQ 7825.98 ▲ 1.8% STOXX 600 385.03 ▲ 0.7% 10-YR. TREASURY unch, yield 2.831% OIL \$71.01 ▼ \$2.79 EURO \$1.1685 YEN 112.35

What's News

Business & Finance

Trade fears have slammed markets around the world, but U.S. stocks are rising as strong profits and spending lead investors to shrug off the risks of a downturn. A1

◆ **Boeing and Airbus**, swamped with new jet orders, are struggling to deliver on time, angering customers in some cases. A1

◆ **The Pentagon said it reached a multibillion-dollar "handshake deal" with Lockheed Martin to buy the next batch of F-35 combat jets.** B1

◆ **Increasing frequency** of hacks of cryptocurrency exchanges is adding to investor worry about fraud and lax industry regulation. B1

◆ **Oil companies and utilities** are facing off over powering the next generation of cars amid the prospect of a shift to electric vehicles. B1

◆ **The U.S. is moving** to shield agricultural markets from high-frequency traders, a move some people say will make little real difference. B1

◆ **Private-equity firm** General Atlantic has invested in U.K. lending startup Greensill, continuing a bet on financial technology. B2

◆ **Shanghai and Shenzhen stock exchanges limited access** to a Hong Kong trading link, dealing a blow to smartphone-maker Xiaomi. B6

World-Wide

◆ **Trump entered his summit with Putin determined to lower expectations**, as his top aides said the goal was to open a dialogue rather than reset U.S.-Russian relations. A1

◆ **Top U.S. and Russian military officers have strengthened contacts under the Trump administration.** A9

◆ **An Israeli raid** on an Iranian warehouse in January turned up documents that included partial designs for a nuclear warhead. A6

◆ **Israel and Gaza settled** into an uneasy truce after their most intense fighting since the 2014 war. A6

◆ **Some migrant children** reunited with parents after being separated at the U.S. border have shown signs of deep emotional trauma. A3

◆ **Energy companies and trade groups are looking to the EPA acting chief for stability after Pruitt's tenure.** A3

◆ **California Democratic officials rejected Feinstein, overwhelmingly endorsing her party challenger.** A4

◆ **Hard-liners in May's own Conservative Party are imperiling the British prime minister's Brexit plan.** A8

◆ **France won the World Cup** in a 4-2 victory over Croatia, taking the trophy for the second time in its history. A16

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France Rains on Croatia's Parade to Win the World Cup



WINNERS' GRASP: French players celebrated Sunday after defeating Croatia 4-2 to win the World Cup at Luzhniki Stadium in Moscow. It was France's second World Cup trophy, coming 20 years after Les Bleus first won the soccer championship in 1998. A16

President Sets Low Bar for Putin Meeting

Trump seeks to damp expectations as critics urge him to push hard on election interference

By MICHAEL R. GORDON
AND REBECCA BALLHAUS

HELSINKI—President Donald Trump entered his summit with President Vladimir Putin of Russia with a determined effort to lower expectations, as his top aides said the goal was to open a conversation rather than accomplish a reset of U.S.-Russian relations.

U.S. lawmakers urged Mr. Trump on Sunday to press Mr. Putin about Russia's alleged meddling in the 2016 elections. Monday's meeting will mark a symbolic end to the U.S. effort to isolate Russia after its 2014 annexation of Crimea, but it remains unclear what the U.S. will get in return.

Trump officials declined to frame the meeting in those terms, undertaking a coordinated effort Sunday to lower expectations, given the summit's unpredictability. Mr. Trump said he wouldn't get credit no matter what he achieved.

"Unfortunately, no matter how well I do at the Summit, if I was given the great city of Moscow as retribution for all of the sins and evils committed by Russia over the years, I would return to criticism that it wasn't good enough—that I should have gotten Saint Petersburg in addition!" Mr. Trump tweeted as he left Scotland en route to Finland.

The meeting is unfolding three days after special counsel Robert Mueller obtained indictments of a dozen Russian intelligence officers on charges of hacking into Democratic Party servers, bringing the issue of Russia's alleged interference in the 2016 election to the fore.

Rep. Trey Gowdy (R., S.C.) urged the Republican president Sunday on CBS to press Mr. Putin to extradite the Russians charged by the special counsel with hacking Democratic email servers.

"Your first request of Vladimir Please turn to page A9

◆ **U.S., Russia bolster military ties.** A9

Jet Makers Under Strain

By ROBERT WALL
AND DOUG CAMERON

planes than it did by this time last year, despite promising 80 more this year.

The missed deliveries mean delayed payments because most cash changes hands only upon delivery. That has hit Airbus's closely followed cash flow over the year.

Airbus has missed a number of delivery deadlines, forcing airline customers to find alternatives, change routes or cancel flights. It has delivered fewer

"It is on all of our radars every day," Boeing Chief Executive Dennis Muilenburg said Sunday at the Farnborough Air Show in the U.K., the industry's biggest trade show of the year. The company has made investments to help manage its suppliers, he said, including in technology to help monitor their performance.

Those efforts are crucial, he said, with Boeing poised to deliver more than 800 planes for the first time this year and

more than 900 annually by the end of the decade.

For years, booming demand for new aircraft has made it more challenging for jet makers to deliver planes on time to airline customers. A supply-line crunch for items including en-

Please turn to page A4

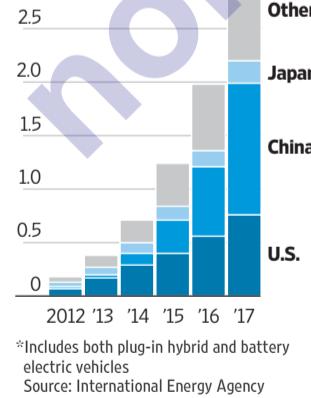
◆ **Lockheed and Pentagon in F-35 deal.** B1

◆ **Aircraft makers uneasy over trade.** B3

Electric Cars Spur Oil Shift

Oil firms are pushing back as electric vehicles grow. B1

Electric cars registered to operate on the roads



World's Biggest Companies Hog Gains From Innovation

Benefits aren't trickling down, a possible choke on productivity growth

By Jason Douglas, Jon Sindreu
and Georgi Kantchev

As far back as the industrial revolution, major innovations have traveled swiftly from company to company and industry to industry, an economy-boosting phenomenon called diffusion.

Today, there is mounting evidence this engine of growth seems to be misfiring, a phenomenon some economists say helps explain the slowdown in productivity growth bedeviling developed economies.

Productivity, usually measured as output per hour or per worker, refers to the efficiency with which goods and services are produced in an economy. Boosting productivity—raising the amount of goods and services produced by

each worker—is one of the most important long-term drivers of rising living standards.

Lately, economists have discovered an unsettling phenomenon: While top companies are getting more productive, gains are stalling for everyone else. And the gap between the two is widening, with globalization and new technology delivering outsized rewards to the titans of the global economy.

"Whatever good stuff is happening at the high end is not diffusing down to the tail," says Andrew Haldane, chief economist at the Bank of England.

Productivity ills can ultimately hurt living

Please turn to page A12

Vacuuming the Grass, Plucking Blades: This Is Extreme Lawn Care

For some fanatics, mowing is a labor of love. And it's getting competitive.

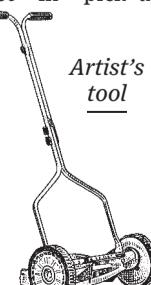
By JAMES R. HAGERTY

ally hauls out his shop-vac to extract it.

Each morning, he tries to pick up any twigs or leaves that may have fallen on his grass overnight. Sometimes he sweeps sticks and debris from the street in front of his house to keep the landscape tidy.

"The lawn is his little farm," said Mr. Trzynka's wife, Ginger.

For most people, lawn care is a tiresome chore or some-



Please turn to page A12

U.S. Investors Defy Trade Fears

Leading the Pack

U.S. stocks have held onto their gains, even as fears that a global trade conflict could worsen have weighed on indexes in Europe and Asia.

Performance, year to date



repercussions from more trade barriers. Tariffs on steel and aluminum have already hurt shares of U.S. manufacturers and producers, even as most stocks have largely been spared.

With the trade tariffs, the U.S. is "shooting itself in the economic foot," said Richard Bernstein, chief investment officer of investment adviser firm Please turn to page A2

U.S. NEWS

THE OUTLOOK | By James Glynn

Keeping an Economic Boom Going

Sydney

U.S. history suggests economic expansions come with expiration dates.

Since 1854, the U.S. has experienced 34 expansions, lasting from 10 months to 120. The current one, in its 10th year, is already longer than all but the one of the 1990s.

Is it doomed to end soon? While U.S. history suggests yes, one advanced economy far away suggests perhaps not.

Australia is experiencing an amazing economic run—a 27-year expansion that survived a regional economic crisis in the 1990s, a global economic crisis in the 2000s, and a boom-boost cycle in its core commodity sector in the 2010s.

Its experience offers lessons for the U.S. and the rest of the world. Among them, the laws of economics don't dictate that expansions run on preset timetables. Wise policy-making, and some luck, carried Australia's expansion into the record books. The more troubling news is the U.S. doesn't seem to be following some of these lessons, and others might not apply.

Australia paid down gross government debt from 32% of gross domestic product in 1994 to less than 10% in 2007,

according to International Monetary Fund estimates, effectively socking away resources during good times, taking some steam out of an already strong economy and leaving the government with a cushion to support the economy on a rainy day.

When the global crisis hit in 2008, Australia cut taxes and increased spending, pumping 70 billion Australian dollars (US\$52 billion) into its economy, equal to 1.6% of economic output, more than U.S. stimulus equal to 1.25% of output, according to Australian Treasury Department estimates.

Ben Jarman, economist at JPMorgan Chase & Co., said the stimulus helped convinced businesses that any downturn would be moderate, putting a brake on layoffs.

"Firms did not believe the downturn would persist," he said. "This moderated the shock to unemployment and smoothed the income adjustment across households."

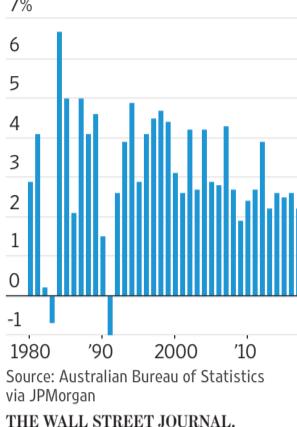
Despite early forecasts that Australia's jobless rate would head above 10%, in the end it peaked at less than 6%.

U.S. fiscal policy right now—tax cuts and increased spending—is adding to growth at a moment of al-

That's an Expansion

Economic growth in Australia has continued for nearly three decades.

Australia's GDP, change from a year earlier



Source: Australian Bureau of Statistics via JPMorgan

THE WALL STREET JOURNAL.

ready low unemployment, heating up the economy when it's already on strong footing and pushing up national debt. That could leave fewer resources when the next recession threatens. Mr. Jarman's New York colleague, Michael Feroli, said that "is completely at odds with one of the main lessons of the Australian long expansion."

Australia's central bank, the Reserve Bank of Australia, also played a role cushioning the business cycle. The RBA

lowered interest rates by 4.25 percentage points between September 2008 and April 2009 to 3%, stimulating borrowing, spending and investment.

It had room to cut rates because the central bank spent the prior six years raising interest rates, beginning the process when the Federal Reserve was still cutting.

"The RBA was almost the only central bank in the developed world which didn't make the mistake of leaving rates too low for too long," said Saul Eslake, former Australian chief economist at Bank of America-Merrill Lynch.

That helped to tame a property price boom. "The lesson for both economies is to regulate the finance sector vigilantly, to lean against bubbles, and to make financial stability one of the goals of the central bank," said John Edwards, economist and former RBA board member.

The Fed is raising short-term rates now, but they're still below 2%, leaving little room to cut rates to stimulate the economy should a new downturn threaten.

Trade is another big part of Australia's story. A 40% drop in the value of Australia's currency after the collapse of Lehman Brothers, and a similar-sized drop after the Asian

financial crisis in the 1990s, helped it to boost exports.

The currency might not offer the U.S. much help if the cycle turns, because the dollar typically attracts buyers seeking a haven during times of global stress. The dollar got stronger in the last crisis, not weaker.

Moreover, China and Australia have an economic relationship the U.S. can't mimic. Australia runs a trade surplus with China, one of a few countries to do so, thanks in large part to its mineral exports, but also because it attracts tourism and foreign students to its schools.

China and Australia have a free-trade agreement. The U.S., on the other hand, is increasing trade barriers with China and others.

The policy differences seem to suggest high hurdles to an equally long U.S. boom.

And indeed, Australia's own boom now faces its own threats.

The absence of recession has been accompanied by a long run higher of Australian house prices and fueled a borrowing binge that pushed household debt to 200% of household incomes. The RBA identifies it as the biggest risk to the outlook.

ECONOMIC CALENDAR

TUESDAY: The Federal Reserve releases figures on June U.S. **industrial production**. Economists will monitor Tuesday's report for signs that the manufacturing sector is picking up steam. Those surveyed by The Wall Street Journal expect industrial production increased 0.5% last month.

Fed Chairman Jerome Powell is scheduled to testify on Capitol Hill over two days, beginning Tuesday in the Senate. Investors will be looking for clues about how Mr. Powell might change the Fed's rate plans if the U.S. faces a more protracted trade fight or if long-term bond yields fall below short-term yields, a so-called inversion of the yield curve that has typically preceded a recession.

WEDNESDAY: The Commerce Department releases data on June U.S. **housing starts**. Economists surveyed by The Wall Street Journal forecast housing starts dropped 2.2% in June to a 1.32 million annual rate, while permits rose 0.7% to a 1.31 million annual rate.

FRIDAY: Japan's statistics bureau releases the **consumer-price index** for June (release time is Thursday evening in the U.S.). Despite aggressive monetary easing by the Bank of Japan for more than five years, prices have become sluggish again in recent months. Economists expect the June figure to come in at 0.9%. The BOJ has a 2% inflation target.

U.S. WATCH

CHICAGO

Man Shot by Police Had Gun, Video Shows

Video released from an officer's body-worn camera shows a black man killed by Chicago police had a gun in a holster at his hip and was running away and reaching toward his waist when he was shot multiple times.

Police released the 30-second clip without sound Sunday, a day after 37-year-old Harith Augustus was killed in a shooting that set off violent protests.

The video shows four officers approaching Mr. Augustus outside a store. An officer points to Mr. Augustus's waist and he backs away. Three officers try to grab his arms and he tries to get away, backing into a police cruiser as his shirt flies up and shows the gun.

The footage pauses and zooms in on the weapon. He then runs away and into the street as a police SUV drives up. He spins and darts between the SUV and the police cruiser as he reaches toward his waist.

Mr. Augustus died of multiple gunshots wounds on the city's South Side, medical examiners said. He wasn't a known gang member and had no recent arrest history, police spokesman Anthony Guglielmi said.

—Associated Press

CALIFORNIA

Growing Fire Closes Route Into Yosemite

A wildfire that killed a firefighter grew quickly and forced the closure of a key route into Yosemite National Park as crews contended with sweltering conditions Sunday, authorities said.

The blaze that broke out Friday scorched more than 6 square miles of dry brush along steep, remote hillsides on the park's western edge. It was burning largely out of control, and officials shut off electricity to many areas, including Yosemite Valley, as a safety precaution.

Guests were ordered to leave Yosemite Cedar Lodge Saturday afternoon as flames crept up slopes and the air became thick with smoke.

Evacuations were also ordered in rural communities just outside the park, and people in nearby lodges and motels were told to be ready to leave if flames approach. A stretch of State Route 140 into Yosemite was closed, and motorists were urged to find alternate routes.

Spiking temperatures and inaccessible terrain was making it difficult for crews to slow the flames, U.S. Forest Service fire Capt. Mike Seymour said.

—Associated Press



A frame grab from a Chicago police body cam video shows authorities pursuing Harith Augustus shortly before he was shot dead.

CORRECTIONS & AMPLIFICATIONS

In a new research project involving Facebook Inc. data, the researchers won't have the same access as Facebook employees, and their view "will be limited to public information and de-identified or aggregated datasets." A Technology & Media article Thursday about the research project quoted a professor who misspoke when he said that researchers would have the same access that employees have.

Comedian Paul Mercurio

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U.S. Stocks Defy Fears On Trade

Continued from Page One

Richard Bernstein Advisors.

Should global trade slow broadly or the prices of goods jump, that could in turn cut into spending by consumers and businesses. A 10% rise in import costs could hurt foreign sales and chip away 3% to 4% from per-share earnings growth, Bank of America Merrill Lynch analysts found in a report.

But the U.S. stock market's resilience amid tense trade talks suggests investors are viewing trade-related market ructions as buying opportunities instead of warning signs. The S&P 500, which fell 0.7% on Wednesday after the Trump administration unveiled plans to place tariffs on an additional \$200 billion of Chinese goods, rebounded 1% over the following two days.

"The markets are kind of treating the trade dispute as cheap talk. That's a bit of a miscalculation from the political risk point of view," said Mark Rosenberg, chief executive of GeoQuant, which uses artificial intelligence to project geopolitical developments and their impact on markets.

"There is going to be some more concrete damage."

The U.S. is in a better position to withstand economic downturns, some analysts said, making the U.S. market a relative haven. Even after a nine-year stock rally, U.S. corporate earnings are strong and consumer confidence is robust.

Goldman Sachs estimates exports to China make up 1% of U.S. gross domestic product. That makes it unlikely tariffs will have a material impact on the earnings growth of U.S. multinational companies, according to the firm.

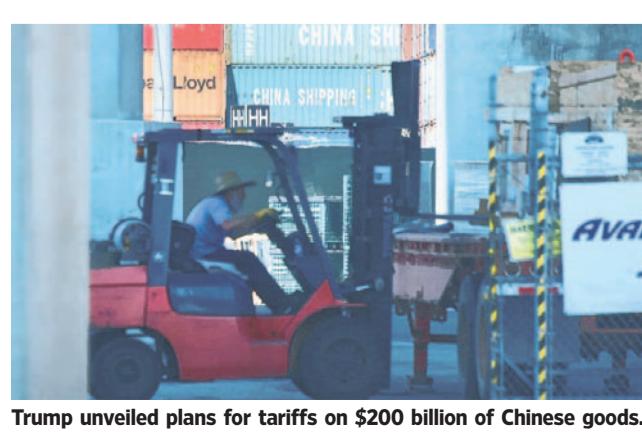
"If somebody's going to get hurt if we engage in some kind of trade war, it's far more likely to be China than the U.S.," said Mark Grant, chief global strategist and managing director at B. Riley FBR Inc.

To some, the market's calm also reflects the outlook that

tariffs won't substantially threaten corporate profits. Analysts remain optimistic about future earnings: Bank of America Merrill Lynch raised last week its 2018 and 2019 earnings-growth estimates for the S&P 500, citing strong U.S. economic data and better-than-expected earnings in the first half of the year.

"It's pretty difficult to get a really dire economic scenario just from the tariffs," said Ed Campbell, a senior portfolio manager at QMA. He said his firm, which is more optimistic about growth in the U.S. than in the rest of the world, has been skewing the equities in its multiasset portfolio toward U.S. stocks.

Morgan Stanley researchers found about a fifth of the volatility in the U.S. stock market since the beginning of March can be explained by trade risk.



FREDERIC J. BROWN/AF/GETTY IMAGES

Trump unveiled plans for tariffs on \$200 billion of Chinese goods.

"Trade risk is not systemic across equities," said Brian Hayes, a quantitative analyst at the bank. "There were idiosyncratic risks, but it was not affecting the overall market."

Still, some parts of the market are reflecting burgeoning unease, investors said.

Investors are pouring more funds into the S&P 500 utilities sector—considered a safer bet because of its relatively big dividend payouts. The sector has risen 8.1% over the past four weeks, soaring past the broader index's 0.9% advance across the same period. Shares of smaller, more domestically focused U.S. firms, which are seen as more insulated from global issues, have also outperformed, with the Russell 2000 more than doubling the S&P 500's gain for the year.

Some fear a dire scenario if the trade strife heightens. The S&P 500 could fall as much as 21% to around 2200 if the U.S. and China slap 30% tariffs on each other's goods and global auto tariffs are levied, UBS analysts found in a report.

So far, the markets are "ascribing a very low probability" of a worst-case scenario panning out, said Keith Parker, chief U.S. equity strategist at UBS.

"There's too much at stake on both sides to let relationships deteriorate to that point," Mr. Parker said.

—Peter Levin contributed to this article.

U.S. NEWS

To Recruit, Colleges Use Corporate Book

Schools tap retailers' approach in analyzing consumer databases for targeted ads

BY MELISSA KORN

Houston Baptist University found a new way to appeal to prospective graduate students: boats.

The university hired higher-education consulting firm EAB to analyze a vast consumer database aiming to identify potential applicants the same way retailers find shoppers. EAB created a demographic and psychographic profile of Houston Baptist's enrolled students and found a high percentage had interests in recreational boating and fishing. They also liked to travel, and many had children, so their schedules were packed tight.

Houston Baptist's next Facebook advertisement used a picture of a woman fishing with her children, suggesting adults could go to school and still have time for family fun. Another featured a woman checking flight times at an airport, referencing the global opportunities available to business students—75% of whom indi-

cated an interest in travel.

Consumer-driven marketing, as EAB calls it, is the latest step in universities' efforts to enroll adult students and build up a new revenue stream as the number of new high-school graduates stagnates.

While traditional college prospects are easy to find—in high schools, with plenty of data on their family income and academic interests available for purchase through the companies that administer standardized tests—adults who may want to complete their degrees or pursue graduate studies are trickier.

A tight labor market means adults can find decent-paying jobs without advanced degrees. That makes pricey programs a tough sell, even if there is payoff down the line. Undergraduate and graduate enrollment by students over age 24 fell by 6.8% between fall 2015 and fall 2017.

Big data aren't new in admissions, with colleges targeting prospects in certain ZIP Codes or with particular test scores, for decades. But the schools have come a long way in embracing consumer marketing techniques. EAB taps into a database run by V12 Data, with 115 data points on

more than 200 million U.S. adults.

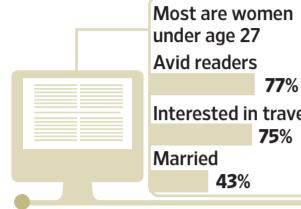
With the help of consultancy Capture Higher Ed in Lexington, Ky., tiny Kentucky Wesleyan College has posted ads akin to the "Were you still interested in that blouse?" messages that online retailers use after a shopper leaves a site. Once web users toggled over to another page after visiting the school's admissions website, they would see a banner ad reminding them it isn't too late to finish applying.

The school ended its contract with Capture Higher Ed in March, after a year, said spokesman Eddie Kenny, citing budget constraints. "We certainly wish we had the resources to utilize more of what they have to offer," he said.

Prospective students might be turned off by the idea of schools following their online moves, though the institutions only use that tactic for individuals who opted in to sharing their information via browser cookies, according to Thomas Golden, senior vice president for data science at Capture Higher Ed. And while the consumer-marketing methods are more efficient than mailing the same postcard to thousands of people, schools say, it

Taking Flight

Higher education consulting firm EAB uses data from a vast national consumer database to profile current students and shape advertising to appeal to people who seem similar. Here's one real-life example for Houston Baptist University:



1 EAB cross-referenced information about current graduate business students with information in the database.



2 A Facebook ad was produced showing a young woman checking an airport departures board and the tagline 'Open a Whole New World of Opportunity.'

3 The school received roughly 100 new inquiries and enrolled between 10 and 15 more people for the coming fall, tied to the targeted ad campaigns.

Sources: EAB; Houston Baptist University

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Houston Baptist University hired a firm to study its student data.

isn't necessarily cheaper.

"You're meeting the prospect where they are," said Brittany Murchison, managing director of program marketing for EAB's adult learner division.

The company began using machine learning in identifying and marketing to potential students in late 2016, and now works with about 70 schools on that initiative.

Rollback of Guidelines To Hit K-12 Integration

BY MICHELLE HACKMAN

WASHINGTON—The Trump administration's recent decision to roll back affirmative action guidelines sent a ripple through the nation's colleges and universities, but it also affects desegregation efforts at K-12 schools.

Public school districts across the country have long wrestled with how to desegregate their schools in ways supported by the law, which forbids districts from using the race of individual students to determine their placement.

During the Obama administration, their efforts were directed by a set of federal guidelines detailing ways schools could take race into account, such as drawing zoning lines to include racially diverse neighborhoods.

Trump administration officials rescinded that document, along with six others relating to the use of race in college and university admissions, and replaced it with a Bush-era set of guidelines directing schools to adopt non-race-based measures to create diversity.

Despite the rollback, schools are still permitted under federal law to use race broadly as one factor when drawing up voluntary integration plans. In a recent statement, Education Secretary Betsy DeVos, whose agency joined the Justice Department in removing the Obama guidelines, said Supreme Court precedent, not direction from the executive branch, should dictate schools' actions.

"The court's written decisions are the best guide for navigating this complex area," Mrs. DeVos said. "Schools should continue to offer equal opportunities for all students while abiding by the law."

But the administration's decision to rescind the guidelines signals its legal philosophy, and may indicate that it will investigate complaints or join lawsuits against schools that do use race in their desegregation plans.

"It might be an indication of what direction the administration chooses to go in, which is looking at efforts aimed at increasing diversity and looking at perhaps challenging them," said Dennis Parker, director of the racial justice program at the American Civil Liberties Union.

In 2007, the Supreme Court ruled districts could continue to use race in determining the makeup of their school populations as long as they didn't select individual students solely on the basis of race.

Retiring Justice Anthony Kennedy was the architect of the 2007 ruling.

Most school districts avoid the risk altogether by using factors other than race, such as students' socioeconomic status, to integrate their schools.

—Leslie Brody contributed to this article.

Pain Persists for Some Reunited Children

BY ARIAN CAMPO-FLORES
AND MELANIE GRAYCE WEST

In the days after Ever Reyes Mejia was reunited with his 3-year-old son last Tuesday, the young father tried to make their lives seem normal again.

The two kicked around a soccer ball and played with toy cars while staying at a volunteer's home in Detroit. Mr. Reyes Mejia wrapped his son in tight embraces, promising he would never be alone again.

Father and son were separated three months ago at a Texas migrant-detention center; the boy was sent to an agency in Michigan while Mr. Reyes Mejia was sent to another Texas facility.

Mr. Reyes Mejia said his son isn't the same. He doesn't speak much. He wants to be constantly close to his father and worries every time Mr. Reyes Mejia steps away. "His personality has changed," Mr. Reyes Mejia said. "Inside, he carries like a sadness."

The Trump administration began separating families as part of its crackdown on illegal immigration. President Donald Trump ordered a halt to the practice after widespread outrage and a court ordered the administration to reunite more than 2,000 children with their families by the end of the month.

Families' joy of reunification has come in some cases with the realization that the psychological effects of separation will take time to repair.

In testimony Thursday before the New York City Coun-



Ever Reyes Mejia and his 3-year-old son, right, were reunited after three months, and on Saturday they joined the rest of their family.

cil, Jennifer Havens, director and chief of service for child and adolescent psychiatry at Manhattan's Bellevue Hospital Center, said the separated children have experienced trauma, whether at home or in crossing the border and being separated from a parent.

In New York City, the roughly 300 separated children in the care of various social-services organizations have regular access to mental-health staff and city services that include bilingual child psychiatrists and a pediatric

psychiatric emergency room.

Most of the children are resilient, Dr. Havens said, but there is a subset who have a significant disorder associated with the trauma of separation. Some show signs of major depression.

Some very young children appear confused or don't recognize a parent upon reuniting, Dr. Havens said.

"For parents to have to go through sort of reacclimating themselves to their children is just horrific," she said.

The Trump administration

said it has reunited all eligible children under age 5 with their families—58 in all—out of more than 2,000 children separated from their families.

Officials said 46 other young children weren't immediately reunited because they were deemed ineligible—in some cases because the adults seeking to rejoin them posed safety concerns, including charges or convictions for child cruelty and domestic violence, according to U.S. officials.

On Saturday, Mr. Reyes Me-

jia and his son rejoined his wife and their 5-month-old daughter in Houston, after flying down from Detroit. Mother and daughter had crossed the border in May and were detained and released, but not separated. They are now all staying with a relative in Houston as their asylum claims are processed.

"He was alone and damaged," Mr. Reyes Mejia said of his son. "I ask him to forgive me."

—Erin Ailworth contributed to this article.

ERIN AILOWORTH/THE WALL STREET JOURNAL

EPA Head Vows to Be 'Stabilizing Force' After Turmoil

BY TIMOTHY PUKO

Energy companies and trade groups hope the new leader of the Environmental Protection Agency will bring a steady hand to the post.

Gone is Scott Pruitt, an outsider who became famous for multiple scandals, political ambition and antagonizing the agency he led. His acting successor as EPA administrator, Andrew Wheeler, has been a Washington insider for almost 30 years. Before becoming Mr. Pruitt's deputy in the spring, Mr. Wheeler was a behind-the-scenes adviser, lobbyist and policy wonk, known for being friendly even to junior staffers and strident political foes.

Mr. Wheeler, 53, said he wants to avoid the distractions that have plagued the EPA in recent months. "I do want to be a stabilizing force," he said during an interview.

Mr. Wheeler takes over an agency beleaguered by conflict, at a time when it seeks to shift from announcing rollbacks to more detailed policy work to make those rollbacks stick.

Regulatory Methods Fed Pruitt's Critics

One of the main criticisms directed at former Environmental Protection Agency Administrator Scott Pruitt was that some of his regulatory changes had already lost in court, while others appeared vulnerable because his team hadn't laid out enough of a legal rationale or evidence for their new rules.

Mr. Pruitt's proposal for loosening tailpipe-emissions

limits—one of his biggest proposed rollbacks—became one of the starker examples.

The filing was all of 38 pages long, including graphics provided by industry trade groups.

Lobbyists criticized it for failing to include enough of the EPA's own research and technical data.

By comparison, the Obama-era proposal it was designed to replace was 268 pages long, with a 719-page technical support document.

In announcing that policy,

Mr. Pruitt invited allies to fill the meeting room, many holding signs and cheering his proposal.

It was a common tactic for Mr. Pruitt's team, which limited some reporters' access to major news announcements while inviting supporters from groups like conservative think tanks.

"When the new rules come out, you'll see a lot more 't's crossed and 'i's dotted," said Stephen Brown, chief lobbyist at Texas-based oil refiner Anadarko Corp.

—Timothy Puko

donor to Mr. Trump's campaign.

For his second full week in the agency's top job, Mr. Wheeler is planning to issue a memo announcing the return of internal reviews for all regulatory proposals, as was the norm in the George W. Bush and Barack Obama years.

Though slower, the process is

designed to ensure that what the agency churns out is on firmer legal footing.

Mr. Wheeler has spent the

past few weeks doing interviews with reporters, meeting with environmental groups and calling members of Congress.

The first three legislators he reached were Democrats, and he pledged to go to more meetings and hearings on Capitol Hill to repair the EPA's ties with Congress, which deteriorated under Mr. Pruitt.

"I'm not going to get lasting changes in programs by

just talking to my friends," Mr. Wheeler said.

While many Democrats and environmentalists are skeptical about Mr. Wheeler because of his connections to coal and the energy industry, some have expressed cautious optimism.

"We have no illusions that major policies are going to change. We're going to disagree," said Collin O'Mara, president and chief executive of the National Wildlife Federation, one of the environmental groups Mr. Wheeler met with in recent weeks. "But he tends to be more collaborative. He gets experts involved in decision making...There are going to be some areas where we can make progress."

At an all-staff meeting last week, Mr. Wheeler called the agency's career staff the "most dedicated" in government and praised their passion for protecting the environment. That stood in contrast to Mr. Pruitt, whose mistrust of career staff kept him from effectively mobilizing them to advance his agenda, some of his supporters said.



MARK WILSON/GETTY IMAGES

EPA leader Andrew Wheeler

U.S. NEWS



FROM TOP: J. SCOTT APPLWHITE/ASSOCIATED PRESS; CLIFF OWEN/ASSOCIATED PRESS

Judge Brett Kavanaugh, below, has been nominated to succeed retiring Justice Anthony Kennedy, front row, second from the left.



Court Connections

If Judge Brett Kavanaugh joins the Supreme Court this fall, he will have links with justices from all parts of the political spectrum.

1. **Justice Elena Kagan:** Hired Judge Kavanaugh at Harvard Law School.
2. **Justice Samuel Alito:** Selected by President George W. Bush when Judge Kavanaugh was a top staffer at the Bush White House. Has hired Kavanaugh clerks.
3. **Justice Sonia Sotomayor:** Shares Judge Kavanaugh's passion for baseball (she's a Yankees devotee and he's a Nationals booster). She has also hired Kavanaugh clerks.

4. **Justice Neil Gorsuch:** Clerked with Judge Kavanaugh at the Supreme Court. Both attended Georgetown Preparatory School in Washington.
5. **Justice Ruth Bader Ginsburg:** Joined Judge Kavanaugh for mock trials staged by Washington's Shakespeare Theatre Company.
6. **Chief Justice John Roberts:** A longtime friend of Judge Kavanaugh's, who (when Judge Kavanaugh was at the White House Counsel's Office) helped shepherd him through the confirmation process.
7. **Justice Clarence Thomas:** He and Judge Kavanaugh are both longtime members of the Federalist Society, a conservative legal group.
8. **Justice Stephen Breyer:** Hired a Kavanaugh clerk for the coming term.

Tenor at Court Could Shift

Kavanaugh's collegial nature has won plaudits from those who disagree with him

BY JESS BRAVIN
AND BRENT KENDALL

WASHINGTON—There is little doubt the Supreme Court will extend its turn to the right if Judge Brett Kavanaugh joins the bench this fall. But Judge Kavanaugh's connection with nearly every justice, and his reputation as a straight-shooter even among those who disagree with him, suggest he would make the ride as smooth as possible.

The court's last term saw it swerve between far-reaching 5-4 decisions that overruled precedent and cases that fizzled out with procedural rulings. The next justice's demeanor could calm an institution no longer entirely immune to the discord that now defines Washington.

"They say every time you get a new justice, the whole chemistry of the court changes," said Daniel Epps, a law professor at Washington University in St. Louis.

This time, there won't simply be a change in personality, but in the court's ideological cast if Judge Kavanaugh, a down-the-line conservative, succeeds Justice Anthony Kennedy, who found accommodation with liberals in decisions expanding gay rights, maintaining access to abortion, and limiting capital punishment.

Over 12 years on the U.S. Court of Appeals for the District of Columbia Circuit, Judge Kavanaugh has built "a very good reputation for working with people across

ideological lines," Mr. Epps said, and the clerks he has sent to the Supreme Court have been hired by justices of every ideological bent.

In recent years, Judge Kavanaugh has joined with Justice Ruth Bader Ginsburg and other Democratic appointees for mock trials staged by Washington's Shakespeare Theatre Company.

He took pains to praise another liberal judge, Robert Katzmann of the Second Circuit in New York, when reviewing his book, "Judging Statutes," which advanced legal methods at odds with his own. "Chief Judge Katzmann is one of America's finest judges and a true role model for me and many others, both in how he approaches his job and in how he seeks to improve the system of justice," Judge Kavanaugh wrote two years ago in the Harvard Law Review.

"Even where I disagree, I have learned a great deal."

Should he join the Supreme Court, Judge Kavanaugh "already has built-in relationships. He is a voice the justices are going to be primed to listen to," said Luke McCloud, a lawyer at Williams & Connolly LLP who clerked for Judge Kavanaugh before clerking for Justice Sonia Sotomayor.

Mr. McCloud said that on the D.C. Circuit, Judge Kavanaugh "always tried to take his colleagues' views into account even when he disagreed with them."

It is hard to know how collegiality translates into judicial decisions, but there have

been times when Judge Kavanaugh has found himself in the majority when fellow conservatives dissented.

In 2013, he was in the majority of a 2-1 ruling that sided with environmentalists in a greenhouse-gas case over regulation of "biogenic" emissions. In 2014, he was part of the majority when the full court upheld government regulations that required country-of-origin labeling on meat products, over a dissent by other conservatives who believed the First Amendment prohibited the compelled disclosures.

'They say every time you get a new justice, the whole chemistry of the court changes.'

Judge Kavanaugh "doesn't have any sharp elbows," said Carter Phillips of Sidley Austin LLP, who has argued numerous cases at the D.C. Circuit and the Supreme Court. "He's nice to everybody in every setting I've seen him."

It was by no means evident Judge Kavanaugh would win plaudits for collegiality when President George W. Bush nominated him to the D.C. Circuit in 2003. At that point, he was best known as a combatant in the partisan wars that raged from Bill Clinton's presidency through the disputed 2000 presidential election and

into the Bush administration. He had served as a top prosecutor in the Whitewater investigation that led to Mr. Clinton's impeachment. He helped the legal team that put Mr. Bush in the White House after a Florida election recount was halted. Under then-White House Counsel Alberto Gonzales, he helped drive the Bush administration's push to put young conservatives on the federal bench, including Chief Justice John Roberts, whom he counts as a friend.

"Brett Kavanaugh's nomination to the D.C. Circuit is not just a drop of salt in the partisan wounds," Sen. Chuck Schumer (D., N.Y.), now the Senate minority leader, said in 2004. "It's the whole shaker."

When Mr. Trump announced his nomination this month, Judge Kavanaugh tried to show that times had changed. He thanked Justice Elena Kagan, a 2010 Barack Obama appointee, for hiring him to teach a course when she was dean of Harvard Law School. The Kavanaugh-Kagan relationship may be one to watch in particular, should they serve together. As her offer—and his acceptance—to teach at Harvard suggests, both have seen advantage in detente.

That could create a contrast with Justice Neil Gorsuch, whose first term suggests little collaboration with liberal colleagues. "It will be interesting to see if [Kagan] and Kavanaugh forge some kind of relationship that seems to be absent with Justice Gorsuch," Mr. Epps said.

Democratic Board Rejects Feinstein

By DOUGLAS BELKIN

California Democratic officials rejected Sen. Dianne Feinstein on Saturday night with an overwhelming endorsement of her party challenger, liberal state Sen. Kevin de León, just six weeks after Ms. Feinstein handily beat Mr. de León in a primary.

The endorsement of the party's executive board, with 65% of the vote, came despite Ms. Feinstein's entreaties for members not to back any particular candidate. She received 7% of the ballots.

The disparity between state primary voters and party leaders reflected a tack to the left among younger activists who are rising through party ranks and are frustrated by President Donald Trump's policies on such issues as immigration, health care and environmental protections. Ms. Feinstein, 85 years old, who has a record of centrist pragmatism, is seeking a fifth full term.

"We have presented Californians with the first real alternative to the worn-out Washington playbook in a quarter-century," Mr. de León said.

Mr. de León, 51 years old, represents Los Angeles in the state Senate, where he has served as president. He is the author of California's sanctuary-state legislation, backs a single-payer health-care system and has written a number of bills aimed at increasing renewable energy and reducing carbon emissions in the state.

The vote means Mr. de León will receive several million dollars in exposure through the Democratic Party, but he remains a long shot to unseat Ms. Feinstein. She received

44% of the votes in last month's primary to Mr. de León's 12% and has significantly more money in her campaign war chest.

The two Democrats will face each other again in November because California has an open primary system, in which the top two finishers face each other regardless of party.

"While 217 delegates expressed their view on Saturday, Senator Feinstein won by 2.1 million votes and earned 70% of the Democratic vote in the California primary election, carrying every county by double digits over her opponent," Feinstein campaign manager Jeff Millman said in a statement.

But even if Ms. Feinstein's political future isn't imperiled, the development reflects the growing strength of progressive activists within the Democratic Party. In late July, Alexandria Ocasio-Cortez, a 28-year-old former Bernie Sanders organizer, pulled off a major upset by defeating long-time Rep. Joe Crowley of New York in a Democratic primary.



ALEX BRANDON/ASSOCIATED PRESS

Close Vote Expected On GOP Convention

By VALERIE BAUERLEIN

The scheduled vote Monday by the Charlotte, N.C., city council on final approval for its bid to host the 2020 GOP convention is turning into an unexpected cliffhanger, with liberal council members facing mounting pressure not to host President Donald Trump's expected nomination for a second term.

Democratic Mayor Vi Lyles pledged the city's support last spring when Charlotte entered what would prove to be the winning bid with national Republicans. She said Charlotte should be a place of inclusion, not exclusion.

"The best opportunity to change minds and influence decisions is through engagement," she said in a July 10 op-ed in the Charlotte Observer.

But some council members said they gave the OK to submit a bid, not for a final deal.

Brainton Winston, a Democrat and community activist elected last November, said he is concerned about the city seeming to endorse Mr. Trump, who he sees as divisive. Mr. Winston said Charlotte is also still rebuilding

civic trust after a series of violent protests in 2016 over police shootings, and the convention will likely bring more protests.

"Does Charlotte want to take that responsibility for the nation?" he said.

Monday's vote could either help repair or further damage the relationship between the state's biggest city and its Republican legislative leaders, said Tariq Bokhari, a Republican council member.

The state GOP declined to comment.

Republican Sen. Thom Tillis said that Charlotte hosting the 2020 Republican convention no more endorses Mr. Trump than Charlotte's hosting the 2012 Democratic National Convention endorsed former President Barack Obama.

"The conventions are an endorsement of Charlotte," Mr. Tillis said.

The vote is expected to be close, though Mr. Bokhari, one of two Republicans on the 11-member council, said he is confident the council will narrowly approve the deal.

Republicans are expected to meet next week in Austin, Texas, to finalize convention plans.

Jet Makers Struggle on Deliveries

Continued from Page One

gines and wing components is now magnifying the strain.

The result: Some airlines have been left waiting for months for new planes. That has angered executives and, in some cases, stranded passengers.

Airbus is late delivering new, A321neo single-aisle jets to Primera Air, a Scandinavian airline, because of a lack of engines made by CFM International, a joint venture of General Electric Co. and Safran SA. Primera has had to suspend plans for some of its routes, including flights from New York and Toronto to Birmingham, England.

British Airways is waiting for A320neo planes for the same reason: no engines. Willie Walsh, chief executive of parent International Consolidated

Airlines Group SA, said he is "very disappointed with the performance of Airbus." He has had to rent planes and operate older, less efficient ones from his fleet as he waits for his new jets to arrive.

CFM, which had fallen behind on deliveries by as many as seven weeks, will be back on schedule before the end of the year, said Sébastien Imbourg, executive vice president for the engine maker.

Boeing, too, has suffered delays on engines for its 737 Max planes, though it hasn't yet held up deliveries of planes to customers. Both jet makers also have been hit by delays for components used to make wings and fuselages made by Spirit AeroSystems Holdings Inc., which fell behind because of its own supply-chain problems.

"The suppliers are saying, 'Houston, we have a problem, we need to slow down,'" said Eric Bernardini, the head of aerospace at consultant AlixPartners.

Airlines have been left waiting for planes before. Boeing was late with its then brand



Planes waited for engines at an Airbus site in Germany in June.

new 787 Dreamliner and Airbus with the A380 superjumbos. But this time it is the scale of production, rather than issues with assembling new plane designs that is hobbling the companies.

Boeing, the No. 1 plane maker by deliveries, and No. 2 Airbus are on track this year to deliver more than 1,600 airliners in total, more than double the figure produced in 2000, and both are expected to add hundreds more to their backlog this week at the Farnborough

Air Show.

Suppliers to Boeing and Airbus have struggled to keep up. Engine-production delays have been among the most painful. At one point this year, Airbus had more than 100 nearly finished planes waiting on the tarmac for their engines. In the first six months, the company delivered 303 jetliners against a full-year target of 800 deliveries, mostly because of late engines.

Airbus Chief Executive Tom Enders said this month that meeting the full-year goal was "doable" but "hard."

Boeing had delivered 378 planes at the midyear point against a full-year target of between 810 and 815 planes.

Airbus has two engine suppliers for its A320neo family of new single-aisle planes and both have struggled.

CFM remains behind schedule, Airbus said. Safran Chief Executive Philippe Petitcolin has blamed the delays on the joint venture's own supplier issues. The company said it plans to catch up this summer.

Airbus also buys engines from Pratt & Whitney, a unit of United Technologies Corp.

Pratt & Whitney said it held back deliveries while it fixed design problems that were causing components to fail early. Pratt & Whitney is now delivering as planned, according to Airbus.

Airbus considered slowing production while the engine makers recovered, but it feared that could disrupt other parts makers, causing further delays, said Airbus commercial plane boss Guillaume Faury. Instead, it continued building planes, Mr. Faury said, gambling engine makers would catch up.

Boeing took a more conservative view on the number of engines its suppliers could deliver, according to company representatives.

Spirit AeroSystems, the aircraft fuselage and wing-parts maker, started sending wing parts for Airbus's long-range A350 jets to its factory in Scotland via expensive air freight, to get them there in time, said Scott McLarty, Spirit's vice president for the U.K. and Malaysia. After catching up, the parts now are again going by sea.

—Andrew Tangel contributed to this article.

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WORLD NEWS

Israel Unveils Details of Iran Raid

Agents broke into warehouse to extract documents related to Tehran nuclear program

By GERALD F. SEIB

TEL AVIV—Israeli agents covertly extracted documents detailing Iran's nuclear program in a dramatic 6½-hour operation in Tehran in January, removing a trove of materials that included partial designs for a nuclear warhead, senior Israeli intelligence officials said.

The Israeli team secretly reached the warehouse holding the materials and broke in when it knew the building would be unguarded, the officials said. To avoid drawing attention to the nondescript facility, Iran hadn't posted full-time guards, they said, but rather relied on alarm systems that the Israeli agents disabled.

The Israeli operation was revealed by Prime Minister Benjamin Netanyahu at an April press conference in which he declared that the stolen documents proved Iran had lied for years in claiming it didn't have a nuclear-weapons program.

In a lengthy briefing at a security facility here last week, senior Israeli intelligence officials disclosed additional details about the operation. Those include specifics on how the documents were removed from Iran; the existence within the documents of the warhead designs, for which Israel said



Israeli Prime Minister Benjamin Netanyahu in April said the documents, one of which is purportedly shown above, proved Iran had lied for years in claiming it didn't have a nuclear-weapons program.

graphs and PowerPoint presentations that the Israeli officials said were taken directly from the Iranian files. The documents track, and in some cases repeat, revelations and assumptions made previously by the International Atomic Energy Agency, but also provide specifics—including, for example, the existence of an underground metallurgical testing facility—about which international inspectors were unaware.

It is impossible to verify Israel's claims about the documents, which Iranian officials dismissed in April as an "orchestrated play" designed to turn the Trump administration against the agreement President Barack Obama and other world leaders negotiated to curb Iran's nuclear activities. President Donald Trump pulled the U.S. out of the accord in May.

All those assertions go beyond what Mr. Netanyahu disclosed in April, and in most cases were buttressed by photo-

sponse to the new allegations: "Iran has always been clear that creating indiscriminate weapons of mass destruction is against what we stand for as a country and the notion that Iran would abandon any kind of sensitive information in some random warehouse in

Pages of printed material the Israelis took, along with 183 disks

Tehran is laughably absurd. It's almost as if they are trying to see what outlandish claims they can get a Western audience to believe."

The Israelis said Mr. Trump was briefed on the materials in Washington early this year, and that the documents now have

been shared with the IAEA.

The Israeli officials said the seeds for the operation were planted when they received intelligence in 2016 that Iran had decided to consolidate and then hide away documents detailing its past nuclear activities, in the wake of its agreement with the U.S. and five other world powers that stopped its uranium-enrichment activities. Israel tracked the movement of the documents until January 2017, when they were moved into the warehouse on the southern outskirts of Tehran, the officials said.

Israel then began planning to steal the trove. The officials worried along the way that Iran might again move them to avoid discovery.

Upon entering the warehouse, the Israeli agents found two large containers housing 32 safes, the officials said. Israel had intelligence steering the agents to focus their ef-

forts on specific safes.

The officials said the stash is enormous, running to some 50,000 pages of printed material, plus 183 computer disks with additional files.

Israeli officials acknowledge that the documents are dated; much of the activity they allegedly chronicle occurred before 2003. That is when Iran disclosed and appeared to halt much of its known nuclear research in the wake of the U.S. invasion of Iraq and President George W. Bush's designation of Iran as part of an "axis of evil," which led to speculation Iran might be next on the American hit list.

Moreover, much of the activity the documents chronicle already was disclosed or suggested in IAEA reports in 2011 and 2015.

But Israeli officials contend that the documents are significant in two respects: They show that Iran's weapons-related activities advanced further than previously realized, the officials asserted, and that they substantiate previous suspicions that Iran shifted some of those activities into new, disguised channels so they could continue well after 2003.

After Gaza Flare-Up, Clashes Die Down

By FELICIA SCHWARTZ

TEL AVIV—Israel and Gaza settled into an uneasy truce after their most intense fighting since the 2014 war, reflecting pressure on Israeli Prime Minister Benjamin Netanyahu's government to find a way to end Hamas's campaign of attacks across the border.

Israel's military struck dozens of Hamas targets in Gaza during an air campaign on Saturday that Mr. Netanyahu said was "the hardest blow" dealt to Hamas since Israel's ground war four years ago, which was in response to an escalation of mortar and rocket fire from Gaza.

The Israeli military said the targets included a Hamas battalion headquarters in the northern Gaza Strip, a series of military tunnels and an abandoned Gaza City building it said was used as a training facility for urban warfare.

The airstrikes came after an Israeli soldier was wounded by a grenade during border protests on Friday and Gaza militants launched more than 200 rockets and mortars into Israel.

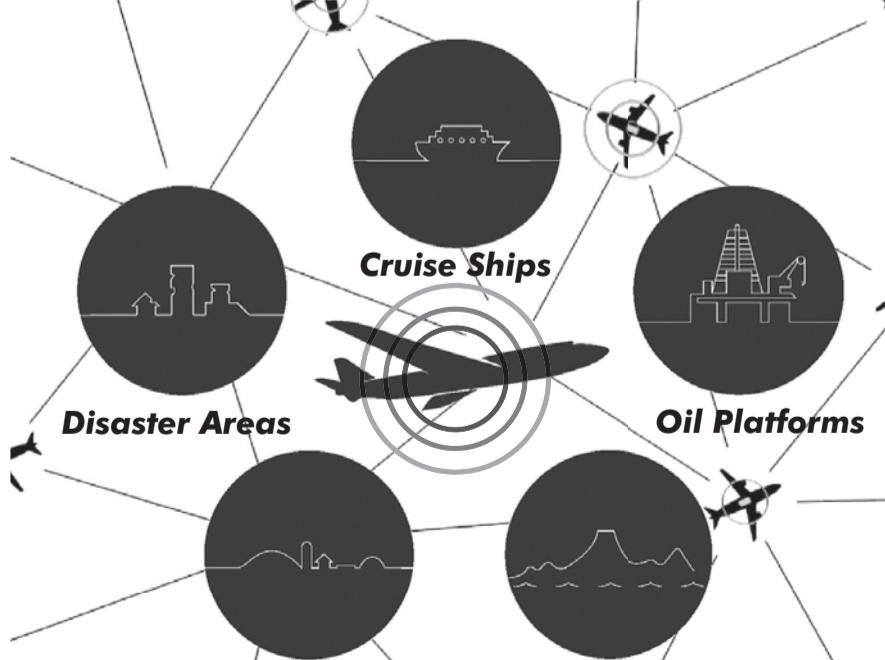
Two Palestinians were killed by an Israeli airstrike and three Israelis were wounded by shelling from Gaza.

The back-and-forth appeared to calm down after Hamas announced an Egypt-mediated cease-fire. Although Israeli officials wouldn't admit to being party to such an agreement, they said strikes in Gaza would continue only if more provocations arose.

On Sunday afternoon, Israel said its aircraft targeted a Hamas squad in Gaza preparing to launch arson attacks at Israel.

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Airborne Wireless Network is working with the following companies to help advance its development:
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Israeli soldiers this month on the Israeli-occupied Golan Heights looking over the Syrian border.

Tehran's Proxy in Syria Comes Under Broad Attack

Israel is ramping up attacks against Iranian supply lines in Syria to block the flow of weapons to Hezbollah and other Tehran-backed militias, as it seeks to drive its foe

By Sune Engel Rasmussen in Beirut and Felicia Schwartz in Tel Aviv

away from its borders.

In June Israel targeted a far-flung compound near the Syria-Iraq border, according to a security official, after carrying out multiple strikes closer to home against suspected Iranian military assets in Syria, where Iran is a key backer of President Bashar al-Assad.

Israel, in accordance with its usual practice, didn't confirm or deny it carried out the June air strike. The U.S. denied responsibility, and a U.S. official confirmed that Israel was behind it.

The strike—carried out in the dead of night on June 17—targeted a villa in the town of al-Hari south of Abu Kamal, the security official told The Wall Street Journal. Iraqi Shiite militia were working there with Iran's elite Islamic Revolutionary Guard Corps to traffic Iranian weapons into Syria, the official said.

The strike killed more than 20 fighters from Kata'ib Hezbollah, an Iraqi Shiite militia believed to transport weapons for Iran through Iraq into Syria, according to security analysts.

The aim of Israel's attack

hundreds of miles from its borders was to signal that it won't tolerate Iranian attempts to establish a so-called land bridge running from Iran through Iraq and Syria to Lebanon, the official said. Israel has said it is specifically concerned with the spread of long-range missiles and anti-aircraft defense systems.

Iran's military and militias it backs have established bases across Iraq and Syria to help fight Islamic State and groups opposing Mr. Assad, and its

Last month's airstrike showed Israel won't tolerate a 'land bridge' from Iran to Hezbollah.

ally Hezbollah is well-entrenched in Lebanon. Israel fears Tehran's increasing territorial control will allow the Islamic Republic to transfer military hardware and personnel by road from Iran all the way to Israel's doorstep.

Israel's strikes in Syria play into a broader conflict unfolding in the Middle East, where Islamic State's collapse has ushered in a power struggle among regional and foreign actors.

The war in Syria is expected to be at the center of talks between Presidents Donald Trump and Vladimir Putin in Helsinki on Monday. Russia

has emerged as a main arbiter of the Syrian conflict through its support, alongside Iran, of Mr. Assad's regime.

The Trump administration, meanwhile, has pledged to withdraw U.S. troops from Syria, possibly as early as this year. Yet Trump administration officials also say one goal of the approximately 2,000 U.S. troops still stationed in Syria is to counter Iranian influence.

Israel considers it paramount to roll back Iran's territorial expansion before the U.S. draws down its forces. Israel's June strike so far to the east indicated that urgency. In previous bombings of purported Iranian assets over the past few years, Israel has almost exclusively struck southern and central Syria.

Sheikh Abu Talib al-Saeedi, a member of Kata'ib Hezbollah's political office, said the fighters were on Iraqi territory when they were targeted in the June strike. Iraqi Shiite militia operating inside Syria often deny these movements.

Iraq said the forces hit weren't operating under its command. The Kata'ib Hezbollah militia officially answers to the Iraqi government but is in fact loyal to Iran.

Syria and Iran didn't immediately respond to requests for comment on the June strike.

A land corridor through Iraq and Syria is a key goal for Iran to bolster its defense against regional enemies, an IRGC official has told the Journal.

A BUSINESS IS ONLY AS STRONG

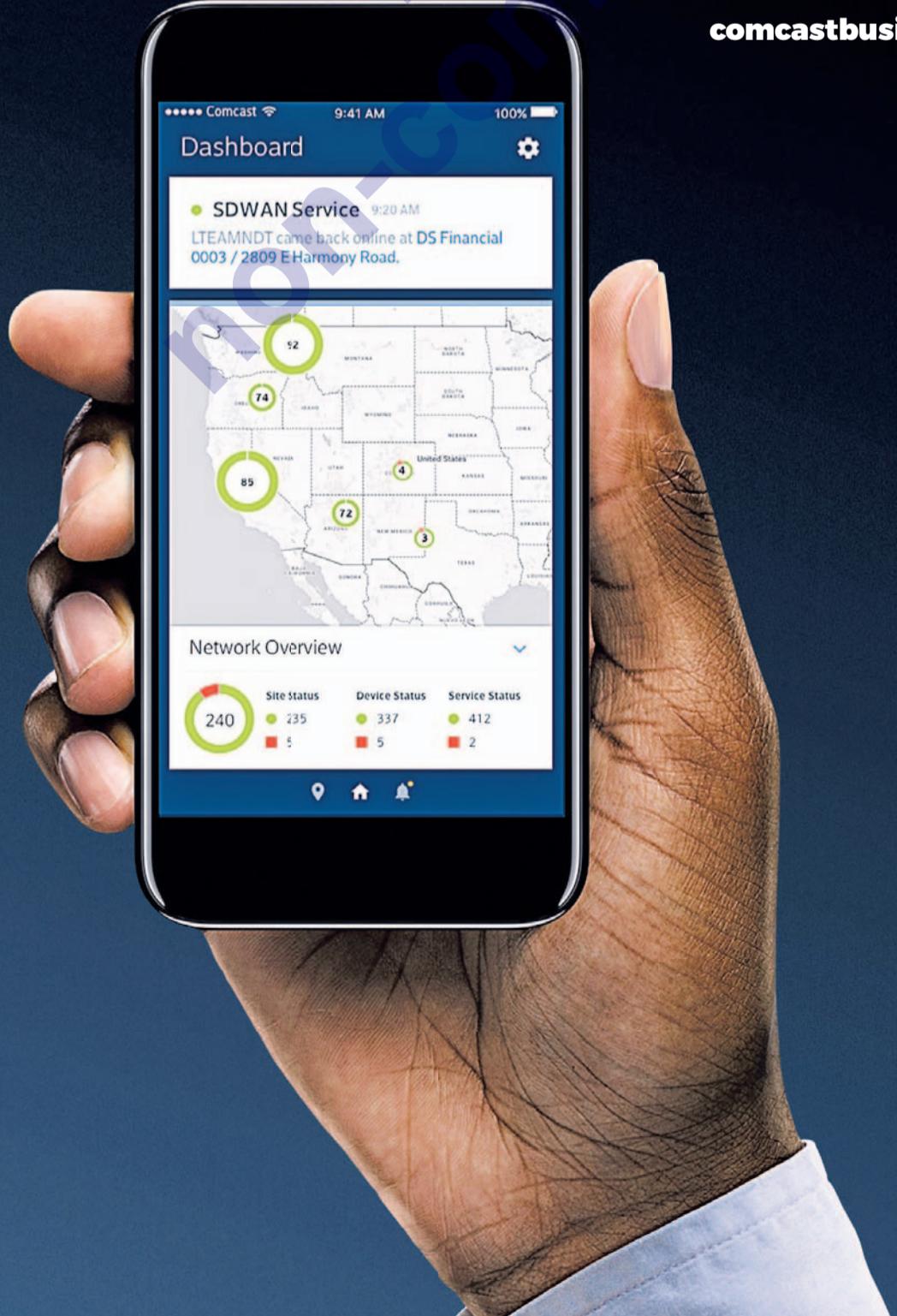
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WORLD NEWS

Hard-Liners Challenge Brexit Plan

By WILL HORNER

LONDON—The future of Prime Minister Theresa May's Brexit plan hangs on a small group of hard-liners in her Conservative Party devoted to ending the influence of the European Union in the U.K.

The group represents one side of a Conservative Party split over Europe that has endured since Margaret Thatcher's days and deepened since the June 2016 referendum vote to leave the EU.

The lawmakers say Mrs. May's plan to keep the U.K. aligned closely with the EU after Brexit—a "soft" Brexit supported by pro-EU Conservative lawmakers and aimed at keeping European trade flowing—would give Brussels too much say over British law and prevent the U.K. from striking trade deals elsewhere.

They are setting plans to disrupt Mrs. May's proposals, posting amendments to bills crucial to Mrs. May's vision that could be voted on as soon as this week. The amendments—which would scuttle the government's idea for post-Brexit customs arrangements with the EU, among other things—are unlikely to pass. But they are an effort to gauge support for their position, including from the opposition Labour Party, said Bill Cash, a pro-Brexit Conservative lawmaker said. Labour lawmakers are also split over Brexit.

If the prime minister doesn't change her plan before October, when key legislation is expected, some lawmakers say they will unite with opposition parties to vote it down, setting up an unpredictable chain of events.

Mrs. May's position is precarious. Her party doesn't have a majority in the House of Commons and depends on a small Northern Irish party to govern. If even a few of her lawmakers defect, she can't guarantee that legislation will pass. The resignation of two cabinet ministers and a handful of junior ministers last week over the details of her Brexit plan raises the chance of more defections.

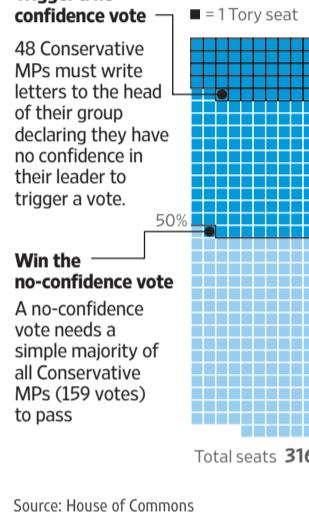
Tim Bale, professor of politi-



From left, former Foreign Secretary Boris Johnson, EU secretary David Davis and Defense Secretary Gavin Williamson. Messrs. Johnson and Davis resigned last week over Mrs. May's Brexit policies.

Prime Target

How Conservative members of parliament could replace Theresa May



Source: House of Commons

Hold a leadership contest

- ◆ Candidates must be proposed and seconded in writing
- ◆ If there are more than three candidates, Conservative MPs vote in multiple rounds, with the one gathering the least votes dropping out, until there are two candidates left
- ◆ All party members get to vote on the remaining two candidates
- ◆ The new leader would become the new Prime Minister and would not be obliged to call an early election

THE WALL STREET JOURNAL.

tics at Queen Mary University of London, said the amendments were aimed at disrupting Mrs. May's plans.

"Either they are trying to force her to harden things up or they are wrecking. They are designed almost to blow the whole thing up and force her resignation," he said. "There

can't be any alternative interpretation."

One big complication for Mrs. May is that the EU may reject her proposals. If she makes more concessions to get a deal with Brussels, the number of Conservatives who will vote against her plans will swell.

The difficult parliamentary

arithmetic, however, also makes it risky for euroskeptics.

Under one scenario, Parliament's rejection of Mrs. May's deal could leave Britain crashing out of the EU without any accord in March 2019, something U.K. businesses say would be catastrophic.

Another possibility is that the prospect of crashing out forces the government to request from the EU an extension of the two-year Brexit negotiating period beyond Britain's planned March 2019 departure from the bloc. That request, which would need the agreement of the other 27 EU countries, could raise the chances that Brexit never happens.

Mrs. May's weakness in Parliament thus makes some rebels nervous.

"Whilst I am dissatisfied with what the prime minister has agreed in terms of a negotiating position we do need somebody negotiating," said Henry Smith, a euroskeptic Conservative lawmaker. "I think that if we are distracted by an internal leadership election that is probably doing the country a disservice."

—Jenny Gross
contributed to this article.

U.K.'s May: Trump Advised Suing EU To Gain Leverage

By JASON DOUGLAS

LONDON—U.K. Prime Minister Theresa May revealed the secret advice she received from President Donald Trump on how to handle Brexit talks: He suggested the U.K. sue the European Union.

At a joint news conference with the U.K. leader on Friday, Mr. Trump referred to a "tough" and "brutal" negotiating ploy he had suggested Mrs. May try in her discussions with Brussels over the terms of Britain's planned exit from the EU.

He didn't say exactly what he offered but said Mrs. May didn't follow it.

In a Sunday interview with the British Broadcasting Corp., Mrs. May was asked what Mr. Trump's suggestion was.

"He told me I should sue the EU," she said.

Talks between London and Brussels are stuck in the slow lane more than two years after the U.K. voted to leave the bloc in a referendum.

The U.K.'s exit is penciled in for March 2019, yet the outline of the U.K.'s future economic ties to the EU have yet to be agreed, in large part a consequence of internal disagreement within Mrs. May's ruling

Conservatives over just how close those links should be.

Mrs. May has sought to unite warring factions of her government behind a compromise plan for a U.K.-EU free-trade area with uniform regulations for goods, including food, effectively set by the EU. This would speed movement of goods between Britain and the bloc while preserving British autonomy over regulation for many services, including financial services—a key goal.

The proposals led to the resignations of two senior members of her cabinet, Boris Johnson and David Davis, hard-line Brexit backers.

Mrs. May has argued that her new proposals would give the U.K. a free hand to negotiate free-trade accords with other countries. Mr. Trump appeared to pour cold water on that idea during an interview with a British newspaper on Thursday, though he later expressed support.

Mrs. May's Brexit strategy will this week face fresh tests in Parliament, where pro- and anti-Brexit lawmakers are poised to try to alter aspects of the government's plan. Mrs. May on Sunday appealed to fellow Conservatives to get behind her.



Mrs. May has sought to unite warring factions of her government.

JEFF OVERS/BBC/REUTERS



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WORLD NEWS

U.S., Russia Bolster Their Military Ties

Strengthened links show Kremlin's success in re-establishing Washington dialogue

BY THOMAS GROVE
AND GORDON LUBOLD

Top U.S. and Russian military officers have strengthened contacts under the Trump administration, underscoring Moscow's success in using military links to re-establish dialogue with Washington despite deteriorating political ties.

The contacts, which have existed outside political currents that define U.S.-Russian ties, have provided an increasingly important mainstay of communication between the countries following mutual diplomatic expulsions.

A summit this week between U.S. President Donald Trump and his Russian counterpart, Vladimir Putin, is expected to further discuss tactics in Syria that have been largely dominated by the Russian and U.S. militaries.

Mr. Trump has leaned more heavily on his generals for formulation of foreign policy

than his predecessor Barack Obama, and military-to-military communication has gained greater importance, especially as Washington and Moscow navigate the crowded skies above Syria. U.S. military officials view these contacts as necessary "connective tissue" for crisis situations.

Anton Lavrov, who has written about deconfliction for Washington-based security think tank CSIS, said Moscow's first diplomatic victory in Syria was forcing communication lines to reopen with Washington, and under the Trump administration those links have flourished.

"Instead of Obama's push for the political isolation of Russia, now Syria is a topic of priority for discussions between our countries at the top level, including the presidents' upcoming meeting," he said.

Personal relationships have formed around the contacts. The chairman of the Joint Chiefs of Staff, Gen. Joe Dunford, and his Russian counterpart, Valery Gerasimov, in June met for the third time in Helsinki, the location of Monday's Trump-Putin summit.

The bulk of military-to-military contacts currently revolve



Gen. Joe Dunford, chairman of the Joint Chiefs of Staff, and Russian Gen. Valery Gerasimov in June

around a deconfliction line started between Moscow and Washington in 2015, shortly after Russia's intervention in the country, for U.S. and Russian operations that supported opposing sides in Syria.

The line operates at a number of points including a "colonel-to-colonel" level in which an American colonel speaks to his or her Russian counterpart as many as a dozen times a day in tactical-level discussions to ensure both countries' militaries steer clear of each other.

At other times and with much less frequency, the dis-

cussion is kicked up to a higher level in which an American three-star general, typically at the Pentagon, speaks with his Russian counterpart over operational issues, to avoid conflict and mitigate the risk of miscalculation, officials said.

When the U.S. struck a Syr-

ian air base last year following a chemical-weapons attack by the Assad regime, U.S. military officials said they notified the Russians around 30 minutes before the strikes to ensure Russian personnel moved out of harm's way.

The military dialogue between Moscow and Washington could narrow considerably if the U.S. pulls its troops out of Syria, as Mr. Trump has suggested it do. The possibility of expanding the deconfliction line outside of Syria seems unlikely, experts said.

The Russian and U.S. militaries find themselves in close proximity in the Baltic and Black seas, where the U.S. military operates in international waters and airspace.

The U.S. might want to expand the deconfliction line to include such areas, but Eugene Rumer, director of the Russia-Eurasia program at the Carnegie Endowment for International Peace, said he didn't think Moscow would have an interest in doing so.

"I think the United States would be interested in it, but I'm skeptical that the Russians would agree to it, because they consider those areas to be close to their critical assets," he said.

to ask questions about the other's nuclear doctrine and military programs with the aim of reducing the risk of miscalculation that could lead to war.

Mr. Trump's team tried on Sunday to tamp down any sense that Mr. Trump would emerge with tangible concessions. "We're not looking for concrete deliverables here," national security adviser John Bolton said on ABC.

Administrations have traditionally sought to lower expectations before high-level diplomatic meetings to magnify any achievements and lessen the criticism if there are none.

For Mr. Putin, the summit itself is an accomplishment. The Russian leader has long sought to be treated as an equal partner, especially after the invasion of Ukraine, and to demonstrate his nation's importance on the international stage.

The fact that President Trump is willing to sit down with Putin and is likely to say positive things about him, is a great achievement for Vladimir Putin," said Michael McFaul, who served as ambassador to Russia under former President Barack Obama. "It means that the process of normalization is happening and [Putin] has had to do absolutely nothing to achieve that."

Russia also has more specific goals. For one, Mr. Putin wants NATO to halt military exercises near its border. Mr. Trump said Thursday that he might be open to that discussion. Russia also wants the withdrawal of U.S. troops and antimissile defenses from Europe.

Part of Mr. Trump's meeting with Mr. Putin will be private. Mr. Trump has been reluctant to include a note taker because he is wary of leaks, said a foreign official briefed on the plans. The two leaders will then be joined by senior officials on both sides, followed by a news conference.

—Ann M. Simmons
and Vivian Salama
contributed to this article.



President Putin, center left, joined other leaders to congratulate French players on their World Cup win over Croatia in Moscow Sunday.

Talks Could Touch On Range of Issues

Negotiations on Syria, arms control, Ukraine may advance

President Donald Trump plans to talk about a number of topics when he meets on Monday with Russian President Vladimir Putin.

Syria

National-security adviser John Bolton has said Mr. Trump wants to discuss how Russia can help "get Iranian forces out of Syria" and has stressed that

Syrian President Bashar al-Assad's continued rule isn't a "strategic issue" for the U.S. Observers say that points to a potential trade-off in which Iran's military presence would be scaled back while Washington would accept a Russian role in Syria and tacitly agree that Mr. Assad could remain in power.

But some experts say Mr. Assad is too dependent on Iranian forces for such a deal to work.

Arms control

A pressing question is whether to extend the New START treaty, which took effect in 2011 and is due to expire in 2021. The pact sets a limit of 1,550 strategic warheads and bombs

that are deployed. The treaty can be extended for up to five years without Senate approval if the two presidents agree.

Supporters say that would be a sound move as no new negotiations to make further cuts are under way and keeping the New START treaty would allow inspections and other forms of verification to continue.

Ukraine

Diplomatic efforts to reverse Russia's intervention in eastern Ukraine and implement the Minsk-2 agreement to resolve the conflict there have made little headway. Many observers believe Mr. Putin is waiting until next

year's presidential election in Ukraine. Some NATO members worry that Mr. Trump may yield to some Russian demands.

Election meddling

Mr. Trump said he would raise the issue of Russia's election hacking with Mr. Putin. But Mr. Trump said previously that he believed the Russian leader was sincere when he said he wasn't responsible. Last week, he suggested to reporters that he wouldn't press too hard.

"He may deny it," Mr. Trump said. "I mean, it's one of those things. All I can do is say, 'Did you?' and 'Don't do it again.'"

—Alan Cullison

will include Syria, where the White House has signaled it will seek Russia's help in scaling back Iran's role, and Ukraine, where efforts to persuade Moscow to reverse its occupation of Crimea and intervention in eastern Ukraine have failed. Arms control is also up for discussion. Mr.

Trump said Friday that nuclear weapons are the "biggest problem in the world." But this summit hasn't been preceded by the months of lower-level negotiating sessions that have preceded breakthroughs on nuclear issues before.

The two leaders will discuss whether to extend the New

START treaty, which expires in 2021, and U.S. allegations that Russia violated the 1987 treaty on intermediate-range nuclear forces, Mr. Trump indicated. The two sides could also revive the "strategic stability" talks that Russia broke off earlier this year. These discussions give each side a chance

WORLD WATCH

CHINA

Debt Cleanup Comes With Economic Cost

China's economic expansion slowed a notch in the second quarter, as a government debt cleanup took its toll even before growth takes an expected hit from the trade fight with the U.S.

The economy grew 6.7% in the second quarter from a year earlier, down from 6.8% in the quarter before that, the government's statistics bureau reported Monday. For the first half of 2018, the economy grew 6.8% from a year earlier.

—Chao Deng

IRAQ

Army Seeks to Curb Protests in the South

Iraqi authorities deployed

troops across the country's south and blocked access to the internet as protests over poor gov-

ernment services grew violent.

The protests were fueled by dissatisfaction with corruption, which helped populist cleric Moqtada al-Sadr record an upset victory in May's national elections.

—Isabel Coles
and Ghassan Adnan

PAKISTAN

Charges Filed Against Ex-Premier's Party

Pakistani authorities have opened a criminal investigation into leaders of jailed former Prime Minister Nawaz Sharif's political party under an antiterrorism law, 10 days before a hotly contested general election, according to police documents.

The case relates to a march by the Pakistan Muslim League-Nawaz on July 13, when Mr.

Sharif returned to Pakistan, which defied a ban on holding public rallies on a Friday.

—Reuters

MEXICO CITY—Nicaragua's embattled President Daniel Ortega moved to tighten his grip on power, as paramilitary forces loyal to his government attacked antigovernment protesters at several key points over the weekend, killing an estimated 11 people.

As many as eight people died on Sunday as masked gunmen attacked opposition barricades in two provinces, according to the Nicaragua Human Rights Association, a local human-rights group that has been tracking violence during three months of opposition protests.

Among the dead was a 10-year-old girl, the group said.

"It was butchery," said Alvaro Leiva, the group's spokesman, describing how armed groups believed to be linked to

the government descended on several towns. Many of the men wore black ski masks and some wore military-style fatigues.

The actions appear aimed at clearing out opposition strongholds after nearly three months of protests that have

killed roughly 300 people, mostly unarmed protesters, and shaken Mr. Ortega's hold on power.

Mr. Ortega's government has described the protests as an undemocratic effort to dislodge him from power before his term ends in 2022. He has

been in power since 2007, having previously been in power during the 1980s.

At least 25 have died since Tuesday, as police, working in coordination with armed gangs, attacked barricades set up by students on the sprawling campus of the National Autonomous University in Managua, according to local news reports, human-rights groups and Catholic church leaders.

On Friday, two students were killed and 15 badly injured in a coordinated attack on the university, sending students fleeing to a nearby church, where another student died.

The armed attackers prevented ambulances from reaching the church to treat the wounded until Saturday morning. Two journalists were also trapped at the church, including a reporter from The Washington Post.

Nicaragua Paramilitaries Attack Protesters

BY ROBBIE WHELAN
AND DAVID LUHNOW



Protestors rallying with a sign 'Do not kill' in Managua on Saturday.

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Wells Fargo served over 433,800 meals over the holidays

The Wells Fargo Holiday Food Bank, a joint effort with United Way, collected more than 251,000 pounds of food nationwide in just over a month during the holidays, bringing Wells Fargo team members and community members together to fight hunger in the U.S.

Wells Fargo officially kicked off the effort on #GivingTuesday, Nov. 28, 2017, with a \$5 million grant to United Way. Through Dec. 30, 2017, the company placed specially marked collection bins in each of its approximately 5,900 bank branches and 44 other locations, and hosted a mobile pop-up food bank tour that visited 17 cities between New York and California.

"Each and every day our team members help customers improve their financial future so they can have a better life for themselves and their families," Mary Mack, head of Wells Fargo Community Banking and Consumer Lending, said. "Our Holiday Food Bank extended that type of support and compassion to the entire community at a time when the need for food is great."

In all, nearly 1,900 team members volunteered more than 7,340 hours over the holidays to support food banks and other food-related nonprofits — delivering meals, sorting food, and helping fight hunger in 36 states, the District of Columbia, and countries outside the U.S.

Employees at 23 locations across New York City generously donated more than 30 large boxes of food to us," said Stephen Grimaldi, executive director of New York Common Pantry, a food pantry dedicated to reducing hunger throughout New York City.

Two apartment buildings and 11 grocery stores in the Hell's Kitchen neighborhood joined the effort so their tenants and customers could contribute to the Wells Fargo Holiday Food Bank effort, too.

"Wells Fargo is a valued ally of ours all year long," Grimaldi said, "and the additional holiday support means that fewer New Yorkers and their families will be hungry this winter."

Wells Fargo ups donations to more than \$1 Million a day to charities

Wells Fargo & Company last year continued to invest in communities across the country through its philanthropy and volunteerism, donating more than \$286.5 million in 2017 to more than 14,500 nonprofits, the company announced.

The company's plan to target \$400 million in donations to nonprofits and community organizations in 2018 is an increase of approximately 40 percent from 2017. Wells Fargo already is one of the top corporate cash donors, ranking first among financial institutions and third among all U.S. companies in a 2016 report (most recent ranking) by The Chronicle of Philanthropy.

"We understand the important role we play in helping our communities, so we will continue to identify additional opportunities where Wells Fargo can make a difference," CEO, Tim Sloan said. "Wells Fargo's increased philanthropy will have a positive effect on the causes and communities we support and further enhance our Corporate Social Responsibility efforts, which will continue to focus on advancing diversity and social inclusion, creating economic opportunities in underserved communities, and accelerating the transition to a lower-carbon economy and a healthier planet."

PAID ADVERTISEMENT

Purple Heart vet gets home donated by Wells Fargo, refurbished by team member volunteers

On April 12, Wells Fargo team member volunteers came together at a house in Sanford, North Carolina — fixing a deck, pulling up nails, adding grout between bricks, and painting — to make the home move-in ready for a veteran they had never met.

The house, which Wells Fargo donated to Military Warriors Support Foundation, was refurbished by Wells Fargo team members and representatives from Military Warriors Support Foundation. It will be donated, mortgage free, through Military Warriors Support Foundation's Homes4WoundedHeroes program to Robert "Bobby" Henline, a U.S. Army veteran and Purple Heart recipient. Henline, who served from 1989 to 1992 and again from 2001 to 2011, suffered injuries in 2007 when a roadside bomb hit his vehicle in Iraq. More than 38 percent of his body was burned, and his left hand was amputated, resulting in 48 surgeries since then.

"Like most veterans, I don't like asking for help," Henline said. "But this was the perfect timing. I was in limbo with work and trying to have a base. You can't build your new chapter without a home base, and I can do that now. It means a lot."

Fourteen Wells Fargo team members and three of their friends and family spent time working on the interior and exterior portions of the home. The effort was through the Wells Fargo Housing Foundation's Team Member Volunteer Program, which provides assistance

to veterans beyond traditional homeownership. The foundation also provided a \$15,000 grant toward the home renovations.

This was the third time since the summer of 2017 that team members from the volunteer program worked on a military donation home. The team members who volunteered had varied reasons for giving back, but several of them did so because they have family members currently serving in the military.

"This is important to me," said Jennifer Parry, manager for the Wells Fargo branch in Sanford. "It touches my heart personally because I happen to be a military wife. I just know how much our men and women do in their service for our country, especially this gentleman here, Bobby. He has been through a lot as a wounded veteran. He definitely deserves for his country to give back to him, and I'm so grateful to be a part of it."

Jessica Willcox, a home mortgage consultant in Fayetteville, North Carolina, felt a close connection to the project because of her job and her role as the mom of a soldier. "I like to try to get as much time in the community as I can so I can meet the people around here," Willcox said. "Being in the mortgage business, it kind of is a little more personal because it's a home that we're working on, so I was very excited to do this. It also makes me feel good because my son is in the Navy. I would like to think that if something ever happened to him the community

would reach out and do something similar."

Other team members said they volunteered because they felt compelled to donate their time. "It's the least I can do," said Patty Allred, a consumer loan underwriter in Raleigh, North Carolina. "You can give money, but to me, time is more valuable than money because you get the direct satisfaction of knowing exactly what you did."

Whatever their personal reasons for volunteering, the team members agreed that providing a home for a veteran made the effort even more special. "I believe those who've served our country really deserve a special place here," said Jordan Smitter, a business support consultant in Raleigh. "I'd be glad to do this for anyone, but even more so for somebody who's within the military. We really appreciate their service."

As for Henline, he said he was flattered that people who had never met him wanted to work on his home. "I'm a guy that's used to helping everybody else," Henline said. "For people who don't know me to volunteer for me, it's amazing."

Since establishing the Military Affairs Program in 2012, Wells Fargo has invested more than \$100 million to support military service members, veterans and their families through financial education, career transition and housing initiatives.

50 years of support, Wells Fargo commits another \$50 million to American Indian/Alaska Native communities

Wells Fargo has been serving American Indian/Alaska Native governments and communities for more than 50 years and currently provides capital and financial services to more than 200 tribal entities in 27 states, including tribal community development projects. "Wells Fargo appreciates the engagement we have had with our tribal customers over more than 50 years, and we respect the sovereignty of their nations," Jon Campbell, head of Corporate Responsibility and Community Relations for Wells Fargo said.

Wells Fargo has committed \$50 million over the next five years to help address the economic, social, and environmental needs of American Indian/Alaska Native communities. The company will expand philanthropy programs, work to improve products and services that meet the financial and banking needs of American Indian/Alaska Native communities, award grants to national nonprofits serving these communities, and help create a greater awareness of their culture, history, and contributions.

"In the past few years, through dialogue with various tribal leaders and tribal members, we have learned a great deal about the specific needs and challenges faced by many of our stakeholders," said Jon Campbell. "And, with the commitment we announced today, we intend to help address some of those challenges in partnership with AI/AN leaders, governments, and tribal nonprofit organizations in ways that are intentional, relevant, and inclusive."

It will focus primarily on:

- Environmental sustainability: renewable energy projects and clean water programs.
- Economic empowerment: down payment assistance, affordable housing development, and other programs to advance homeownership; capacity building for American Indian/Alaska Native Community Development Financial Institutions to support small businesses and create jobs and asset-building programs to help individual tribal members create wealth through matched savings and other mechanisms; a customized financial capability curriculum; and postsecondary education programs and scholarships.
- Diversity and social inclusion: leadership and career development training; cultural awareness and language preservation programs.

Re-affirming our commitment to communities

Climate Action: Wells Fargo commits \$200 billion in sustainable financing by 2030

Wells Fargo will accelerate its commitments to tackling climate change with new plans to support low-carbon and conservation businesses.

The bank has pledged to spend \$200 billion over the next decade, 50 percent of which will go into renewable energy, clean technologies, sustainable transport, and green bonds. The remainder will finance sustainable agriculture, recycling, and conservation projects.

Wells Fargo CEO Tim Sloan broke the news during a keynote conference speech last week, commenting that the bank is "committed to taking a leadership role in supporting the transition to a low-carbon economy and promoting environmental sustainability through our products and services, operations and culture, and philanthropy."

The new commitment follows on from its 2012 goal of investing \$30 billion in clean technologies by 2020, which it met within three years.

Wells Fargo has also committed to greater transparency on the carbon intensity of its portfolio, and it will regularly report on the impacts of its lending, in line with the recommendations of the Task Force on Climate-related Financial Disclosure.

"With this commitment, we are combining a strong financial goal with enhanced transparency and disclosure practices that we believe will lead to sector-wide progress on responsible, sustainable finance," Sloan added.

Please visit www.climateactionprogramme.org for more information.

AHF: Wells Fargo Named Top Affordable Housing Investor

Wells Fargo has invested \$9 billion in low-income housing tax credit (LIHTC) equity over the last five years, making it the nation's largest affordable multifamily housing investor, announced bank leaders.

The ranking is based on research conducted by national accounting firm CohnReznick.

"There is a significant affordable housing crisis impacting the country right now," said Mark Myers, head of Wells Fargo Commercial Real Estate. "Demand for affordable rental housing continues to be extremely high with many people paying a disproportionate percentage of their income on rent. As the largest commercial real estate lender in the country, being able to help meet the need for more affordable living options for our customers and communities is a top priority for Wells Fargo."

The \$9 billion total is for both 9% and 4% LIHTCs. Wells Fargo contributes debt and equity to support affordable multifamily housing and has financed more than

180,000 units of affordable housing over the last five years.

The financial company has been investing in housing credits for more than 15 years and is one of the few banks active in both direct and fund equity investments, which increases the amount of capital used to build affordable housing for individuals and families.

In addition to LIHTC investments, Wells Fargo is an active lender to the affordable housing sector. Since 2014, it has lent \$9.6 billion for affordable housing properties by providing short-term construction, bridge, and permanent financing for affordable multifamily properties using its balance sheet as well as the Federal Housing Administration (FHA), Fannie Mae, and Freddie Mac programs.

Wells Fargo released its own affordable investment statistics. CohnReznick said it is not disclosing other individual investor data. (Reprinted with permission from Affordable Housing Finance)



Wells Fargo employees volunteered a record of 5,500 hours per day

In addition to corporate donations, Wells Fargo's team members volunteered a record 2 million hours in 2017, valued at \$48 million (source – Independent Sector*), which included 183,528 hours of service on 3,679 nonprofit boards supporting community revitalization and resiliency, homeownership, small business, food insecurity, and other global challenges. During the company's annual employee giving campaign, more than 65,300 team members pledged \$85 million in 2017 to 40,000 nonprofits. As a result, United Way Worldwide named the company's workplace giving campaign No. 1 in the U.S. for the ninth consecutive year.

"We couldn't be more proud of our Wells Fargo team members who, year after year, exhibit selfless commitment to strengthening the communities we serve and enriching the lives of others," said Wells Fargo President and CEO Timothy J. Sloan. "We honor the volunteerism, determination, and leadership of our team members, who are the cornerstone of our efforts to build a better bank for all communities. Their generosity underscores one of our company's most important core values and inspires the investments in communities across the country that we will continue to make."

"We're grateful to Wells Fargo and its team members for their growing investment and commitment to building stronger communities," said Brian Gallagher, President and CEO of United Way Worldwide. "Whether it's volunteer financial coaching, charitable giving through their workplace campaign, helping to fight hunger or supporting new job opportunities, Wells Fargo is leading across the board to make a difference in every community across America."



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IN DEPTH

Lawn-Care Fanatics Go Extreme

Continued from Page One

thing they pay somebody else to do. For others, it's a challenge. They tend to want their lawns to be a dark, emerald green and preferably striped like a baseball field, an effect achieved by attaching a roller behind the mower. Edges must be perfectly squared. The job isn't finished until the last weed is plucked and the final blade of grass blasted off the sidewalk.

"Yes, I am a fanatic," said Brad Ferguson, a postdoctoral fellow at the University of Missouri's medical school in Columbia, Mo. He admits to having slipped outside with a flashlight at 2 or 3 a.m. to check whether recently planted grass seeds were starting to sprout.

Dr. Ferguson's routine includes sharpening blades, pressure washing and tuning up his John Deere lawn tractor. "I do all the maintenance myself," he said. "I don't let anyone else touch it."

Many of these yard masters are disciples of Allyn Hane, an internet guru who dubs him-

self the Lawn Care Nut. Mr. Hane, whose video "How to Dominate Your Neighbor's Lawn" has had more than two million views on YouTube, exhorts his followers to "mow taller" than their neighbors, leaving their grass about an inch above the competition. "It's the same reason why tall people stand out in a crowd," he says in the video.

Geoffrey Lokuta, a biologist who lives in Lakeland, Fla., values Mr. Hane's mowing tips but said he isn't on a quest for neighborhood domination. In any case, there isn't much competition. "People around me have what you would call salad bars," 50% grass and 50% weeds, he said. "I just let them do their thing."

Not so for Danny Freemyer, who in June won the Yard of the Month award in Forney, Texas. "I was super-excited about it," said Mr. Freemyer, an electrician who moved to the Dallas suburb five years ago. "That was my plan when I first moved in, to get Yard of the Month, and I don't think they were even doing Yard of the Month at that time."

Dominick Segro, a police officer who lives in Springfield, N.J., often mows two or three times a week. "I think it's great," said his wife, Tara. "We definitely have the best lawn in town." Officer Segro is protective of his



Brad Ferguson with his wife, Heather, and 10-month-old son, Grant, on his lawn in Columbia, Mo.

handiwork and "a little neurotic," his wife said.

For instance, the couple's children are allowed to play in the yard but "they have to move around" rather than standing in one place, Ms. Segro said. Blowup pools are forbidden because they would mat the grass. The dog is allowed to relieve itself only in a designated spot at one side of the house.

When the Segros had a Father's Day party, some of the guests taunted Mr. Segro by

lingering a bit longer than necessary on his lawn for a group picture. Afterward, he used a leaf blower to fluff the grass back up.

Eric Cozart of Coldwater, Mich., who sells industrial plastics, opposes any trampling of his manicured front lawn but is willing to compromise: He lets his toddler son romp in the back. "I've ceded ground to my child in the backyard," Mr. Cozart said.

How many hours he devotes to the lawn per week can be a

sensitive topic. "My wife would probably tell you 100," he said. "Realistically, it's no more than 10 to 12."

Taylor Ford, a financial planner in Mesa, Ariz., considers himself only moderately obsessive about his lawn. Even so, while at work or on the road, he sometimes uses a cellphone app that connects with his home security cameras so he can make sure his lawn-irrigation system is working. His wife sometimes asks, "Why are you mowing?

It's already fine."

"I sit 8 to 10 hours a day at a computer and think back what did I accomplish today and sometimes it's hard to think of anything," said Mr. Ford. "When I get home it's nice to use a different part of my brain and see measurable, tangible results."

Lawn care is "kind of like a stress-reduction thing," said David Tirpak, a psychologist and career counselor who lives in Sykesville, Md. For lawn geeks like him, the attractions also include spending time outdoors and meeting their (often envious) neighbors.

Growing up in a Brooklyn apartment, Oktay Mustafayev had little early exposure to lawn care. Then he moved to Fair Lawn, N.J. Mr. Mustafayev, a nurse whose family immigrated from Azerbaijan, soon decided that having merely a fair lawn wasn't enough. He began taking YouTube tutorials and raising his game.

When he mows, Mr. Mustafayev passes over the entire surface twice to ensure an even cut. If one or two blades of grass exceed the desired height, he yanks them out like rogue eyebrow hairs. "I like uniformity," Mr. Mustafayev said. He dreads autumn, the end of his growing season: "That last mow, that's pretty heartbreaking."

many, respectively.

At the U.K.'s Manufacturing Technology Centre in Coventry, England, Dean Baker leads a group of experienced former engineers who offer tips to small and midsize firms on how to improve their manufacturing processes. They also try to demystify the latest technology, such as 3-D printing, robotics and machine learning, which can appear daunting. They argue that the cost of using such innovations is falling.

"It's to show that these things can be used by everyday companies," says Mr. Baker.

A big chunk of productivity growth comes from automation, but some economists warn it is a double-edged sword. While some companies become more productive by substituting machines for laborers, there is no guarantee that the displaced workers will find a job that is equally productive.

"In the standard economy model, when one industry declines, all the workers and machines can be redeployed to more productive activities," says University of Cambridge professor Ha-Joon Chang. "But in reality, it doesn't work like that."

Employment shift

Globalization made it easier to automate sectors that produce goods and services that can be traded around the world, but this means those sectors now employ far fewer people than they did 40 years ago. Recent research finds that the result may be a shift in employment toward lower-productivity jobs such as delivering fast food by bike or cleaning offices—much harder tasks to automate.

Paul Pritchard is a manager of Abacus Consultancy, an accounting firm that employs six people in London. He is passionate about the latest technology and has set up a platform that allows his clients to manage their finances remotely.

His competition is auditing giant PricewaterhouseCoopers LLP, which recently developed a software tool that can scour thousands of pages of legal contracts in minutes. It allows one client media company to review contracts related to media rights 30 times faster than doing it manually, and at one-eighth of the cost, says PwC's forensic technology partner Craig McKeown.

By developing the technology itself, PwC reaps all the productivity gains. Abacus Consulting has access to a similar tool, but it has to pay another software company to use it, reducing its productivity gain.

Building the software "wouldn't be viable for a small business like mine, as the costs would be too high for development and we wouldn't be able to offer the same security as larger providers can," says Mr. Pritchard.

Jürgen Maier, chief executive of the U.K. arm of Siemens AG, says reviving diffusion is in the interests of the biggest, most productive companies, because many laggards are their suppliers. "If we get our supply chains more productive, more agile, delivering in time, that's good for everybody in the ecosystem," Mr. Maier says.

Innovation Seen at Big Companies

Continued from Page One

standards, and any gap between top companies and the rest can exacerbate income and wealth disparities.

So what is going wrong with the spread of innovation?

In the tiny town of Gullringen, Sweden, one of the world's largest construction firms, Skanska AB, has a partnership with furniture behemoth IKEA that has brought innovative ideas to the construction of affordable houses. The venture, called BoKlok, relies heavily on robots to build ready-made rooms inside a factory. Later, on construction sites throughout Northern Europe, the rooms are put together like Lego houses.

Skanska says the process cut in half, to nine months, the time it takes to erect and furnish a four-story apartment building—right down to the clothes hangers in the wardrobes—and reduced costs by 35%. The Gullringen facility churns out 1,200 affordable houses a year and is poised to increase capacity by 50%.

The project shows how big firms can exploit economies of scale offered by new technology and global markets. Companies with more orders can better shoulder upfront investments because each new unit produced will be less expensive.

"Now we are aiming at increasing our level of automation significantly, when we really know the demand from the market and have the volumes to pay for it," says Jerker Lessing, BoKlok's director of research and development. "We benefit from Skanska being a global company."

Factory shutdown

Three hours away, in the town of Hallstahammar, a smaller Swedish construction firm focused on the domestic market also tried to industrialize production a few years ago. The company, NCC AB, couldn't make it work, and the factory was shut down.

"It is difficult to have housing factories or other solutions with high fixed ongoing costs when the market fluctuates as it does in Sweden," says Madeleine Nobis, business-development manager. NCC says it now focuses on standardized design processes that optimize costs without the need for a factory.

Since the 2008 financial crisis, U.S. productivity has grown by about 1.2% a year. That is half the rate it clocked in the 1970s and around one-third of what it was in the decades after World War II, once adjusted to strip out the temporary effects of economic booms and busts. Japan and Europe—especially the U.K. and Italy—have fared even worse.

Researchers have blamed the productivity slowdown on a range of factors including ultra-low interest rates, mismeasurement of output in a digital world and a decline in human-



A worker builds housing modules at Sweden's BoKlok, formed by Skanska AB, the world's largest construction firm, and furniture giant IKEA.

Innovation Problem

A breakdown in the spread of new technology and ideas helps explain a slowdown in productivity growth.

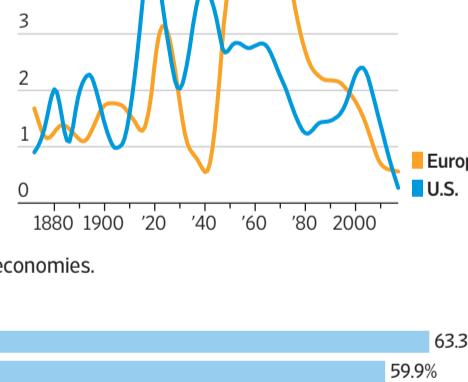
The gap between the world's most productive companies and their rivals is widening...

Productivity growth since 2001*



...a phenomenon that is contributing to a slowdown in productivity growth across the developed world...

Year-over-year growth in labor productivity†



...with big disparities in productivity between major economies.

Gross domestic product per hour worked, 2016**

U.S.	63.3%
France	59.9%
Germany	59.9%
Canada	49.0%
U.K.	47.9%
Italy	47.6%
Japan	41.6%

* Services sector excludes finance; data for 24 OECD countries

† Adjusted to smooth the effects of economic cycles

** In 2010 U.S. dollars, adjusting for effect of exchange rates on purchasing power

Sources: OECD (firm productivity, GDP); Bergeaud, A., Cetin, G., and Lecat, R. (U.S. and European productivity)

biggest. Globalization allowed them to grow bigger, while giving some specialized niche firms a big enough market to succeed.

For digital titans such as Amazon, Google parent Alphabet Inc. and Facebook Inc., the benefits of scale are substantial. Not only are their customers not limited by geography, but whenever more sellers sign up in Amazon's platform or more users join Facebook's social network, the service they offer gets more valuable for everyone else.

Another advantage: Researchers have found that bigger firms are better at protecting their technological advantages by patenting them. Only 25 companies accounted for half of all tech-related patents filed with the European

Patents Office between 2011 and 2016, official data show.

Scale makes it possible to experiment with advanced technology that is out of reach for many companies. A separate McKinsey Global Institute report, published in April, found early adopters of artificial intelligence may already have gained "an insurmountable advantage" in earnings over competitors who have yet to take the plunge.

Gains at the top have been the key driver of productivity since the days of the industrial revolution, and the whole economy benefited. What is different now?

Some economists say it could be that good managers have flocked to top firms—enticed by the larger pay offered by multi-

nationals—and the laggards need to catch up. According to the World Management Survey, smaller firms are consistently worse run and are responsible for most differences in management across countries.

There is a "lack of self-awareness among lots of firms," says John Van Reenen, professor of economics at the Massachusetts Institute of Technology. "Some think they are awesome. But they are actually doing pretty badly."

Some public and private efforts to reverse this are taking place in Britain, where productivity has become a political hot potato after a decade of poor growth. Output per hour worked there is 23% and 26% lower than in the U.S. and Ger-

many, respectively.

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Online competition

These days, retailers are under threat from online competitors such as Amazon.com Inc., spurring a new productivity race at the top. In May, Kroger Co., the largest U.S. grocery chain, increased its stake in a single company, Ocado Group PLC. Within three years, Kroger will be able to use Ocado's robots to run 20 automated warehouses, the company said. Data show the most productive companies are usually the

GREATER NEW YORK

Suit Raises Thorny Real-Estate Issue

By JOSH BARBANEL

Pamela Goldstein was under pressure. A four-bedroom white colonial house in White Plains had just gone on the market and she wanted it.

The agent who showed her the house with a red front door and a two-car garage in an attached wing advised her that there were other offers on the home. She had better act fast and bid over the asking price, he told her, she recalled later.

Later she learned that her agent, Daniel Cezimbra, was part of a team headed up by his brother-in-law, who had listed the house on behalf of the seller.

Now Ms. Goldstein is the lead plaintiff in a lawsuit seeking class-action status that ac-

cuses her agent's firm, Houlihan Lawrence, a large real-estate brokerage firm north of New York City, of systematically maneuvering to represent both the buyer and seller in the same transaction, creating conflicts of interest.

The lawsuit said this "predatory behavior" violated both the spirit and the letter of New York state law. The suit, filed over the weekend in state Supreme Court in Westchester County by law firm Boies Schiller Flexner LLP, demanded Houlihan return hundreds of commissions paid when it represented both the buyer and the seller since 2011.

A spokeswoman for Houlihan Lawrence said the company had just learned of the lawsuit and was reviewing it.

"Houlihan Lawrence is confident in its business practices," the spokeswoman said.

Houlihan Lawrence has more than 1,300 agents in 30 offices in Westchester and northern

In 'dual agency,' the same brokerage represents both buyer and seller.

New York suburbs as well as Fairfield County, Conn. Last year Berkshire Hathaway Inc.'s HomeServices of America Inc. acquired Houlihan Lawrence for an undisclosed amount.

The suit takes on a thorny

issue in real-estate transactions known as "dual agency," when the same brokerage firm, and sometimes the same agent, represents both buyer and seller. These arrangements create a conflict of interest that can compromise the commitments that agents usually offer to clients, a duty of "undivided loyalty, confidentiality, and full disclosure," under New York law. But these conflicts are permitted—if agents discuss the limitations of the arrangement with clients, who are asked to sign a state form acknowledging that they were aware of the dual representation.

The suit alleges that Houlihan Lawrence makes dual agency part of its basic business plan, offering incentives to brokers to steer clients to

in-house transactions. According to the suit, the company provides less information than other brokerages on the risks of dual agency, delays discussing the issue with clients, and relies on preprinted versions of the state disclosure forms, with boxes checked rather than letting clients fill them out.

The lawsuit claims that last year Houlihan represented nine out of 10 of Houlihan Lawrence's biggest home sales in Westchester County, a sales total of more than \$47 million. In Bronxville in Westchester, 48 out of 75 Houlihan sales were dual-agency deals, including 80% of all deals for \$2 million or more, the complaint alleges.

Ms. Goldstein said she was shocked to realize that the

seller's agent—who Mr. Cezimbra was supposed to be negotiating against—"was not only his boss, but also his brother-in-law." She said Mr. Cezimbra contacted her after she had called the listing agent at Houlihan Lawrence.

Mr. Cezimbra's brother-in-law wasn't available for comment.

But Mr. Cezimbra said he worked "solely" on Ms. Goldstein's behalf in a difficult, high-pressure situation and worked to protect her interests in the bidding war, in which at least three other offers were made.

"She was well represented," Mr. Cezimbra said. "I feel everything we did was up to par. She had every disclosure laid out to her."



Hempstead Town Supervisor Laura Gillen helped conservation workers throw bags of discarded seashells into the water last week.

A Whole New Shell Game

Leftover shucks from Long Island seafood restaurants will create a storm surge barrier

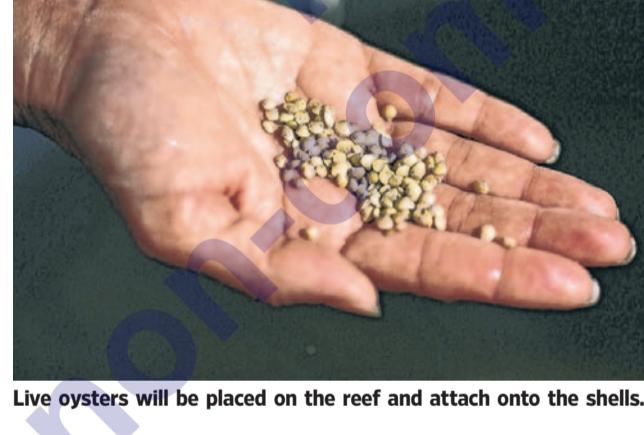
By LARA KORTE

A Long Island town has devised the latest defense against tropical storms: seafood scraps.

Officials and environmentalists from the town of Hempstead tossed mesh bags full of thousands of discarded clam and oyster shells into Hempstead Bay off Lido Beach on Thursday. The shells, collected from a dozen local restaurants, will form a "living reef" to reinforce the area's natural barrier islands, which have degraded over the past century.

"It is our hope that with this living reef project, we will be able to vastly restore the ability of our barrier islands and other barrier islands to mitigate the flooding associated with storm surges like those we saw during superstorm Sandy," said Hempstead Town Supervisor Laura Gillen.

Experts from the town's Department of Conservation and Waterways will place live



Live oysters will be placed on the reef and attach onto the shells.

oysters on the reef, which will then attach onto the discarded shells and provide a defense against coastal storms. The hope is that, over time, the shells and oysters will build up enough sediment to become seamlessly integrated with the existing island.

"There's clam diggers and fishers coming in every day, we're right on the water," said Michael Mihale, owner of Fisherman's Catch and Point Lookout Clam Bar, who provided some of the shucked shells. "Anything I can do to help, we'll do."

Steve Naham, a conserva-

tion biologist, said the living reef project won't only protect the island from tropical storms, but provide a healthy habitat for the bay's waning oyster population.

"Oysters cement themselves as part of their life cycles, so they need to attach themselves to a hard substance such as a rock or a shell," Mr. Naham said. "Most of that habitat has been removed from our bay by years and years of dredging and development projects."

Ms. Gillen and other officials took a fishing boat out to a small grassy island off Lido Beach to dump the shells.

Steve Naham, a conserva-

into the bay on Thursday. Collecting the shells took two years. The town plans to continue to collect shucked shells from local restaurants to toss more mesh bags into the water at a future date.

Earlier this year, the New York Department of Environmental Conservation awarded a \$400,000 grant to the Town of Hempstead hatchery to bolster the oyster population. According to officials, the grant will expand the hatchery and more than double the output of oysters into the bay. In addition to creating a storm barrier, the oysters will also filter out harmful pollutants.

The Department of Conservation and Waterways plans to submerge hundreds of bags of shells into the water, forming a structure that is a half-mile long. Local leaders said it is the next step in preserving the health and the economy of the South Shore.

"What really is more important for us than to preserve our beautiful environment here on Long Island?" said Sylvia Cabana, Hempstead town clerk. "This is what defines us, this is why so many people come to Long Island, to see our beautiful channel, our beautiful bays, our beautiful oceans."

"You had companies leasing large blocks of space, but some companies weren't coming from out of state," said Jason Price, director of New Jersey research for real-estate services firm Cushman & Wakefield. "And they were giving up space and consolidating their footprint as well."

Leasing of large office spaces was sparse from the end of 2016 through the first quarter of this year, with only three deals signed, according to Cushman. That changed in the second quarter, when six big-block leases were signed, pushing new leasing to its highest quarterly level in almost two years, Cushman said.

The vacancy rate for the state rose slightly to 18.3%, an increase of 0.3 percentage point.

Among some of the biggest deals was Ralph Lauren Corp.'s 255,000 square-foot lease to move its New Jersey offices



Mars Wrigley Confectionery U.S. is moving to Ironside Newark.

New Commissioner Named to Lead Delay-Plagued City Agency

By KATIE HONAN

New York City Mayor Bill de Blasio has appointed School Construction Authority President Lorraine Grillo as the new commissioner of the Department of Design and Construction, the city agency that oversees large capital projects but has been marred in recent years by delays and cost overruns.

Mrs. Grillo will also keep her position at the SCA, which oversees construction and renovation of the city's Department of Education buildings. She will begin her role in charge of both agencies on Monday.

Lorraine Grillo is universally admired as someone who gets it done," Mayor de Blasio, a Democrat, said in a statement. "She's proven it with 75,000 new school seats, and now she is going to prove it on our streets and public buildings."

Ms. Grillo, 68 years old, joined the School Construction Authority in 1994 and was appointed its president in November 2010.

Ana Barrio has been the acting commissioner of the Department of Design and Construction since Feniosky Peña-Mora left the position in June 2017 amid criticism over bal-

looning costs and blown schedules on city-run construction projects. Ms. Barrio will join the Department of Environmental Protection as the deputy commissioner of the agency's Bureau of Engineering Design and Construction.

A 2017 study found that DDC-led projects—from libraries to cultural institutions—were often plagued by delays that caused their costs to spike dramatically. The average time for a DDC project to be completed was seven years, the report found.

At the DDC, Ms. Grillo's focus will be on "project deliv-

ery" and preventing cost overruns, she said. "We've worked very hard here at the SCA on continuous improvement, and we've succeeded," she said, referring to project costs and speediness of construction. "I want the same thing for the folks at the DDC."

The agency's delays inspired Staten Island Borough President Jimmy Oddo to create an online game where residents could guess how long a DDC project would take. He has criticized the DDC over infrastructure improvements on roadways and projects like the long-delayed extension of the

borough's animal shelter.

Mr. Oddo said he hoped Ms. Grillo would "change the culture" of the agency.

"If there is no true leadership, things go sideways," he said. "DDC has been sideways for a very long time, and Lorraine is a great leader."

In addition to Ms. Grillo, Mr. de Blasio has appointed Jamie Torres-Springer, who is currently a partner in consultancy group HR&A Advisors, as the DDC's inaugural first deputy commissioner.

Mr. Torres-Springer said he was excited to work with Ms. Grillo and the team at DDC.



MAYORAL PHOTOGRAPHY OFFICE
Lorraine Grillo

GREATER NEW YORK

True Bleu: France Fans Dance in the Street in Manhattan

VICTORY: Fans celebrated Sunday at the French Institute Alliance Française's Bastille Day on 60th Street festival after France beat Croatia, 4-2, to claim the World Cup title. FIAF showed the game on a giant outdoor screen at East 60th Street and Lexington Avenue.

Library Cards Open New Chapter

BY CHARLES PASSY

A new program being launched Monday by New York City's three major library systems will give library cardholders free admission to 33 museums and other institutions throughout the five boroughs.

Dubbed Culture Pass, the program is a joint initiative by the Brooklyn Public Library, New York Public Library and Queens Library. Under the terms, cardholders will be able to visit some of the city's most high-profile institutions, including the Whitney Museum of American Art, the Brooklyn Botanic Garden and the Frick Collection, at no cost. Before visiting the institutions, cardholders must reserve their passes online through the Culture Pass website (culturepass.nyc).

The program does limit cardholders to one visit per institution each year, but it al-

lows them to bring one to three additional people, depending on the organization. Given that the standard adult admission to some of the participating institutions can easily top \$20, the program can equate to a value in the hundreds of dollars for cardholders.

The institutions aren't charging the library systems for the program. Funding for operating and marketing Culture Pass, which runs at least \$1 million in the program's initial stage, is provided through private foundations.

Officials with the library systems say one of the main goals of the program is to boost access to the arts for New Yorkers, especially those who might not otherwise easily afford a visit to some of these institutions.

While providing such access might not be seen as a traditional role for libraries, it is all

part of a piece, said Brooklyn Public Library President and CEO Linda E. Johnson.

"We have been focusing on how to expand the definition of literacy," she said. "Being able to read and write is just the tip of the iceberg."

In any case, libraries in New York City have been challenged to redefine their mission in an increasingly digital era where there is simply less demand for printed books. At the Brooklyn Public Library, annual circulation has declined over the past five years to roughly 14 million items from 17 million, according to Ms. Johnson.

As a result, libraries are offering an ever-widening range of programs.

At the Queens Library's central branch in Jamaica, World Cup soccer games recently have been screened. Later this month, the branch will offer car-seat safety checks.

Cultural Perks

The Culture Pass program includes free admission to several institutions. Here are some of them, along with the standard adult admission price, according to the institution's website:

Brooklyn Botanic Garden (\$15)
Children's Museum of Manhattan (\$14)
The Frick Collection (\$22)
Historic Richmond Town (\$8)
International Center of Photography (\$14)
Intrepid Sea, Air & Space Museum (\$33)
Noguchi Museum (\$10)
Solomon R. Guggenheim Museum (\$25)
Wave Hill (\$8)
Whitney Museum of American Art (\$25)

Continued from page A12A

newer and better product, and when it gets built, it's going to lease," said Tim Greiner, executive managing director at real-estate-services firm JLL. "When we talk to companies, they seem to be willing to make the investment in a better building and are not so much focused on rent."

Another key factor behind the signing of large leases has been tax incentives offered by the New Jersey Economic Development Authority. In the past 24 months, 66% or 10 of 15 new leases for space larger than 100,000 square feet have received grants from the state's Grow NJ program, said Jeff Hipschman, senior managing director at real-estate-services firm CBRE Group Inc.

"As states compete for corporate occupiers, it has to be competitive," Mr. Hipschman said, referring to New Jersey's

incentive program.

Democratic Gov. Phil Murphy, who started his term in January, has criticized the state's practice of giving big subsidies to large companies. He has ordered an audit of incentives expected to be completed by the end of the year.

But real-estate executives

expect incentives to remain a

necessary fixture for large of-

fice leasing and highlight the

benefits of the ripple effect of

big company relocations and

expansions secured with state

incentives.

"Many of the large office deals you read about would be unlikely to occur if not for the Grow New Jersey program," said Michael Sommer, executive vice president of development at Edison Properties.

While New Jersey's bigger lease deals have attracted attention, demand for office space, usually dominated by smaller leases, remains sluggish throughout many of New Jersey's submarkets, brokers have said. The change in occupied space was positive for only five of New Jersey's 20 submarkets, according to CBRE.

—Kate King contributed to this article.

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good stories
have the power
to change people.

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SCIENCE

Genetic Testing's Push for Diversity

Legacy of unethical studies complicates call for greater participation by African-Americans

BY AMY DOCKSER MARCUS

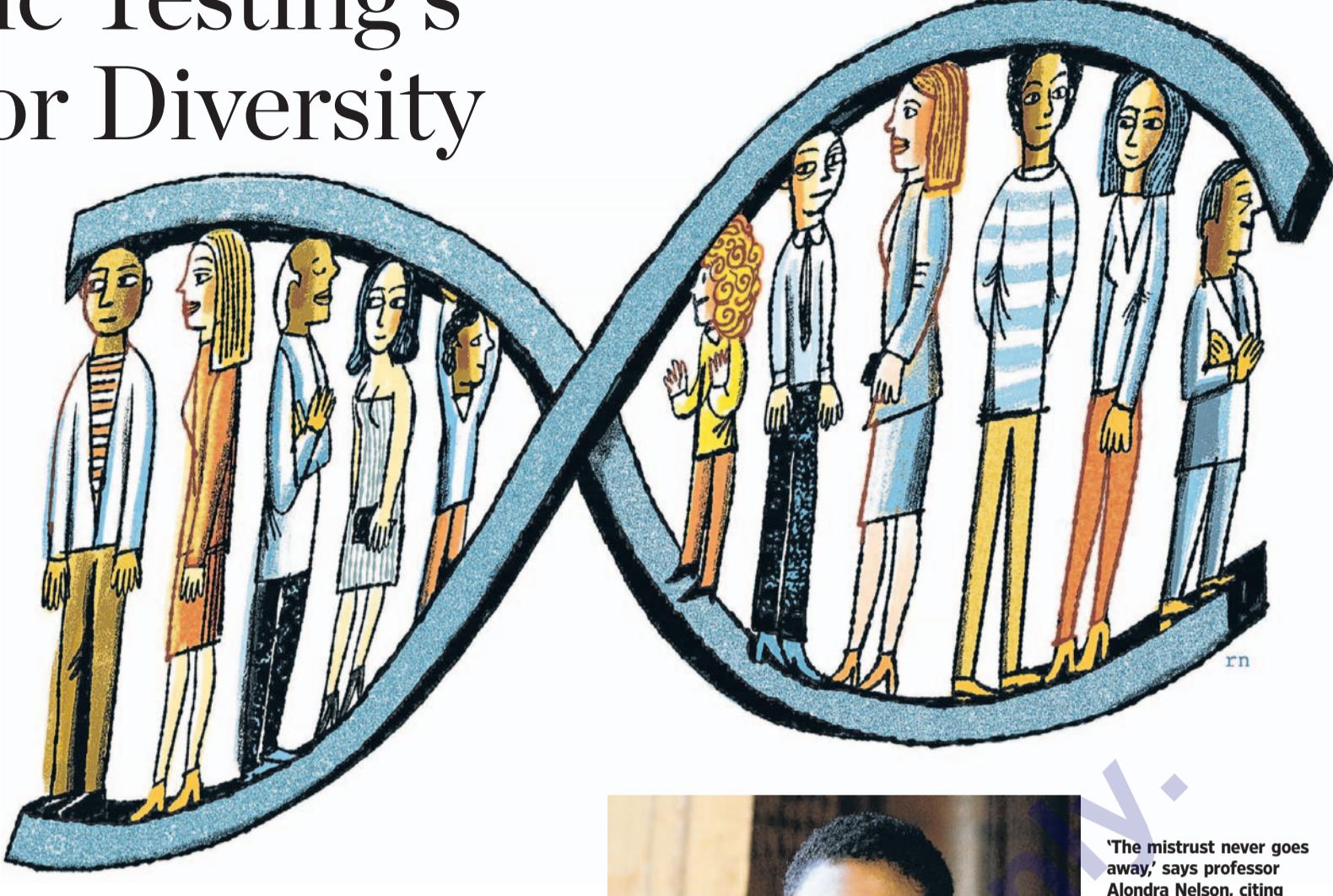
LATE LAST YEAR, Justina Crawford decided to swab the inside of her mouth for a saliva sample to do a DNA test.

Ms. Crawford, a 30-year-old working in Boston who is African-American, had never done a DNA test before because she worried about who would have access to her genetic information. But her growing curiosity about her family history led her to set her reservations aside. "I want to know my roots," she said, and purchased a kit from African Ancestry Inc., a DNA testing company.

Scientists and private genetic testing companies are making a push to enroll more African-Americans in genetic research and databases. As the popularity and wider availability of genetic testing grows, so have calls from the scientific community about the need for genetic diversity in future research. In the past, genomic research was predominantly skewed to people of European ancestry. As a result, African-Americans—as well as people of different demographic backgrounds—weren't well represented in some important health research.

But before they sign up, many African-Americans have to overcome concern about potential misuse of DNA results and mistrust of health research, which has not always benefited them and was sometimes conducted without their consent.

Alondra Nelson, professor of sociology at Columbia University, who has written extensively about the topic, cited a long history of "scientific racism," such as the Tuskegee syphilis experiment conducted on African-American men



by the U.S. government that ran until 1972. Individuals in the study were not told they were infected with the disease or treated with penicillin. Exposure of these lapses led to changes in ethical rules.

"The mistrust never goes away," says Professor Nelson.

In May, the National Institutes of Health launched the ambitious All of Us research program, with the goal of enrolling one million or more people of races, ethnicities and other groups that have been underrepresented in biomedical research. So far, following community outreach, 17% of the 36,539 participants in All of Us that have provided blood, urine, and other information identify as African-American, which is "significantly more representation than in most studies and greater than the overall percentage of African-Americans in the general population," says Eric Dishman, director of All

of Us. "The more data we gather, the more we'll know about what makes people unique, which may, in turn, pave the way for more customized health care approaches for African-Americans and many other underserved communities."

Earlier this year, 23andMe, a direct-to-consumer personal genomics company based in Mountain View, Calif., launched a Global Genetics Project seeking to enroll people with four grandparents all born in western and central Africa and other underrepresented places. The projects can help fill in gaps in understanding about population genetics, but also can spark personal interest in health questions.

Rick Kittles, a professor at City of Hope Comprehensive Cancer Center and co-founder of African Ancestry Inc., which helps people of African descent trace their roots, said ancestry can play a role in assessing disease risk. But when he and Gina Paige co-founded the company, he says they purposely stayed away from testing for health conditions and agreed to destroy the DNA sample once the test is completed. "We share the same sensitivity the community shares," says Dr. Kittles, who is African-American. Broader health testing "is important but it has to come from the community demanding it."

Doctors rely on population-wide studies to better assess an individual's risk of getting a disease. Genetic testing from more diverse groups will lead to better understanding of the risks associated



'The mistrust never goes away,' says professor Alondra Nelson, citing 'scientific racism,' such as the Tuskegee experiments.

with particular genes, researchers say.

At a Boston event focused on DNA testing as a link to African cultural identity, Fabienne Mondesir, director of community engagement at Harvard Medical School's Personal Genetics Education Project, gave a presentation explaining how the technology works as well as its current limits.

While the focus of the evening was ancestry and not health testing, Ms. Mondesir said it's hard to talk about one without the other.

She wanted the audience members to understand both how researchers might use information from ancestry tests to better understand health links as well as potential misuses of genetic information, including privacy concerns.

One June morning, Ms. Crawford sat in a sunny courtyard, discussing her test results with Marlon Solomon, president of the Afrimmerican Culture Initiative, a Hyde Park, Mass.-based foundation that organized the Boston event.

Ms. Crawford knows there is still more to learn about her DNA. But despite the positive benefits, Ms. Crawford says she does not want health information and is not yet ready to contribute her DNA for research—and may never be.

"I think there is a benefit to DNA testing to learn health information," says Mr. Solomon, who has a Nigerian father and African-

American mother. But his organization focuses on DNA testing as a way to build cultural identity. "For many people, there is stigma and trepidation about DNA tests," he says. "But the desire for roots and identity is so strong that they are willing to take the chance."

Ms. Crawford grew up in Pennsylvania. Her parents divorced when she was young and her mother raised her. She said she knew from her mother and grandparents that "we come from a lineage of slaves," but not any detailed family history. She used African Ancestry's test.

When she got the results, it showed a 99.7% maternal connection to the Bamileke people in Cameroon. "I didn't even know where Cameroon is. I googled it," says Ms. Crawford.

Ms. Crawford has since done research on Cameroon. A friend gave Ms. Crawford a book about Cameroon art. She shared the images with her mother. Mr. Solomon connected Ms. Crawford with a group in Boston that runs community projects in Cameroon. Eventually, she says, she wants to visit.

Ms. Crawford knows there is still more to learn about her DNA. But despite the positive benefits, Ms. Crawford says she does not want health information and is not yet ready to contribute her DNA for research—and may never be.

"I think there is a benefit to DNA testing to learn health information," says Mr. Solomon, who has a Nigerian father and African-

ILLUSTRATION: ROBERT NEUBECKER; PHOTOS FROM TOP: EILEEN BAROSSO; CITY OF HOPE

ARTS & ENTERTAINMENT

CHINA SHOOTS FOR A BASKETBALL REVOLUTION

BY WAYNE MA

Beijing

BASKETBALL IS BIG in China: kids playing street hoops, fans wearing the jerseys of their favorite stars and huge audiences for streamed and televised games.

It's just that much of the fans' cheering—and spending—goes to the U.S. National Basketball Association rather than China's home-grown professional league. Basketball star Yao Ming is out to change that.

Since becoming head of the Chinese Basketball Association in early 2017, Mr. Yao has worked to transform the league into something closer to what he saw in the U.S. as a center playing for the NBA's Houston Rockets from 2002 to 2011, starting in eight All-Star games. He's aiming to raise the level of talent, and also working to make the game more profitable for owners so they can put more money into the sport.

Those efforts range from elimi-

nating government control of the league to potential changes in the way players are groomed for basketball through a state-sponsored system, according to people familiar with the plans.

NBA merchandise is sold at nearly 200 branded stores and more than 5,000 licensed retail outlets on the mainland, according to NBA China, which said this year's NBA Finals drew an average of 25 million unique viewers per game in China. The CBA declined to provide comparable viewership numbers for its final playoff series.

China's rising middle class has many experts optimistic about the prospects for professional athletics. Government ministries previously were in charge of sports leagues, which have historically focused their attention on fielding Olympic champions—not nurturing professional franchises to make profits.

"We're at an inflection point for sports consumption in China, where sports is becoming a consumer product," said Matt Beyer,

Please turn to page A15



Ex-NBA player Yao Ming, now head of the Chinese Basketball Association, is seeking to transform the nation's pro league.

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

The Only Guy in the Barre Class

A tough ballet-inspired regimen keeps this 67-year-old in shape; even after years of practice, 'I still feel sore'

IN A STUDIO of spandex-clad women, Steve Seigal and his tie-dyed shirt stick out. Even after five years of classes at Pure Barre in Boulder, Colo., as an instructor calls out "Tuck hold. Tuck freeze," Mr. Seigal's leg muscles shake while he squats at the barre.

Barre classes are total body workouts made up of small, isometric movements that take their cues from ballet warm-ups. They are often favored by women drawn to the promise of long, lean muscles. Mr. Seigal, now 67 years old, usually is the only man in the class. But he isn't intimidated.

"I was married to an athlete who was stronger and faster than me," he says. "I always had to work out in her shadow. It was hard at first to swallow my pride but now I have no problem seeing women who can lift their leg higher or hold their leg straighter."

Mr. Seigal's wife, Alice Cornelia Seigal, was a member of the USA Track and Field team. They have four children, and exercise had always been a big part of their life.

In the summer of 2013, his daughter Ashley asked him to try the barre workout, and they began going together three times a week. That fall, his wife died.

"It affected the kids tremendously," Mr. Seigal says. "They would constantly say, 'Dad, please stay strong and healthy.' Being physically fit took on a whole new importance."

Mr. Seigal, a former IBM engineer who now works part-time from home in credit-card-processing sales, turned his workouts into family bonding time. Ashley, now 20, joins him twice a week at class. His 16-year-old daughter, Mikayla, uses Sunday classes with her father as cross-training for her swimming career. Vanessa, 31, joins once a month, and his son Max, 30, a globe-trotting photographer, joins when he is in town.

"We're all at different fitness levels, but we can get a great workout," Mr. Seigal says. "I thought it would get easier, but then I reached the 100 club and realized it never gets easier. I still feel sore."

Mr. Seigal has completed more than 1,400 classes. As one of few students to hit that milestone, he's become a celebrity among Pure Barre fans. "I attended a class in Missouri and someone asked if I was Pure Barre Steve," he jokes.

The classes work small stabilizing muscles, which Mr. Seigal credits with helping him get back to running pain-free after years of overuse injuries. In May he completed the 24.2-mile Grand Canyon Rim-to-Rim Hike. His son convinced him to train to run the Ute Mountaineer Golden Leaf Half



Marathon with him from Snowmass Village to Aspen, Colo., in September.

"Staying in shape means more opportunities to spend time with family," he says. "I'm always ready at the drop of a dime if my kids invite me to join them on a hike, run, bike ride or anything fitness-related."

The Workout

Mr. Seigal attends Pure Barre five days a week, usually at 8:30 a.m. Hour-long classes begin with a warm-up that will include light weights to work the arms. Thigh and seat work is performed at the barre, followed by a series of ab exercises and a cool-down.

"Something as simple as standing at the barre and holding one leg out and back at 45 degrees and repeatedly lifting it one inch is super hard," he says. Moves might include planks, squat variations, abdominal curls and pulsing one-legged bridges.

In addition to support from his children, he has a "Pure Barre buddy." "We are always encouraging each other to make it to class," he says. "It's easier to get there knowing my buddy is expecting me. She helps keep me consistent."

Mr. Seigal says as he's gotten older, his body feels better if he avoids doing the same sport two days in a row. He now alternates biking and running. To train for the Grand Canyon hike, he did three to four repeats of Mount Sanitas in Boulder, a 3.1-mile hike with 1,343 feet of elevation gain.

Steve Seigal, in shorts and tie-dyed shirt, says Pure Barre classes helped get him in shape to complete the Grand Canyon Rim-to-Rim hike, right.



The Diet

Mr. Seigal eats a healthy diet without being too strict. He avoids fast food and fried foods but allows himself a good burger with sweet-potato fries every now and then. He has coffee, yogurt and a banana for breakfast. Lunch is often huevos rancheros—eggs and beans on a tortilla—from Dot's Diner. Go-to dinners include vegetable stir fry and pasta with tomato sauce.

The Gear & Cost

Mr. Seigal is known for his tie-dyed T-shirts. "As a family, we used to go to Jamaica for Spring Break, and one of the resort activities was making tie-dyed shirts," he says. "Wearing the shirts is a way for me to celebrate our family time together."



He has tried nearly every brand of running shoe and says Hoka One One work best for his feet. He has both the Stinson ATR 4 (\$160) and the Challenger ATR 4 (\$130) models.

Before his Grand Canyon Rim-to-Rim hike he tested six different sock-shoe combinations to find the perfect pairing. "Some were too thin, some too tight," he says. Smartwool PhD Run Light Elite Mini socks (\$18) were the winners. He spent around \$2,400 on his custom Javelin bike with Shimano gears. An unlimited 12-month membership at Pure Barre costs \$1,920. Pure Barre is performed in socks (\$15) with adhesives on the bottom that are meant to retain the body's heat as well as prevent feet from sliding.



Stepping Up To the Barre

German-born dancer Lotte Berk is credited with developing what today is known as the barre method, a stretching and strengthening workout taught at studios including Physique 57, the Bar Method and Pure Barre.

The workout claims that it will sculpt your body into ballerina-like shape, but it's more likely to help you achieve a dancer's muscle endurance and balance, says Angela Smith, a spokeswoman for the American College of Sports Medicine.

The slow, small movements of barre workouts look deceptively easy. But keeping the range of motion limited allows you to isolate small muscle groups and work them to fatigue, says Katie-jane Denton, an instructor at Pure Barre in Boulder, Colo. "We engage our bigger grouped muscles every day so we want to be sure they are supported to work efficiently," Ms. Denton says. "The small movements are key in training the muscles to wrap and support the body's skeletal structure."

Alignment and proper technique are a focus of barre classes. The tuck, a key barre position, occurs from the low abs and transverse abdominal muscle. "By pulling the abs inward, the hips pull forward creating deeper abdominal engagement," Ms. Denton says.

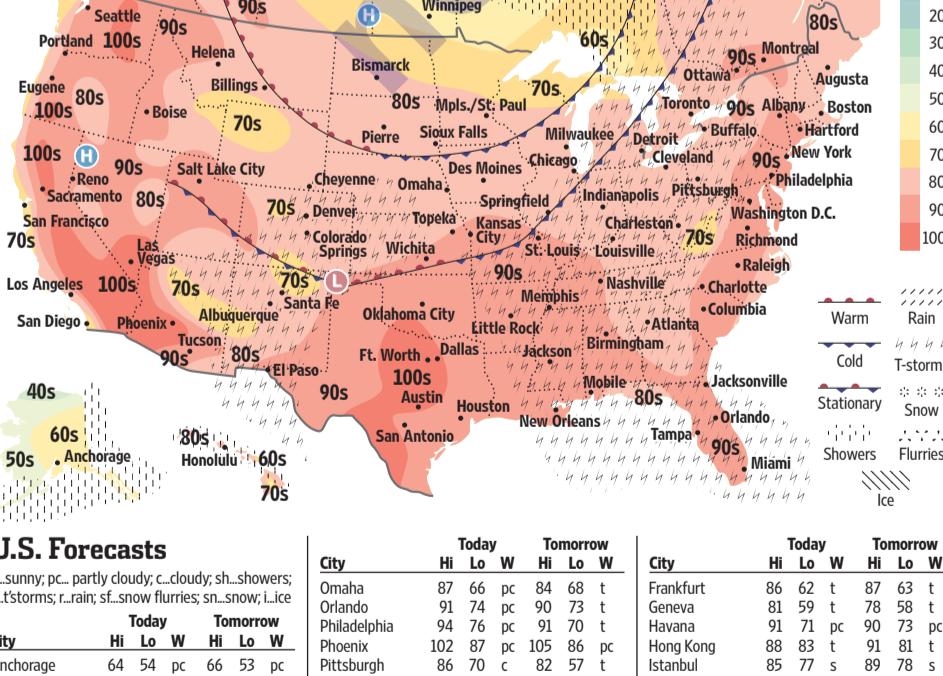
The pulse, usually a one-inch range of motion, targets slow-twitch muscles, that when fatigued, result in the workout's signature "shake," she says.

Dr. Smith says both men and women can benefit from the low-impact workout. "It's a good way to build hip strength and stability and improve balance," she says.

—Jen Murphy

MATT NAGER FOR THE WALL STREET JOURNAL (3); CHRISTINE DENNIS (HIKE)

Weather



U.S. Forecasts

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

t...storms; r...rain; sf...snow; sn...snow; l...ice

Today **Tomorrow**

Hi **Lo** **W** **Hi** **Lo** **W**

City **Hi** **Lo** **W** **Hi** **Lo** **W**

Omaha 87 66 pc 84 68 t

Orlando 91 74 pc 90 73 t

Philadelphia 94 76 pc 91 70 t

Phoenix 102 87 pc 105 86 pc

Pittsburgh 86 70 c 82 57 t

Portland, Maine 80 65 s 80 66 t

Portland, Ore. 96 62 s 91 63 s

Sacramento 98 61 s 98 61 s

Seattle 90 61 s 87 60 s

Sioux Falls 82 59 pc 81 65 s

St. Louis 96 80 pc 91 69 t

City **Hi** **Lo** **W** **Hi** **Lo** **W**

Frankfurt 86 62 t 87 63 t

Geneva 81 59 t 78 58 pc

Havana 91 71 pc 90 73 pc

Hong Kong 88 83 t 91 81 t

Istanbul 85 77 s 89 78 s

Jakarta 89 74 c 90 74 s

Jerusalem 87 68 s 87 67 s

Johannesburg 56 33 s 56 35 s

London 83 58 pc 76 57 pc

Madrid 88 64 s 95 66 s

Manila 84 76 sh 83 79 r

Melbourne 56 49 pc 61 45 r

Mexico City 74 51 t 76 52 pc

Milan 84 66 t 89 67 s

Moscow 82 67 c 81 66 sh

Mumbai 84 80 r 85 79 sh

Paris 85 63 t 79 58 t

Rio de Janeiro 84 69 s 80 68 pc

Riyadh 110 85 s 108 86 s

Rome 84 67 pc 84 68 s

San Juan 87 78 pc 88 79 pc

Seoul 90 74 pc 90 73 pc

Shanghai 92 80 s 92 79 pc

Singapore 88 80 pc 88 79 t

Sydney 66 50 s 72 51 s

Taipei City 94 81 pc 95 80 t

Tokyo 93 80 c 93 81 c

20 Some folding money

21 Half-price deal, of a sort

22 Gymnast Korbut

23 Auditory organ

24 Stationary

25 Energetic individuals

26 Up to, so to speak

27 Drunken Korbut

28 "Born Free" lion

29 Textile factory supply

30 Greek cheese

31 God of war

32 *They pass over shoulders

33 AIDS illegally

34 Urban prowler

35 Players' entrance in a stadium

36 Superdome team

37 Fugitive's flight

38 French article

39 Fairway chunks

40 Western resort lake

41 "Fame" singer Cara

42 "Born Free" Rae

43 Unsuccessful auto

44 Software test version

45 Molecule component

46 Target Field team

47 Catch sight of mysterious flyer

48 Fork features

49 Source of cassiterite

50 Bamm-Bamm Rubble's father

51 Rescue

52 Coup d'_

53 Places for drivers' drinks, and literally what the starred answers are

54 First-rate

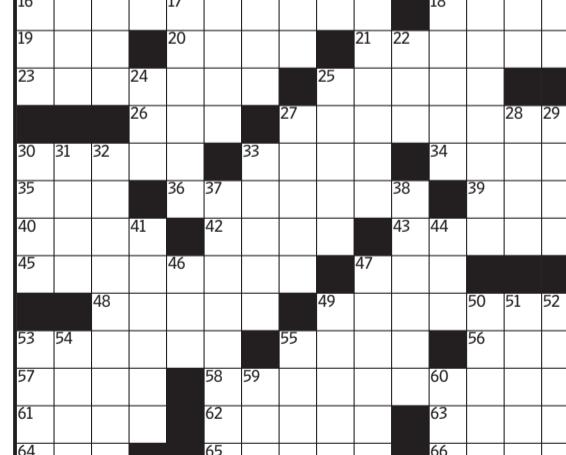
55 Underway, as Holmes's game

56 Scepter

57 Genetic stuff

58 Blue hue

The WSJ Daily Crossword | Edited by Mike Shenk



DRINK & DRIVE | By Aaron L. Peterson

Across

1 Immense 26 Give permission to

5 Jot down 27 Swayed back and forth</p

LIFE & ARTS



ART REVIEW

'French Pastels': Delicate and Delightful

BY M.J. ANDERSEN

Boston

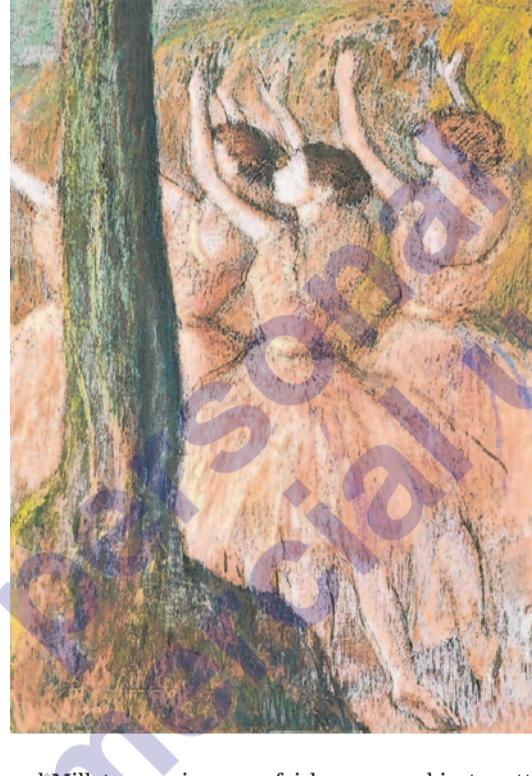
AS A YOUNG ARTIST with as yet little to show for himself, Claude Monet decided to try working outdoors. Before long, his attempts to capture the French landscape using pastels, a material that had fallen into disuse, would help launch the Impressionist revolution. Monet contributed a group of the colored crayon drawings to the movement's first important exhibit, in 1874. Yet for all he did to revive the medium, he would remain a prince of pastels. Shortly, Edgar Degas would become their undisputed king.

Works by both artists are on rare public view at Boston's Museum of Fine Arts. "French Pastels: Treasures From the Vault" is a quietly seductive exhibit that feels

intended less to instruct than to delight, and does. Because pastels can shed powdered color so easily, they are seldom shown, and then only briefly—typically for just a few months per decade, according to the show's curators. Affixed to easily discolored paper, they must be displayed in low light.

The MFA show's roughly 40 works are spread across two spacious galleries and project a warm serenity against the Pilgrim-gray wall color. Most are from the museum's rich holdings in 19th-century French art. Although more than half a dozen artists are represented, the show is largely a duet. Degas trades melody lines with Jean-François Millet, an artist who was a generation older but whom Degas greatly admired.

The two are positioned in opposite rooms, with Degas confirming his mastery of a medium he loved,



'Little Goose Girl' (1868), by Jean-François Millet, above; 'Dancers in Rose' (c. 1900), by Edgar Degas, left

Millet was Vincent van Gogh. In 1875, he visited a large auction show of the artist's late pastels. Van Gogh, who had not yet fully embraced his own artistic vocation, was smitten. When he entered the room, he later wrote his brother Theo, "I felt something akin to: Put off thy shoes from off thy feet, for the place whereon thou standest is holy ground."

Van Gogh was not alone in his reaction. Millet's pursuit of humble

subject matter and his skill as a draftsman would influence artists for decades. Pastels facilitated his innovations with perspective. Requiring no drying time, they were easy to rework, encouraging spontaneous expression. They also made him a virtuoso of green. "Path Through the Wheat" (c. 1867) abounds in sunlit grassy

and Millet emerging as unfairly discounted. Contemporary viewers who dismiss Millet as sentimental will feel vindicated by some of the images on display. (Millet could not get enough of fair farm girls, winsome sheep, or noble sons of the soil.) But what you see can depend on where, historically, you stand.

One viewer who did not dismiss

hues. Forest tones anchor two companion pieces, "Primroses" and "Dandelions" (both 1867-68), which Millet seems to have composed while lying on his stomach in the shade.

His experimentation with the medium began in the 1860s, around the same time pastels were embraced by the much younger Monet. Helping to drive resurgent interest was the development of synthetic dyes, which expanded the array of available colors.

To the dismay of Degas, who detested amateurs, droves of pastel-toting novices set out to capture the French countryside alongside serious artists. A popular how-to book, "Le pastel simplifié et perfectionné" ("Pastel, simplified and perfected"), by Frederic Goupil-Fesquet, appeared in 1881 and sold briskly into the 20th century.

Museum-goers will find a copy positioned near a box of brightly colored crayons once owned by Mary Cassatt. "Study for the Banjo" (c. 1894), one of two Cassatt works in the show, employs vivid strokes of orange and teal, challenging the customary association of pastels with nursery-room hues.

Four works by Degas show him trying out different approaches to landscape. "Cliffs on the Edge of the Sea," part of a breakthrough series completed in Normandy in 1869, echoes Millet's quest for simple composition. More sky than land, its stark horizon is broken, barely, by a single rickety structure.

But the astonishing range of Degas's technical experimentation comes through most clearly in a sampling of his trademark ballerinas. In "Dancers Resting" (1881-85), he renders a dazzling white skirt with naturalistic precision. "Dancers in Rose," completed around 1900, exhibits a much freer hand. Here the ballerinas' skirts are conjured with orange and blue streaks, in a drawing that almost appears to have been left out in the rain.

Other standout works are by Edouard Manet, Odilon Redon, and Norwegian artist Johan Frederick (Frits) Thaulow, whose refreshing snow-scapes take full advantage of their powdery medium. A portrait completed by Camille Pissarro around 1874 suggests that nothing can capture a fleeting moment so well as pastels. The mustached sitter for "Portrait of Père Papeille, Pontoise" is currently unknown to art historians. Yet viewers may feel they know him well. With his amused smile, Papeille could easily be saying, "So, tell me about yourself"—without the least interest in the answer, nor in your assumption, now slightly shaken, that when it comes to pastels, Degas unreservedly reigns.

French Pastels: Treasures From the Vault

Museum of Fine Arts, Boston, through Jan. 6, 2019

Ms. Andersen is the author of the memoir "Portable Prairie: Confessions of an Unsettled Midwesterner" (Thomas Dunne/St. Martin's) and writes frequently on the arts.

China's Pro Basketball

Continued from page A13
an American who works as an agent for CBA players. "Consumers are moving from viewing sports as exercise to admiring athletes and appreciating sports culture," he said.

Importantly, China's government is looking to develop professional sports as part of its effort to expand its service-sector economy. In 2014, President Xi Jinping set a goal of turning China's sports industry into a 5 trillion yuan (\$781 billion) business by 2025—more than double the 1.9 trillion yuan it generated in 2016, according to the most recent government figures available. Most of that came from manufacturing sports equipment and sportswear for export.

Now, the 20 teams in the CBA usually operate in the red, according to people familiar with the league. In sharp contrast to the slickly marketed and richly funded NBA, teams play in arenas owned by local governments that look more like school gymnasiums than modern sports venues, and food, beverage and merchandise concessions are paltry at best.

The sorry state of Chinese basketball contributed to Mr. Yao's appointment, according to people familiar with the situation. He was the first person chosen to run a sports league who didn't come from the government bureaucracy—a decision subsequently repeated in golf, ice hockey and equestrian sports leagues.

"Someone up there supported Yao Ming and ordered the sports



NBA teams and merchandise are popular in China. Mr. Yao is working to make China's homegrown league a bigger draw.

bureau to make him president," one team executive said.

Despite hurdles, Mr. Yao can draw from a potentially huge base of fans who have one choice if they want to go to a professional basketball game in China: the CBA.

"I played basketball during my school years," said Huang Meiwang, 26, who was sitting in the stands for a playoff game between the Shenzhen Leopards and the home-town Zhejiang Lions this spring.

"This game makes me passionate and excited."

Mr. Yao's campaign to remake Chinese basketball began in 2016, when team owners—including Mr.

Yao, who at the time owned the Shanghai Sharks—gathered in the city of Dongguan during the CBA's all-star game weekend to discuss efforts to break away from government control, according to people with knowledge of the meeting.

The owners, mostly property tycoons, had a long list of grievances centered on money, according to those present. Owners complained the Chinese sports ministry took a cut of CBA media rights and sponsorship revenue but provided little in return.

The meeting led team owners and the government-run Chinese Basketball Management Center to

jointly establish a private company to run the league, with the teams getting a 70% stake and the Management Center retaining veto power over league decisions.

About a year later, Mr. Yao was chosen by the national sports ministry to run the CBA. He returned the remaining stake to the teams, and eliminated Beijing's veto power.

"Chinese basketball wasn't in very good shape, and they realized something had to be done in a dramatic way," said one person familiar with the situation.

Since taking charge, Mr. Yao has worked to route more revenue to the owners, according to inter-

views with more than a dozen CBA team officials, agents, sports executives and academics.

Still, local governments own almost all sports venues and the bureaucrats running them don't have the same incentives to maximize profits as in the U.S., industry insiders say.

Mr. Yao also believes changes are needed to improve the talent pool, according to a person familiar with his thinking.

In China, athletes for national teams are selected at a young age for state-sponsored training, cutting out the potential for late-bloomers. Mr. Yao came to believe that the U.S. system, where athletes can enter sports at the high school and even college levels, was another way to develop talent, according to a person familiar with his thinking.

As owner of the Shanghai Sharks, this person said, Mr. Yao also saw how league rules kept players bound to their local teams (Mr. Yao sold his stake in the Sharks after becoming league president).

"Yao began to understand that to maximize talent, you need to allocate player resources in an efficient way," the person said. "You don't want some player to be an all-star and stuck on the bench because he can't move teams."

Mr. Yao's ties to the government were underlined in March when he attended the annual Chinese People's Political Consultative Conference, the official advisory body to China's legislature, as a delegate.

Stretching in a hallway between meetings, Mr. Yao declined to talk about his latest efforts but said he had no plans to return to the U.S. in the near future. "All my work is in China now," he said.

Xiao Xiao contributed to this article.

SPORTS

FRANCE 4, CROATIA 2

France Takes the World Cup

With a 4-2 victory, Les Bleus lifted the trophy for the second time in their history

BY JOSHUA ROBINSON

MOSCOW—No team came into this World Cup with more simmering brilliance in its squad than France. With goalscoring talent up and down the lineup, it was an arsenal just waiting to be trained onto the rest of the soccer-playing planet. Les Bleus brought so much talent, in fact, that even when they reached the final of this tournament, they were still criticized for not living up to their potential.

Because all along their road to Moscow, they dispensed their genius so sparingly that it was only ever the minimum amount required to beat their opponents. They rode their luck. They defended deep. And they did just enough.

On Sunday, just enough won them the World Cup.

With a nail-biting 4-2 victory over Croatia, after a final that combined moments of individual shine with cool focus and jaw-dropping fortune, Les Bleus lifted the trophy for the second time in their history, 20 years after the first.

"You may wonder, is France a beautiful champion?" France manager Didier Deschamps said. "Well, we are world champions and we will be on top of the world for the next four years. This is the most important thing."

On the field, France's celebrations turned into an incongruous, rain-drenched scene. While Les Bleus' danced in a biblical summer storm, world leaders waited in soaking suits to congratulate this team of 20- and 30-something millionaires, plus one 19-year-old superstar—Kylian Mbappé—in the making. First, the French players shook the hand of Russian president Vladimir Putin, the only person there under an umbrella. Then French president Emmanuel Macron and Croatian president Kolinda Grabar-Kitarović embraced their teams like they were on the coaching staff. Macron even broke protocol to kiss the gold trophy before anyone in a France jersey.



MATTHIAS HANGST/GETTY IMAGES

France's 19-year-old Kylian Mbappé was named the tournament's Best Young Player. He became the first teen to score in a World Cup final since Pelé in 1958.

Back home, the result touched off a nationwide party centered on Paris, where tens of thousands flooded the Champs-Elysées and the Champ de Mars, just as they did in 1998. But if Les Bleus' first World Cup victory marked a coronation for a few all-time greats such as Zinédine Zidane, this one was a triumph of the collective.

In the same World Cup that saw the likes of Lionel Messi, Neymar and Cristiano Ronaldo flame out before the semifinals, Deschamps forged a team that often seemed to hold its best individuals back. As the captain of that 1998 side, he had been a grinding defensive midfielder and branded a "water carrier"—but he wore the putdown with pride.

So it was no surprise when he took a counterintuitive approach to setting up the wealth of skill at his disposal. Deschamps was going to take his attackers and teach them how to defend as a team, even if it meant sacrificing the panache and aesthetics French supporters love best.

That approach earned him plenty of criticism in the wake of Les Bleus' defeat in the final of the 2016 European Championship, and in fact, throughout the team's stay in Russia.

But during that time, he could tell something was clicking in his squad. Fourteen of his 23 players had never been to a World Cup before and they had bought into his approach. They left no doubt about that when they burst into his post-match news conference and drenched him in water while chanting his name.

"Maybe if we'd won the European Championship, we wouldn't be world champions today," said Deschamps, only the third man to win the World Cup as a player and a manager.

For the exhausted Croatians, who had battled as fiercely as any team in the tournament, making sense of the match was almost harder than playing it. They left the field wondering how exactly the evening had broken against them so harshly.

They had allowed one shot in the first half, from an Antoine Griezmann penalty kick, yet were somehow trailing 2-1 due to an own goal. And in the second, they had succumbed to a pair of counter-attacks despite having 60% of the ball.

With thunder booming in the sky over the Russian capital, they'd have been forgiven for thinking the soccer gods were plotting against them.

"Whatever luck we had over the course of the tournament," Croatia manager Zlatko Dalic said, "we lacked that today."

Every bit of Les Bleus' opening goal in the 18th minute was a piece of desperately bad luck. Griezmann won a free kick for France from the softest of fouls, and his cross found not one of his own teammates, but Croatia's Mario Mandzukic. As he faced away from the Croatian net, Mandzukic let the ball glance off the top of his head and turn him into the first scorer of an own goal in a World Cup final.

But Croatia tied the game with a belting volley by Ivan Perisic 10 minutes after going 1-0 down. Even when France snatched the lead back via the first-ever penalty kick awarded in a final with the aid of video replay, the Croatians' spirit didn't break.

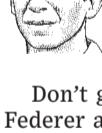
Only their stamina did. As the strain of three extra-time dogfights caught up to Croatia, France seized the opportunity to sprinkle some flair back onto its World Cup. Midfielder Paul Pogba started a break with a 40-yard pass and finished it at the other end with a shot from outside the box. Les Bleus' 19-year-old speed demon Kylian Mbappé, not even born for France's last World Cup win, added another to make it 4-1.

It was enough that Hugo Lloris's mistake, which gifted Croatia a late consolation goal, could be forgotten. France had already done precisely what it needed—and this time, just a little more.

"France is a world champion," Deschamps said. "We did things better than everyone else."

WIMBLEDON | By Jason Gay

Hello, Novak Djokovic! Tennis Missed You.



Wimbledon, England
Welcome back, Novak Djokovic.

Tennis missed you.
Like, really missed you.

Don't get me wrong: the Roger Federer and Rafael Nadal revival in your absence has been giddy fun—a throwback geezer party spectacular, as those two legends traded titles for a year and a half.

But men's tennis hasn't been the same without you at your best, Nole.

Your best was gone for more than a minute. It went into the wilderness for what seems like a couple of years. Even when you were around, you weren't really around.

Body trouble. Head trouble. You just weren't yourself.

It was startling, really.

I can't believe I need to remind people of this, but it wasn't so long ago that you were the undisputed best men's tennis player on the planet.

You were the boss, the capo, the patron. People used to write stories about how Roger Federer would never win another big one, and you were the main reason why. You were the roadblock. You went 82-6 in 2015, winning three of four majors.

You have a lifetime winning record against both Federer and Nadal. People forget that. That is bananas.

Then you went away. Sunday's Wimbledon final was the first major final you reached in almost two years.

How did it feel, Novak, to be in the wilderness? Playing hurt is awful. Missing time is worse. After losing in this tournament last year, you shut it down for the rest of your 2017 season.

Everyone was an expert on



CLIVE BRUNSKILL/GETTY IMAGES

After a long stretch of injury and self-doubt, it was a comeback Wimbledon triumph for Novak Djokovic.

your troubles. Strangers wanted to pick you apart. Diagnose you. Psychoanalyze you. Cut you open.

You got your elbow worked on after Australia. But even when you came back, you were an "Oh yeah." As in "Oh yeah, Novak's also in this tournament."

Like this Wimbledon. You were seeded No. 12 here. A fair seed, given your recent play, but you're a three-time champion. They didn't put you on Centre Court until this past Wednesday. That had to bum you out a tiny bit.

Now, at 31, you're back. On Sunday you whomped Kevin Anderson in straight sets 6-2, 6-2, 7-6(3) to take your fourth Wimbledon men's singles title.

And yet this title is a bit of surprise, probably even to you.

"The past couple years, they haven't been so easy," you said when it was over. "I have had many moments of doubt."

The final match was pretty painless, but getting there wasn't. You endured a monster of a semi with Nadal, one that stretched over one night and one afternoon, thanks to Anderson's marathon with John Isner.

No disrespect to Anderson, who's playing the best tennis of his life, but that Nadal semi was effectively the final, wasn't it? It went five sets and more than five hours, and Nadal had more than a few chances.

But as he elevated, you kept elevating, too. That's what re-minded people of the old days.

At your best, I think you're a vampire. I mean that in the best possible way: if you want to defeat prime-time Novak Djokovic, you've got to plunge a vampire stake to him. Until then, you keep coming, coming, coming, relentlessly. You use all available weapons. You play without fear. That ruthlessness was on display against Nadal. Nadal is also awfully hard to beat. Never takes a point off. You had to win it 10-8 in the fifth.

This was a weird Wimbledon overall. The host nation was utterly distracted by the World

Cup, where England reached the semifinals. President Trump arrived in London and rattled the town.

Meanwhile, there was a lot of talk at the men's tournament about five-set matches and tie-breaks—and whether or not Wimbledon should eliminate the win-by-two games standard and use a fifth set tiebreak instead.

Meh. I don't know about you, Nole, but I think this is mostly a stylistic concern. I'd rather give my cat a bath every day for a month than watch another minute of Anderson-Isner. But I loved every minute of Djokovic-Nadal. I could have sat for another two hours.

I say preserve the system. Keep tennis weird.

And a salute to Angelique Kerber, who won the women's singles on Saturday, her first Wimbledon title. And bravo Serena Williams, coming back after the birth of her first child and emergency surgery immediately afterward. A motivated Williams said after dropping the final that she is "just getting started." That's great news for tennis.

You're also great news, Novak. The Fedheads and Nadal-ites know a full-strength Djokovic means a harder road for their idols, but it's better for the overall health of the sport. Andy Murray lurks, too. And one of these days, one of the kids is finally going to crack through.

When you sealed it on Sunday, you took a nibble of the Centre Court grass like you did when you won your first one, and took joy that they'd let inside your 3-year-old son, Stefan, to see his Daddy lift the trophy.

It's all worth it now, yeah? All that time in the wilderness?

Welcome back, Novak.

OPINION

Will Bitcoin Save Us From Google?

INSIDE
VIEWBy Andy
Kessler

The hardest part of investing is knowing when to sell a stock. When you do buy one, always have an exit strategy—not for right away, this quarter, this year or even the next few years. But constantly question how soon the seeds of destruction will bloom at your company. I guarantee they've been planted already.

Let's probe Apple, Facebook, Amazon and Google, because they make up about 12% of the S&P 500—while representing almost all of the stock-market's gains this year. Yes, calls to break them up persist. But that actually could increase their enterprise value based on the sum of the parts. Beyond ram-bunctious regulators, what could go wrong?

Apple's problems already have become visible. Smartphones are now like radial tires. Everyone has one and they don't wear out. Phone franchises are fickle. Ask Motorola or Nokia, if you can find them. One near-term sign of distress: Marketing tech products with splashy colors, as Steve Jobs did with tangerine iMacs almost 20 years ago, means the fun part is almost over. Apple hopes to make it up in services, but Google leads in maps, Netflix in video, and Uber in transportation.

Maybe the seeds of destruction already have been planted at the search giant.

five years. Yet the growth rate is necessarily slowing. User count probably won't double again, and most growth comes from the less wealthy developing world. Investors won't like it when growth stalls.

Amazon's biggest benefit, and problem, is its hall pass from Wall Street. It's allowed to show very little in profits while inventing the future. That's great, but the business of selling stuff—that is, the company's main business—is notoriously low-margin. Retail stores never had high margins. Buying Whole Foods was

fascinating, but supermarkets often squeeze out profits of only 1% of sales. Now Amazon is bursting into the healthcare industry with its purchase of online pharmacy PillPack—right into the teeth of regulators. Eventually Wall Street will demand high margins after years of investment. I wouldn't want to be around when that happens.

You might think Facebook's biggest problems are privacy concerns, which have shown up everywhere but the company's finances. The media cares about privacy. Users? Not so much. Facebook stock is hitting all-time highs. I think Facebook's bad seed is population. The site has 2.2 billion monthly active users, a number that has roughly doubled in the past

is not cash flow. It bypasses the entrepreneurial learning that is conveyed through the remorseless messaging of price. Without prices, all that is left to confine consumption is the scarcity of time. Beyond the scores of hours a week for its smartphone customers, time is closing in on Google."

Google's centralized architecture also could come under attack from the huge decentralized infrastructure scaling up to mine bitcoins. Even if bitcoin drops below \$1,000, the installed glut of global blockchain servers could, Mr. Gilder argues, "marshal a virtual planetary parallel computer that dwarfs the CPU and GPU arrays in Google data centers with their mere millions of servers."

Mr. Gilder notes: "The cryptocosm can mobilize computer power in volumes that dwarf even the data centers of the leviathans. In this case, the advances in computer science pioneered at Google serve to emancipate the world from Google's silos." This may be a way off, but investment implications come sooner than you think.

Investing is simple but not easy. You should buy a company's stock when everything is going wrong and you can figure out what might go right. Then when everything has gone right, figure out before others what can go wrong—from the seeds of destruction you see germinating—and start the harvest.

Rule of Law Wins Again in Brazil

AMERICAS
By Mary
Anastasia
O'Grady

Former Brazilian President Luiz Inácio Lula da Silva, who is serving a 12-year prison sentence on a bribery conviction, was nearly sprung from jail by a rogue judge on July 8.

That the effort failed is a tribute to the evolving rule of law in the country. But the near miss, which would have sparked a constitutional crisis three months ahead of a presidential election, demonstrates the fragility of Brazil's recent achievements in institution-building.

Brazilians vote Oct. 7. The current front-runner is Jair Bolsonaro, a conservative, center-right politician who heads the small Social Liberal Party in the lower house of the National Congress. But if polls are correct he is not even close to a majority. An Oct. 28 runoff is likely.

Mr. da Silva, a left-wing populist of the Workers' Party, was president from 2003-11, and his supporters badly want him to compete in this election. If he can slip out of jail, that could still happen, because he remains popular. If he doesn't get out by Aug. 15, the deadline for political parties to register their candidates—or even if he does and electoral authorities rule him ineligible—most analysts expect him to back someone else.

Lula's backers try (and fail) to spring him from jail so he can run for president.

That would probably be former São Paulo Mayor Fernando Haddad, also of the Workers' Party, whose odds of winning are far worse than the former president's.

The attempt to get Mr. da Silva released was a classic banana-republic maneuver. His trial was transparent and the accusations against him corroborated with testimony and a paper trail. His conviction went through the appeals process and he lost.

Nevertheless on a Sunday morning federal judge Rogério Favreto suddenly accepted a habeas corpus request from Mr. da Silva's lawyers and called police to have him released. Judge Favreto justified the action based on Mr. da Silva's claim that he intends to run for president. As required by law, the court then issued an order for federal judge Sérgio Moro, who had overseen the prosecution of Mr. da Silva, to release him.

Judge Moro is somewhat of a national hero in Brazil because of his role in the investigation dubbed Operation Car Wash. Public prosecutors, initially investigating a money-laundering operation at a gasoline station, unraveled a complex web of padded government contracts and kickbacks to politicians and high-ranking executives at Petrobras, the state-owned oil company. Judge Moro allowed prosecutors to follow where their investigation led.

When Judge Moro got the call on July 8, he refused to

release Mr. da Silva. What's more, the judge who is the rapporteur in the federal court handling the da Silva case contested Judge Favreto's order. The rapporteur said Judge Favreto didn't have the authority to accept the habeas corpus request. The head of the regional federal appeals court ruled in favor of the rapporteur.

These decisions aren't isolated events. A superior court has denied 143 habeas corpus requests from Mr. da Silva's lawyers. His conviction bars

him from running for president, and a judge in the city of Curitiba, who is responsible for the execution of his sentence, has denied journalists' requests to interview Mr. da Silva as a potential presidential candidate.

This string of decisions upholding due process is instructive. "We are moving away from relying on decisions by individuals to relying more on institutions," Díogo Costa, a São Paulo-based political consultant, told me by telephone last week.

"But Brazil is still Brazil," Mr. Costa says, and it has to contend with jurists like Judge Favreto.

The newspaper *Estado de*

Minas reminded its readers on the afternoon of July 8 of Judge Favreto's résumé, which includes nearly 20 years of affiliation with the Workers' Party, from 1991 and 2010. He served in four different ministries during Mr. da Silva's eight years in office. In 2011 then-President Dilma Rousseff appointed Mr. Favreto to the federal appeals court where he now serves.

The newspaper further noted that "in 2016, he was the only member" of the court on which he serves "to vote for the opening of disciplinary proceedings against" Mr. Moro, whose role in Operation Car Wash greatly harmed the Workers' Party.

On Thursday Brazilian prosecutor general Raquel Dodge requested that a superior court investigate Mr. Favreto for his decision to accept the habeas corpus request and order the release of Mr. da Silva. She suggested that Mr. da Silva's lawyers may have planned to have their request land on Mr. Favreto's desk and that he may have been in on the plan.

Brazilian politics are fragmented and whoever wins the presidency in October is likely to govern with a messy coalition. But these developments suggest a generational change in an increasingly independent judiciary, and they offer new hope for institutional stability in the young democracy.

Write to O'Grady@wsj.com.

News stories pop up, selected especially for me. It creeps me out.

terms of service posted on "free" websites. People "agree" to give up their written work or photographs, and in return the internet company uses their intellectual property, for which they are not paid, to make billions on advertising. Is that OK with everyone?

What if that morning I didn't want to read about the great Mr. Grigolo or labor relations at the Chicago Tribune?

Maybe I'd have liked to see a pic on the Italian honeybees proliferating in my neighborhood. Yes, perhaps I could have found that, too, if I had scrolled around. Instead I became so creeped out that I turned off the cellphone. All the fun had gone out of my morning news ritual. I was no longer in charge. Silicon Valley was.

A confession: I love newspapers. I weep at their pathetic position in today's byte-sized world. Chicago once had five dailies, beloved by their readers. I remember my father perusing his Herald-American every evening when I was a girl.

Wait, I just went to check my cellphone, and what's there? A story on the opera soprano Renée Fleming. And I wasn't even thinking about her. Very creepy.

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

BOOKSHELF | By Joshua Rubenstein

Summing Up A Summit Partner

The Code of Putinism

By Brian D. Taylor
(Oxford, 250 pages, \$27.95)

After Boris Yeltsin's resignation in December 1999, Vladimir Putin became acting president of the Russian Federation ahead of being elected outright the following spring. Four American presidents—Bill Clinton, George W. Bush, Barack Obama and now Donald Trump—have since tried to fathom his intentions and respond to his domestic and foreign-policy moves. They would all have benefited—or could benefit today—from "The Code of Putinism."

Brian D. Taylor, a political-science professor at Syracuse University, has written a close, often sorrowful analysis of Mr. Putin's evolving beliefs about Russia and its place in the world. Based on Russian and Western sources, along with many interviews, "The Code of Putinism" provides a sober-minded account of how Mr. Putin came to lead Russia and why his almost czar-like role today bodes ill for Russia's future.

Mr. Taylor rejects the idea that Russia is "cursed by nature" and "doomed by history and culture." He quotes a column in the Ottawa Citizen making such claims when Mr. Putin first became president, and it has become a common sentiment in the West. But in the 1990s, Mr. Taylor notes, Russia under Yeltsin "had a political system with elements of both democracy and authoritarianism, . . . elections were generally competitive, television was not controlled by the Kremlin, regional governors had real, independent power, . . . and nongovernmental organizations had plenty of room to organize, including in opposition to the state."

The population, though, suffering from dizzying political and economic dislocation after the Soviet Union imploded, came to associate democratic reform with corruption, crime and the questionable amassing of untold wealth by a small group of "oligarchs" who had gained control of the country's oil, gas and mineral reserves. Yeltsin had democratic instincts, but his overtly drunken behavior and the first war in Chechnya, which he initiated and which Russian forces pursued in a brutal manner, undermined public confidence in the government. All this helped to make Mr. Putin, with his promise of a more competent Kremlin, a welcome successor to Yeltsin. The unexpected rise in oil prices in the early 2000s reinforced his popularity. Mr. Taylor reminds us that between 2004 and 2014 Russia benefited from "4 trillion dollars in export revenues."

Once in power, Mr. Putin quickly turned on oligarchs like Vladimir Gusinsky. Mr. Gusinsky controlled NTV, the country's first private television channel, which had honestly and graphically covered the war in Chechnya in the mid-1990s, providing reporting that helped turn the population against the conflict. As Mr. Putin moved to renew the war, he was not about to allow an independent media source to challenge what he wanted Russian citizens to know. Mr. Gusinsky lost control of NTV, then was arrested before fleeing the country.

Upon taking control, Vladimir Putin began to rein in Russia's independent civil society and discourage free expression and pluralism.

To secure unquestioned political control, Mr. Putin reined in the civil society that had begun to emerge, first under Mikhail Gorbachev in the 1980s and more broadly under Yeltsin in the 1990s. The assault on pluralism and free expression included targeted killings—on whose orders is an open question—of outspoken journalists and political figures. Mr. Putin did step down as president in 2008, because the Russian constitution limited him to two consecutive terms. His close associate and designated successor, Dmitry Medvedev, signed a law extending the presidential term to six years from four; Mr. Putin was elected to a third term in 2012, then a fourth this March. In short, he has dominated Russian politics for nearly 20 years.

Nonetheless, tens of thousands of people have taken to the streets to protest rigged elections, while outspoken activists like Alexei Navalny—who dubbed Mr. Putin and his team "the party of crooks and thieves"—continue to challenge Mr. Putin as best they can. Under the guise of creating a "sovereign democracy," as a member of his government termed it, Mr. Putin has imposed an increasingly authoritarian regime. Today he controls the country's political institutions and leads a loose alliance of clans that manage Russia's natural resources and its outwardly private major companies.

Much of Mr. Putin's appeal in Russia is based on the stabilizing force he seemed to offer following the collapse of the Soviet Union. It also derives from Mr. Putin's opposition to the West for its seeming antagonism toward Russia—e.g., the decision to expand NATO to Russia's borders—and its aggression elsewhere: e.g., the invasion of Iraq and the projection of military force to overthrow Muammar Gaddafi in Libya. Mr. Putin's recent moves to intervene in Ukraine, annex Crimea and meddle in the U.S. presidential election have given him an image of triumphal power.

But Mr. Taylor rightly wonders where this leaves Russia. Mr. Putin failed to wisely invest trillions of dollars of oil revenue. What did the money "buy," Mr. Taylor asks, "in terms of improvements in government services and state administration?" While Mr. Putin impresses the international media—*Forbes* magazine has rated him "the most powerful man in the world"—Mr. Taylor describes a spreading belief in Russia that a new "era of stagnation" has set in. Faced with continuing sanctions by the West, crippling economic corruption and a stifling political culture, Mr. Putin's Russia has begun to recall the woeful regime of Leonid Brezhnev. No extravagant show pieces, like the Winter Olympics in Sochi or the World Cup today, can camouflage a Russia that would rather mistrust its people than invest in them. "A successful country . . . is one in which institutions are stronger than rulers," Mr. Taylor writes. Mr. Putin may have set out to revive Russia's place in the world, but as things are going now, he seems ready to leave it—sooner or later—as politically backward and as economically behind as it was when he assumed power.

Mr. Rubenstein is the author of "The Last Days of Stalin."

By Angela Rocco DeCarlo

The news recently has completely crepted me out. One morning, instead of plugging downstairs to retrieve my newspapers, I did what millions of Americans do: I surfed the internet on my cellphone. As I pulled up random news websites, I realized the first two stories displayed were aimed at me personally. Creepy. Someone in Silicon Valley had usurped my fun.

The first article was in praise of the opera great Vittorio Grigolo, appearing in the Met's "Lucia di Lammermoor." It is embarrassing to realize that some electronic rob zombies know of my admiration for this handsome young tenor. Is nothing private? The next story was on a group of Chicago Tribune reporters organizing a union.

How could these items have found their way to my phone specifically? I recently wrote a piece on sexual harassment in

Puccini's opera "Tosca," in which Mr. Grigolo starred. And every credit line in my published work mentions my writing for the Chicago Tribune.

Perhaps, then, it was no great accomplishment for the algorithms to make the connections. Still, I didn't like it. It was as if someone had been reading my personal diary—if I kept one. I felt as though faraway programmers had been mucking around in my brain. Instead of joyously tramping through my newspaper, deciding what to spend a few minutes of my life on, someone had made the choice for me.

"What planet is she on?" a few readers must be saying. "Doesn't she know our betters decide what we'll read?" Yet who are these faceless people? The same ones who decided in California that I would no longer be given a plastic bag to transport my groceries? Or perhaps those taking away people's beverage straws? And don't get me started on the engineers

who make washing machines that lock, so an errant sock can't be added.

But back to news. The world's richest men figured out how to monetize people's intellectual property, without the people's realizing what was happening. It seems fairly clear that few actually read the

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terms of service posted on "free" websites. People "agree" to give up their written work or photographs, and in return the internet company uses their intellectual property, for which they are not paid, to make billions on advertising. Is that OK with everyone?

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

OPINION

REVIEW & OUTLOOK

Kavanaugh and King Trump

Democrats are trying out several themes against Supreme Court nominee Brett Kavanaugh, so far with a notable lack of success. One frequent attack is that President Trump appointed Judge Kavanaugh to save him in a constitutional showdown with special counsel Robert Mueller.

Adam Schiff, the Democratic answer to Republican Louie Gohmert, said on CNN: "Can the President pardon himself? Can the President pardon his own family? Can the President be held liable for obstruction of justice or is he essentially, as [Rudy] Giuliani and others argue, above the law because he is the law and he can't be held to be obstructing the law? If these cases go to the Court and Kavanaugh is sitting on the Court and rules in the President's favor, that opinion will have no respect in the public because it will be tainted by the suspicion that he was chosen expressly for that purpose."

Chuck Schumer, the Senate Minority Leader, made a similar point, albeit without the conspiracy theorizing, by claiming that Judge Kavanaugh "seems to have almost a monarchical view of presidential power."

None of this stands up to legal or political scrutiny. Mr. Trump wouldn't need to pardon himself unless he's indicted, and an opinion of the Justice Department's Office of Legal Counsel issued in 2000 says a sitting President can't be indicted. Mr. Mueller and Deputy Attorney General Rod Rosenstein, who supervises the special counsel, would have to ignore that opinion to indict Mr. Trump.

They aren't likely to do that, but let's assume Mr. Trump pardoned himself pre-emptively. Who would then have the standing to sue for a case to go through the courts? Congress couldn't sue because none of its Article I constitutional powers would be implicated. No average citizen could claim a concrete injury either.

Mr. Mueller would have to indict first to claim injury, but he's an inferior officer ultimately subject to a President's executive supervision. Mr. Trump could fire him, and there's zero chance this or any Supreme Court would say he can't fire an

Have you heard the nominee wants an American monarchy?

inferior official under current law. The point is that none of these issues would make it to the Supreme Court, though Congress could decide to impeach Mr. Trump if he did fire Mr. Mueller or pardon himself. No President can pardon himself out of impeachment.

One issue that could become a Court case would be if Mr. Mueller subpoenas the President to testify and Mr. Trump refuses. Judge Kavanaugh has written in his private capacity that he believes a sitting President should be spared from distracting legal inquiries that undermine his ability to do his job. But Mr. Kavanaugh reaches no legal conclusions on the issue and suggests that Congress pass a law deferring such matters until a President has left office.

Even if such a case did reach the High Court, Judge Kavanaugh would merely be one vote of nine. There's no direct Supreme Court precedent on a President testifying about matters directly related to his duties in office. The Court ruled in 1997 that Bill Clinton wasn't immune from testifying in the Paula Jones case, but that was a civil case unrelated to the Presidency. Chief Justice John Roberts would likely want the Supreme Court to speak with one voice on a matter of such constitutional moment.

As for any conflict of interest, Justices throughout U.S. history have ruled on matters involving the Presidents who nominated them. Otherwise Justices Sonia Sotomayor and Elena Kagan would have had to recuse themselves in the ObamaCare cases. The typical conflict standard is for a Justice to recuse himself if he was directly involved in the case or policy at issue while working in the executive branch.

Far from imposing a monarchy, Judge Kavanaugh's legal record suggests he will be more skeptical of executive regulatory power than most liberal judges are today. His appellate opinions are highly skeptical of the doctrine of *Chevron* deference that has given regulators wide latitude to rewrite the meaning of congressional statutes. Democrats who want to defeat Judge Kavanaugh will have to do better than suggesting he favors a Trump monarchy.

California's Mortgage Fraud

Americans can be forgiven for forgetting what happened last week, let alone six years ago given today's media blitz on all things Donald Trump. But it is worth remembering Obama-era abuses of power that, far from this week's headlines, are having their day in court.

At issue is an April 2012 settlement that 49 states and the federal government reached with the country's five largest mortgage servicers: Wells Fargo, Ally, Bank of America, Citigroup, and JPMorgan Chase. The idea was to hold banks accountable for their role in the 2008 mortgage crash, and the five doled out more than \$20 billion to homeowners and \$2.5 billion directly to states in the name of principal reductions, refinancing programs, and other crisis recovery.

Republicans controlled the House, so the Obama Administration used enforcement power to extort money from the lenders to provide what amounted to political stimulus spending. We wrote at the time that this was an election-year raid ripe for abuse in state capitals.

Well, what do you know. Last week California Third District Court of Appeal Judge Andrea Hoch rebuked state lawmakers for misappropriating funds from the National Mortgage Settle-

ment Deposit Fund for budget triage. California's Department of Finance, with the Legislature's tacit consent, diverted nearly \$300 million toward servicing debt for housing bonds. This overtly political use was in violation of the settlement that required the funds be used to help homeowners. The victims of this raid were low-income and minority communities.

As Judge Hoch explained, the state's actions raise serious doubts "not only as to whether the Legislature may override a federal judgment, but also whether the Legislature constitutionally may delegate to an agency the authority to decide how millions of dollars of state funds shall be spent with virtually no guidance or direction from the Legislature."

Judge Hoch ordered the state to return \$350 million and rightly dismissed complaints of judicial overreach. Because the settlement originated in the courts, judges are responsible for imposing accountability.

The mortgage heist was dubious on the merits, whacking private banks for the blunders of Fannie Mae and Freddie Mac. Another mistake was pretending that a court-approved bank handout would escape California's political spending maw. The only surprise is that this time the politicians didn't get away with it.

Morouned Over the Detroit River

Mexico isn't paying for that border wall, but Canada has volunteered to single-handedly finance a bridge to facilitate trade with the United States. Supporting this deal should be easy for the Trump Administration, but a family special interest has launched a last-ditch lobbying effort to persuade President Trump to block this shovel-ready, multibillion-dollar project.

Canada is the largest export market for American goods, and more than one-fourth of all goods exchanged traverse the Detroit River connecting Detroit and Windsor, Canada. There are only a few ways across: the Detroit-Windsor Tunnel, which is too low for almost all commercial trucks; the rail and barge system, which is devoted to oversized or hazardous goods; and the privately owned Ambassador Bridge that holds a virtual monopoly on cross-border truck traffic.

Built in 1929, the bridge is two years younger than its longtime owner, Detroit billionaire Matty Moroun. In 2015 large chunks of concrete began falling from the bridge onto Windsor streets. The bridge has four operational lanes on a good day, not nearly enough for the 2.5 million trucks that traversed it last year.

There's no direct connection from the bridge to Canadian freeways, and multiple stoplights gum up the bridge's entrances in Windsor. Traffic is often snarled on both sides of the border. Time is money, and delays in border crossings are expected to cost Americans \$15 billion annually by 2020, the nonprofit Canada West Foundation concluded in 2017.

Enter the long-planned Gordie Howe International Bridge, slated for construction two miles west of the Ambassador Bridge. Though American exporters and trucks will use the new bridge, Canada has agreed to finance the entire project, including labor, construction and prop-

erty acquisitions. Gordie Howe will connect directly to U.S. Interstate 75 and Canadian Highway 401, relieving the traffic misery. Michigan gets joint ownership of the finished bridge.

But the Moroun family wants to maintain its chokehold on cross-border traffic and an estimated \$60 million in annual tolls. They've suggested building their own new bridge, and they've fought tooth and nail against Gordie Howe. But their 2012 ballot measure failed to persuade Michigan voters, and some two dozen lawsuits have failed.

Gordie Howe is scheduled to break ceremonial ground in Detroit this week, with construction beginning in the fall. But the Morouns haven't given up. In an ad on "Fox & Friends" on Fox News last month, they appealed directly to Mr. Trump to revoke a key permit approved by the State Department in 2013. One ad claimed the Obama Administration granted a waiver "so the new bridge wouldn't have to use American steel." It also suggests that the bridge favors Canadian workers over Americans.

Mr. Trump should see through this obvious con. Ottawa is picking up the whole tab, so it's reasonable to reject a prohibition on Canadian steel and iron. But all metals used on the bridge will be North American, including some from the 48 states. The crossing agreement for Gordie Howe explicitly states that there "shall be no discrimination . . . in favour of Canada over the US with respect to any products, materials, supplies, labour or services."

Several hundred Americans are doing preparatory work in Detroit, and Canada has brought some Michiganders to help in Windsor. Canada is offering the United States the deal of the century. Apparently the Morouns think Mr. Trump can be suckered out of it.

LETTERS TO THE EDITOR

Sweden Is the World's Finest Home for Families

With respect to Erica Komisar's July 12 op-ed "The Human Cost of Sweden's Welfare State," I believe the author has missed the greater point of Sweden's comprehensive family-leave and child-care policies.

In Sweden, the health of the child, mother and family are held in such high regard that parents are given 16 months off from work—paid—to recuperate from childbirth and bond with their children. There are countless benefits to this arrangement for both mother and child: allowing breast-feeding to continue uninterrupted for a year if the mother chooses, allowing the mother and father to take time to be with their new child, and to transition psychologically into this new phase of life. This applies to families who adopt, as well.



GETTY IMAGES

These features may be why in 2018 the World Economic Forum named Sweden "the best country for parents," and US News & World Report ranked Sweden #2 for "best country for raising kids." It seems that Swedes agree, as Sweden consistently ranks at the top for highest fertility rates in Europe: #2 in 2018.

Sweden's generous parental-leave policies make this possible. If you choose not to go back to work after your maternity or paternity leave is up, you have that option too. But Ms. Komisar is wrong when she suggests that punitive taxation is forcing mothers back to work. She refers to the country's top tax bracket but doesn't mention that the average municipal tax rate in Sweden, which the majority of Swedes pay, is a much lower 32%.

KARIN OLOFSDOTTER

Swedish ambassador to the U.S.

Washington

Numbers Back Up Trump's Tough Talk on NATO

Your July 12 article about President Trump's comments at the NATO summit include correcting his misstatement that the U.S. spends 4.2% of gross domestic product on defense, when according to NATO the spending is "only" 3.75% of GDP ("Trump Presses NATO on Defense," page one). Yet later you report without question Chancellor Angela Merkel's claim that "Germany is the second largest provider of NATO troops."

In fact, Germany has only the fifth-largest military by active personnel, after the U.S., Turkey, France and the United Kingdom, and the seventh-largest when you include reserves, with Poland and Greece moving ahead of it. Germany's active military manpower is less than 13% the size of America's. And this from a country with the second-largest GDP and population in NATO, and the primary beneficiary of 40 years of forward deployments by U.S. troops and those of other smaller and poorer NATO members.

If Ms. Merkel and NATO don't soon take the Russian threat more seriously, they may have Russian troops back on the German border sooner than they'd think.

CARY FULBRIGHT

San Francisco

I appreciate President Trump standing up for the American taxpayer at the NATO summit by demanding that members pay the proper share of their GDP on defense. The U.S. has provided a disproportionate share since NATO's inception.

In other words, for the last 70 years American taxpayers have been subsidizing the cost of defense for other countries that could afford to pay, and the U.S. defense budget has accrued to trillions of dollars while our national debt simultaneously has ballooned to \$20 trillion.

In 1987 Donald Trump made what I considered to be the genesis of his presidential campaign by publishing an open letter entitled, "There's nothing wrong with America's Foreign Defense Policy that a little backbone can't cure." The letter described the many ways by which the U.S. government allows other nations to take advantage of us financially.

For three decades Mr. Trump has been waiting for his opportunity to stand up for America and end this abuse. The practice of overpaying for defense has become so entrenched among foreign-policy experts that they now make President Trump out to be the bad guy for wanting to end it.

EUGENE R. DUNN

Medford, N.Y.

It Took More Than Green Fury to Doom Pruitt

Even taking all of George Melton's assertions as true, he fails to prove his central thesis that Scott Pruitt was forced to resign from the Environmental Protection Agency because he was "derailing the environmental left's radical effort to tighten its grip on the U.S. economy."

("Pruitt Leaves a Proud Legacy at the EPA," op-ed, July 12). If we grant that implementing the Paris Agreement would cost \$2 trillion, that other countries have faced bad consequences from environmentalist policies and that global warming is in fact not happening, it is still necessary to show that there is a group with the political power to oust Mr. Pruitt.

Mr. Melton suggests many possible culprits: the green parties of Germany and Australia, President Obama and Vice President Gore. However, these groups and individuals lack the power to force a cabinet secretary, appointed by the president with the advice and consent of the Senate, to resign. The foreign green parties wield power only in their re-

CARL LEVITT

Newark, N.J.

Pepper ... And Salt

THE WALL STREET JOURNAL



"At what point did my Beef Bourguignon become beef stew?"

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OPINION

Putin's Aggression Is the Issue in Helsinki

By David Satter

President Trump arrived Sunday in Helsinki in the manner of most of his predecessors: with little awareness of recent Russian history and in apparent confusion about what a meeting with Vladimir Putin can achieve. Reacting to concerns about Mr. Putin's career in Russian intelligence, Mr. Trump said at a recent rally: "Putin's fine. He's fine. We're all fine. We're people." According to a news report, White House advisers describe the Trump-Putin meeting "as a chance to reset a tense relationship."

Trump shouldn't make a deal on Syria or Ukraine, or keep silent on Russia's crimes against the West.

The tension in U.S.-Russian relations, however, is the result of Mr. Putin's aggression, not a lack of communication. If the summit leads to formal agreements or informal deals that legitimize recent Russian actions, the aggression will become worse.

Three issues are vitally important to the U.S.: Russia's aggression in Syria, its occupation of Crimea and support for separatists in Eastern Ukraine, and its interference in the West, including election meddling and the nerve-gas attack in Britain. In each case, Mr. Putin seeks American acquiescence.

Russia has been fighting in Syria

for three years, during which it has completely changed the course of battle in favor of Bashar Assad. Reports on a possible deal, quoting Israeli, European and American experts, suggest the U.S. could accede to Mr. Assad's remaining in power in exchange for Russian promises to limit Iranian influence.

Such an outcome would not end the Sunni-Shiite split in the Middle East, and Syrian opposition leaders have warned that a U.S. "betrayal" would create the conditions for a jihadist uprising. It would also signal acceptance of Russia's tactic of attacking civilian targets, including hospitals, to put pressure on rebel groups. If such attacks prove successful and are tacitly accepted by the West, nothing would prevent Moscow from using them in the future.

On Ukraine, Mr. Trump has hinted that he may consider recognizing Russia's claim to Crimea, which Mr. Putin seized in 2014. This could encourage Russia to reactivate the war in Eastern Ukraine. But the most important consequence would likely be to plunge Ukraine into civil unrest.

The situation already is very tense, the result of corruption, a lack of reform, and the absence of any serious Ukrainian strategy to end the war in the Donbas. More than 10,000 people have been killed in the war zone, and although the conflict is at a stalemate, cease-fires are constantly violated and the death toll rises. Despite an official ban on trade between Ukraine and the separatist areas, long convoys of cars and trucks loaded with alcohol, cigarettes and coal carry on illicit business, angering and bewildering Ukrainian soldiers.

Against this background, far-right



REUTERS

Vladimir Putin and Donald Trump meet in Hamburg, July 7, 2017.

groups in Ukraine that have attacked art exhibitions, gay events and anti-fascist demonstrations seek to exploit Ukrainian veterans' resentment. Far-right paramilitary groups played a critical role early in the war, and some fear they could turn against the government, particularly if the West endorses Russia's seizure of Crimea.

In the case of Mr. Putin's crimes against the West, no deal is necessary. Mr. Trump's silence is enough. The handful of Republican senators who traveled to Moscow early this month to protest U.S. election interference undercut their message with their presence. The Russians denied interference and changed the subject. If Mr. Trump does not raise the issue with Mr. Putin, the Russians will consider the matter closed.

Mr. Putin also wants Mr. Trump to keep silent about the attempted

murder of the Russian double agent, Sergei Skripal, and the killing of a British civilian, Dawn Sturgess, with Novichok, a Russian nerve agent. Sturgess is believed to have accidentally come into contact with Novichok—a chilling reminder that if Russia is left free to carry out killings in the West, anyone can be a victim.

Most of all, Mr. Putin will want Mr. Trump to be silent about Malaysia Airlines Flight 17, which was shot down over Eastern Ukraine on July 17, 2014. Last year I was asked to be an expert witness in the case against Russia, brought by relatives of the 298 victims, in the European Court of Human Rights. I was prepared to testify that although MH17 might have been downed accidentally by Ukrainian separatists, the Putin regime's action in providing the irregulars with a weapon like the BUK-M1 missile showed a wanton disregard for human life.

This May, however, the Netherlands and Australia announced that the joint task force investigating the incident had concluded that MH17 was shot down by a BUK-M1 belonging not to separatists but to the Russian 53rd Air Defense Brigade, based in Kursk. Jerry Skinner, the aviation lawyer representing 274 relatives of the victims, determined with the confidential help of a former BUK-M1 field commander that the camera in the launcher from which the missile was fired was capable of obtaining a thermal image of the target. The two engines of a large commercial airliner like the MH17 Boeing 777 could not have been mistaken for the smaller, single engine of a Ukrainian military jet. It was also determined with the help of Ukrainian air-traffic control that no Ukrainian aircraft were in the sky within 30 miles of the Malaysian plane. The evidence suggests that MH-17 or one of three other passenger airliners in the air corridor at that time was targeted deliberately.

Russia has denied involvement in the downing of MH17, producing more than 60 alternative theories, each of which has been debunked. For the sake of international air travelers everywhere, Mr. Trump needs to raise the evidence of Russian culpability with Mr. Putin.

There are no opportunities for good deals with Russian aggression. Mr. Trump has a chance to make that clear.

Mr. Satter is affiliated with the Hudson Institute and Johns Hopkins University. His most recent book is "The Less You Know, the Better You Sleep: Russia's Road to Terror and Dictatorship under Yeltsin and Putin."

To Restore U.S. Competitiveness, Pass the JOBS Act 3.0

By Jeb Hensarling

Nearly all the economic news since Donald Trump took office has been strongly positive, and Mr. Trump added to that record in May by signing the most pro-growth banking bill in a generation. The Economic Growth, Regulatory Relief and Consumer Protection Act, also known as S. 2155, represents a critical part of Congress's and the administration's efforts to recalibrate financial regulation after the regulatory onslaught of the past 10 years.

Since 2010, more than 500 new "economically significant" regulations have been imposed, according to the White House Council of Economic Advisers. Bank compliance costs alone have doubled, as per Federal Financial Analytics. Regulatory restrictions on securities and investment have increased 54% in 10 years—and 80% over 20 years—reports QuantGov.

JPMorgan Chase claimed in its annual report for 2016 that Dodd-Frank cumulatively costs America's economy at least 0.5 percentage point in annual growth. S. 2155 will ease

some of these burdens on community and regional banks, helping the U.S. remain globally competitive.

Yet 80% of U.S. business debt financing comes not from banks but from investors in capital markets. They need regulatory modernization, too. The House Financial Services Committee, which I lead, has been busy passing more than 20 bills on capital formation, known collectively as the JOBS and Investor Confidence Act of 2018, or JOBS Act 3.0. As part of the agreement to pass S. 2155, the Senate has committed to take up this important package.

The JOBS Act 3.0 is principally designed to spur entrepreneurship by reinvigorating business startups and initial public offerings. U.S. startups approached a 40-year low in 2016, and the number of domestic IPOs, though making a comeback, is half what it was 20 years ago, according to Scott Kupor of Andreessen Horowitz. Last year China produced more than one-third of the world's IPOs, vs. America's 11%. This gap has probably cost the U.S. millions of jobs.

Without a steady stream of small businesses in the pipeline, the U.S.

cannot sustain strong long-term economic growth, much less compete with China. Small businesses employ almost half of Americans working in the private economy. They include the Apples, Googles and Amazons of tomorrow. Yet too many startups never make it off the launchpad.

Excessive regulation has stalled startups and IPOs. The Senate should now act to get out of the way.

The House is working to address these problems and restore U.S. competitiveness. First, to stimulate venture capital, the JOBS Act 3.0 would provide legal certainty to "angel investors" and entrepreneurs by allowing them to interact without running afoul of securities laws.

Another measure would expand the pool of early-stage capital by broadening the definition of "accredited investors" who can participate in a nonpublic offering. Today's definition relies on criteria like income

and net wealth, without taking into account an investor's experience and expertise.

The House has also acted to help companies that should be ready to go public but are deterred by the cost. The average cost of initial regulatory compliance for an IPO is \$2.5 million, according to a 2011 report by the IPO Task Force. That's why the House would specifically lengthen the "onramp" exceptions for compliance with Sarbanes-Oxley section 404(b), one of the most complex and expensive provisions of securities law. The JOBS Act 3.0 also expands confidential filings and "testing the waters" rules to help companies time their IPOs better and communicate with accredited investors without harming retail investors.

Unfortunately, too many companies that go public wither on the vine because their stocks are thinly traded and subject to high volatility. A stock with 10,000 shares of daily trading volume should not be regulated the same as one with 10 million shares. The House would address this disparity by allowing the creation of venture exchanges.

Concentrating a small issuer's trading into a single exchange would aggregate liquidity and help attract post-issuance support, including research, sales and capital commitments by market makers. This would be a game-changer for many small issuers.

These are only a few of the capital-formation bills that the House has designed to breathe new life into markets suffocating under aging regulations. The trouble is that given the Senate's filibuster rules, none of the JOBS Act 3.0 provisions can become law without the support of at least 10 Democratic senators. When President Obama signed the first JOBS Act in 2012, he called it "one useful and important step" on the journey "to remove a number of barriers that were preventing aspiring entrepreneurs from getting funding." For the sake of America's long-term growth and competitiveness, let's hope support for the Job Act 3.0 will be similarly bipartisan.

Mr. Hensarling, a Texas Republican, is chairman of House Financial Services Committee.

When the City Comes for Your Home-Based Business

By C. Jarrett Dieterle
And Shoshana Weissmann

Candler, Ariz.—a city of some 250,000 southeast of Phoenix—describes itself as "built on entrepreneurial spirit." You could forgive Kim O'Neil for not buying it.

Ms. O'Neil and her family are longtime residents of Chandler. Until recently she ran a medical-billing company in the town. For years she worked out of leased office space, but when Ms. O'Neil's father became ill in 2013 she moved the business to her home. After her father died in 2015, she continued to run the business out of her house, because she could fulfill her work obligations while caring for her elderly mother.

In the summer of 2016, Ms. O'Neil received a letter from the city of Chandler informing her that she was

illegally operating a home-based business. She needed to apply for a permit within seven days or face action from the city government. Ms. O'Neil assumed the permit would be easy to obtain. Her business was conducted entirely within her home, had no signage or visiting customers, and didn't require the storage of commercial equipment or inventory.

Chandler officials didn't see it that way. They told Ms. O'Neil that her three employees were not allowed to work on-site, though they parked in her driveway and didn't cause traffic concerns. Eventually, in an attempt to appease city officials, Ms. O'Neil instructed her employees to work from their own residences rather than her home.

City officials were still unmoved. They informed Ms. O'Neil that she would have to build a parking facility, submit architectural drawings of her home, and obtain approval from

every neighbor within 600 feet. Doing so would have been expensive, but that wasn't all. The city even suggested Ms. O'Neil might have to attend monthly meetings with city officials. Her business bothered no one and was entirely self-contained in her home, but Ms. O'Neil eventually gave up. She shut down her business, calling the episode "one of the most stressful experiences of my life."

Ms. O'Neil isn't alone. In 1992 there were about 16 million home businesses in the U.S., according to census data. By 2012 that number grew to 27 million. Today about half of all American businesses are home-based, according to the Small Business Administration. At the same time, local governments have become more aggressive in cracking down on home-based businesses.

Officials in Cobb County, Ga., temporarily shut down a videogame

blogger whose primary business activity was uploading YouTube videos from his house. A record producer in Nashville, Tenn., who ran a recording studio out of his garage

Overzealous regulators are targeting yoga teachers, accountants and even YouTube video creators.

received a cease-and-desist letter from the city, though none of his neighbors had complained. Phoenix refused to grant a permit to a yoga instructor who hoped to teach small classes at her house. It's hard to gauge exactly how many cities require permits for working from home, but cities in all corners of the country have such rules.

State lawmakers should provide clarity on the issue. The Arizona Legislature recently considered one option for reform, the Home-Based Business Fairness Act. The bill, drafted by the Phoenix-based Goldwater Institute, would have exempted "no impact" home businesses from onerous licensing requirements. Under the bill's framework, if a home-based business didn't employ more than three nonresident employees, didn't cause traffic or parking issues in its neighborhood, and wasn't the primary purpose of the home, then a business license wouldn't be required, despite local laws to the contrary.

The bill's drafters were careful to retain other local rules—such as fire and building codes, pollution controls and noise ordinances—to allow cities sufficient authority to ensure safety. But this did little to placate local officials. Numerous cities in Arizona pushed back and killed the bill. Political leadership in Arizona should make the bill a key priority in the next legislative session and ensure that all home-based businesses are protected from overzealous municipalities.

Some regulation is necessary, and nuisance laws can play an important role in ensuring that a home-based business doesn't unduly burden the neighbors. But many local rules hurt small businesses with no discernible benefit. Not all businesses may be appropriate to run out of a home, but operations like Ms. O'Neil's are the sort of entrepreneurial endeavors that government should be supporting, not thwarting.

Mr. Dieterle is director of commercial freedom and a senior fellow at the R Street Institute. Ms. Weissmann is a policy analyst and the digital media specialist at R Street.

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Notable & Quotable: Yale Law

Andrew Ferguson writing July 13 at WeeklyStandard.com:

It took only an hour after Trump's announcement for the [Yale] law school's flacks to announce the news that Trump had chosen one of their own.... By the next day a collection of... Yalies had posted a rebuttal to the school's press release, with the title "Open Letter from Yale Law Students, Alumni, and Educators Regarding Brett Kavanaugh." They were, they wrote, "ashamed of our alma mater."

The letter, which is twice as long as the press release, is a masterpiece of pure scold. The signers criticize the "press release's focus on the nominee's professionalism, pedigree, and service to Yale Law School."

What the hell, they ask, do professionalism and pedigree have to do with anything? Especially when "the true stakes of his nomination" are so high? Kavanaugh's nomination is an "emergency," they tell us, and the school's implicit embrace of him raises a "disturbing question: Is there nothing more important to Yale Law School than its proximity to power and prestige?"

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Lockheed, Pentagon in F-35 Deal

'Handshake' accord calls for purchase of next batch of fighters, ending prolonged talks

By DOUG CAMERON

The Pentagon said Sunday that it had reached a multibillion-dollar "handshake deal" with **Lockheed Martin** Corp. on buying the next batch of F-35 combat jets after months of wrangling over price and other terms.

A final deal would allow the world's largest defense contractor by sales to book the bulk of the contract for 141 jets likely to be worth more than

\$12 billion in the third quarter. The contract would help ease investors' concerns about defense-sector growth that have weighed on shares in recent months.

The two sides had hoped to finalize a deal almost a year ago, but discussions have become prolonged by disagreements over the price of the jets, flying costs and repair bills for already delivered aircraft.

Ellen Lord, the Pentagon's chief weapons buyer, announced the preliminary deal on the eve of the biennial Farnborough Air Show, though last week she canceled plans to attend the U.K. event, citing other commitments.

The F-35 is the world's larg-

est military program and already accounts for about a quarter of Lockheed's annual sales, as well as significant shares at partners including **Northrop Grumman** Corp., **BAE Systems** PLC and **United Technologies** Corp., the last of which finalized a deal on the engines for the new jets earlier this year.

Pentagon officials have grown frustrated with efforts over the past three years to cut the cost of buying and flying as many as 2,400 of the radar-evading jets. The F-35 fleet would replace most U.S. jet fighters over the next 30 years at a cost of more than \$400 billion. U.S. allies plan to buy up to 500 more jets.

Ms. Lord didn't provide a contract value. Lockheed and its partners have already cut the average price of the F-35A

cuts as annual production climbs toward 150 jets in the early 2020s, from 66 last year.

Lockheed said the average cost of the jets had fallen significantly in the latest preliminary deal from the previous batch but didn't provide more details.

The company has proposed that the Pentagon will have to help fund further cost-cutting efforts to reduce costs beyond the industry-backed efforts already under way.

The Bethesda, Md., company wants to persuade lawmakers and the Pentagon to buy hundreds of the jets in a single, multiyear contract in the early 2020s to harvest economies of scale from increased production.

\$12B

Value of contract for the purchase of 141 jets.

Big Oil Reinvents Engines To Survive

By RUSSELL GOLD

NOVI, Mich.—The world's largest oil company has 30 engineers working away in this Detroit suburb on a project that sounds counterintuitive: an engine that burns less oil.

But there is a common-sense explanation for why the **Saudi Arabian Oil** Co., known as Saudi Aramco, wants a more efficient internal combustion engine. It is trying to protect its market share by slowing a potential exodus to electric vehicles.

David Cleary, head of Saudi Aramco's Detroit Research Center, said the company's goal with its research is to preserve the market for fuel. To that end, he said, any breakthroughs in engine designs would be widely shared.

"We are trying to get technology into production, and we want to be very fast," Mr. Cleary said.

While electric-vehicle adoption remains small globally, and is expected to rise gradually, the prospect of a large-scale shift is setting up a showdown between oil companies and utilities over who will power tomorrow's cars.

For oil companies, gasoline and diesel are among their most valuable products. For utilities, electric vehicles represent a radical way to jolt demand for power, which has been largely flat in recent years in much of the developed world.

The internal combustion engine fires the overwhelming majority of the world's vehicles. Only 1.3% of new cars registered last year were electric cars, according to the International Energy Agency. But the number of battery-run electric vehicles is growing. There were 3.1 million globally in 2017, up from 2,700 a decade earlier, the group said.

In the U.S., electric vehicles could help double, or nearly triple, annual growth rates for power demand over the next three decades, according to a new study from the National Renewable Energy Laboratory.

Such projections are cause for concern in the oil industry. A little more than one-quarter of all oil is used to make gasoline. If that market starts to get eroded by electric vehicles, Big Oil could be left with idled refining capacity and too much crude, which would lower prices, says Phil Verleger, an oil economist.

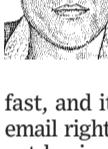
"If they can make engines more efficient, they can slow

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PERSONAL TECHNOLOGY

By David Pierce

Handwriting Finds Ways To Fit Into Digital Life

 When I go to meetings, I normally bring my laptop to take notes. I type pretty fast, and it's nice to have my email right there in case things get boring. But recently I've been doing the unthinkable—bringing pen and paper, and writing notes by hand. I have to tell you, it's been great.

Handwriting has lost its importance in society. Some schools don't even teach cursive anymore. Yet studies have repeatedly shown that writing by hand can help you process and remember information far better than typing. A 2014 study found that when students typed notes, they tended to just transcribe whatever the professor said, while those working with pen and paper were mentally summarizing and paraphrasing, which led to better test scores.

Writing by hand can help you remember information far better than typing.

At the same time, pen and paper lack advantages of the digital age. If you leave your notebook at home, you can't just grab your notes on your work laptop. It has no search button or sharing tool. You don't have a backup if it gets lost or destroyed.

I've discovered a surprisingly rich middle ground of handwriting-optimized devices that channel the benefits of the digital revolution. I've rediscovered the joy of writing things down the old-fashioned way and found thoroughly modern things to do with them once I'm finished.

If you own a pen-friendly device, try writing on it.

Have an iPad Pro or the most recent iPad? Consider plunking down another \$100 for an Apple Pencil. You can sketch and write in Apple's own Notes app, but I'm especially fond of GoodNotes, an \$8 app that offers note takers lots of creative features. Likewise, if you have a Surface or other Windows Ink-friendly PC, you can open up OneNote and write away with Microsoft's \$100 Surface Pen. A number of Chromebooks offer pen support, too, though their precision and speed don't match other platforms.

The pen isn't going to replace your keyboard or touch screen, but when you're in a meeting and don't want to hide behind a big screen, or when you're marking up a con-

A number of recent hacking incidents highlight the vulnerabilities of virtual-currency platforms.

More than

\$1.6 billion

has been lost from cyberattacks on cryptocurrencies*

\$471
2014

Losses from cyberattacks on cryptocurrency exchanges and platforms each year, in millions of dollars

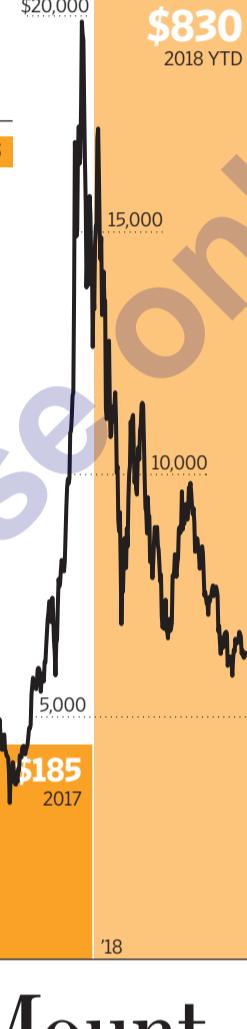
How many U.S. dollars one bitcoin buys

2014

Exchange/platform	Origin	Date of hack	Value of coin loss, in millions
Coincheck	Japan	Jan. 2018	\$535
Mt. Gox	Japan	Jan. 2014	450
BitGrail	Italy	Feb. 2018	170
Bitfinex	Hong Kong	Aug. 2016	77
NiceHash	Slovenia	Dec. 2017	70
DAO	Germany	April 2016	55
Coinrail	S. Korea	June 2018	40
Youbit	S. Korea	April 2017	35
Parity	U.K.	July 2017	32
Bithumb	S. Korea	June 2018	32
Bancor	Israel	July 2018	24

*From exchanges, initial coin offerings and other digital currency platforms

Sources: CoinDesk (bitcoin price); Autonomous Research (attacks); the companies (countries)



Thefts of Cryptocurrencies Mount

By STEVEN RUSSOLILLO AND EUN-YOUNG JEONG

Executives at **Bithumb**, a popular cryptocurrency exchange in South Korea, sensed something awry last month.

After a rival was hacked earlier in June, Bithumb experienced a rise in failed user logins and unauthorized access attempts, according to an exchange official. Bithumb added more online security personnel to conduct extensive checks and moved more of its digital-currency reserves into offline storage.

It wasn't enough. On June

19, Seoul-based Bithumb said it lost over \$30 million in bitcoin and other cryptocurrencies in a cyberattack. It has since recovered some, lowering its loss estimate to \$17 million.

Since 2011, there have been 56 cyberattacks directed at cryptocurrency exchanges, initial coin offerings and other digital-currency platforms around the world, according to an analysis by Autonomous Research, a London-based financial-services research firm, bringing the total of hacking-related losses to \$1.63 billion. Some of the biggest hacks oc-

curred at Japanese exchanges **Mt. Gox** in 2014 and **Coincheck** Inc. this past January. The most recent hack took place on July 9, when hackers swiped \$23.5 million in cryptocurrencies from an Israeli platform called **Bancor**.

The increasing frequency of hacks points to the vulnerabilities of cryptocurrencies and the platforms people use to trade them, adding to broader investor worries about fraud and lax regulation.

Many attacks have centered on Asia, a hotbed for cryptocurrency trading. Four of the seven hacks so far this year

have been in the region, with over \$800 million in cryptocurrencies stolen—already more than any other calendar year. Cyberthieves could be targeting more popular trading venues, a potential risk for investors in the U.S. and elsewhere.

Unlike stock exchanges, which facilitate trading but don't actually hold securities on behalf of investors, many cryptocurrency exchanges charge fees for trading and store currencies for their customers. Analysts say that makes cryptocurrency ex-

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USDA Takes Aim at High-Speed Trade

By ALEXANDER OSIPOVICH

The U.S. government is taking steps to protect agricultural markets from high-frequency traders—a move some say will make little difference down on the farm.

Starting on Aug. 1, the Agriculture Department will change how it releases crop and livestock reports. It is an attempt to placate critics who say fast traders are reaping profits in wheat, corn and soybean futures at the expense of slower investors.

The agency says computerized traders currently can get its data about two seconds before everyone else—eons in today's electronic markets.

"The new procedures will level the playing field and make the issuance of the reports fair to everyone involved," Agriculture Secretary Sonny Perdue said in a press release last week.

The USDA is ending a decades-old practice in which news organizations get advance access to its reports so journalists can write articles before the data are publicly

released. In "media lockups," journalists give up their mobile phones and sit in sealed rooms to review the reports to ensure they aren't leaked prematurely.

The problem is what happens at noon Eastern time, when the USDA lifts restrictions on distributing the data. A number of news organizations transmit the data over high-speed cables to their clients, including tech-savvy trading firms. Simultaneously, the USDA posts the data on



The Agriculture Department will stop giving news outlets early access to crop and livestock data.

DANIEL ACKER/BLOOMBERG NEWS

line, a process that takes roughly two seconds, according to the agency.

The result is that traders can get quicker access to potentially market-moving information from news organizations.

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Crypto Thefts Mount

Continued from the prior page changes sitting ducks. Thieves who manage to break in can do something akin to robbing a bank—getting hold of valuable cryptocurrencies that they can cash out of.

Cryptocurrency exchanges are "easy to breach, with minimum effort and expense from attackers and with maximum return on investment," said Robert Statica, president of BLAKFX, a cybersecurity firm in New York.

Recent cyberattacks have hurt market sentiment. After a steep slide this year, bitcoin dropped further after the Bithumb incident in June. Currently sitting at around \$6,300, bitcoin trades near its low for the year and well off its record near \$20,000 established in December.

The hacks are "bad for users, bad for exchanges and terrible for confidence," said John Sedunov, an assistant professor of finance at Villanova University. "If I don't have confidence in where I'm storing my crypto assets or where I'm investing, how can I really trust any of this?"

Not all investors are ruffled by the hacks. Lee Gui-im, a retiree in Seoul, hasn't been able to access her cryptocurrency assets for a month after Coinrail, the other South Korean exchange breached last month, temporarily shut all services. That hasn't discouraged the 61-year-old from continuing to attend meetups to identify her next cryptocurrency investment.

"Every exchange is in danger of hacks. This isn't just Coinrail's problem," said Ms.

Lee as she was leaving a blockchain company info session this past week. "I haven't lost faith in [crypto] coins—just exchanges."

There are 205 cryptocurrency exchanges in operation, many of which are based in Asia, according to research firm CoinMarketCap.

Chainalysis, a New York-based blockchain-analytics firm, said South Korea has been a ripe area for hackers because of the market's rapid growth in a short amount of time. The South Korean won is one of the most commonly used fiat currencies for trading cryptocurrencies.

"There simply are many targets there," said Kim Grauer, senior economist at Chainalysis, adding that "some exchanges have not been able to maintain the proper level of defense as they have grown."

Regulatory gaps in South Korea also make it less compelling for exchanges to step up security efforts, said Stacy Scott, managing director at cybersecurity and investigations firm Kroll.

A government inspection of

21 cryptocurrency exchanges in South Korea earlier this year found that no firm met all 85 inspection standards established by authorities, but there is no law to penalize exchanges that fall short.

Bithumb said in late June it is working with other exchanges around the world to track down and recover stolen digital coins that may have been moved to other trading venues. Coinrail planned to resume services on Sunday after a monthlong operating hiatus.

The exchange said it has so far recovered three types of virtual currencies that were stolen, but hasn't disclosed how much it lost. An earlier Wall Street Journal article estimated that \$40 million in digital coins was taken.

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JEAN CHUNG/BLOOMBERG NEWS

The frequency of hacks points to cryptocurrencies' vulnerabilities.

BUSINESS & FINANCE

Disrupter Startup Gets Injection

By MIRIAM GOTTFRIED

Private-equity firm **General Atlantic** has made a minority investment in U.K.-lending startup **Greensill Capital**, continuing its strategy of placing bets on companies that use technology to try to disrupt the traditional financial system.

The New York private-equity firm is investing \$250 million, valuing Greensill at \$1.64 billion, the two companies told The Wall Street Journal ahead of a planned announcement.

Greensill, which has since expanded into other types of working-capital finance, works with suppliers to companies such as **Vodafone Group PLC**, **General Mills Inc.**, **Airbus SE** and **Boeing Co.**

Greensill's sources of capital include deposits in a bank it owns in Germany, the sale of bonds composed of invoices it has purchased and bundled together as well as four proprietary supply-chain finance funds managed by **Credit Suisse Group AG** and **Global Asset Management Ltd.**

The lender said it posted an annual profit for the first time in 2017, logging earnings of \$32.9 million on revenue of \$115.9 million.

Founded in 2011, Greensill began as a supply-chain finance provider. Many large companies pay suppliers 30, 60 or 90 days after purchase, which can create cash-flow problems for the suppliers. Greensill's financing allows those suppliers to get their

money early in exchange for a small fee—usually lower than 1%. It later collects the full value of the invoice from the large company.

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General Atlantic, in an interview. "Lex is nothing if not ambitious. We made this investment based on their growth story."

General Atlantic takes stakes in rapidly growing companies and partners with their founders to prepare them for their next phase, often an initial public offering. The firm has made a number of investments in the financial-services and technology arenas, including a recent wager on China's **Ant Financial Services Group**.

General Atlantic also was an investor in Dutch payment-technology company **Adyen NV**, whose shares have soared since its June IPO.

In addition to the investment from General Atlantic, Greensill may be on the verge of landing a big-name hire:

Former British Prime Minister David Cameron is "considering a role" with the company, but "no final decision has been made," a spokesman for Mr. Cameron said in an emailed statement.

Greensill may be close to a big hire: Former U.K. Prime Minister David Cameron.



A prospective shift to electric vehicles is setting up a showdown between oil companies and utilities over powering tomorrow's cars.

Big Oil Works on Engines

Continued from the prior page the loss of market share," he said of Aramco's efforts.

In the U.S., the oil industry has long fought incursions from the ethanol industry. The utility industry, a powerful force in statehouses around the country, could be a more formidable opponent.

Utilities around the U.S. are pushing politicians and regulators to let them build car-charging networks, arguing they would help spur electric-

vehicle growth that in turn will help reduce pollution and greenhouse-gas emissions.

And they are seeking approval from several states to pass on the cost of these networks to electric customers through higher rates.

"We are very interested in reducing greenhouse gas emissions in the states and the country," said John Betkoski III, president of the National Association of Regulatory Utility Commissioners. "Utility companies see an opportunity, frankly, to grow their business."

In May, California regulators approved a plan by San Diego Gas & Electric, part of **Sempra Energy**, to spend \$136.9 million on a network of vehicle-charging stations. Last month, **Edison International**'s Southern California Edison submitted a proposal to spend \$760 million. The state also approved an additional \$578 million to assist the electrification of trucks, buses, forklifts and other heavy equipment, with many of the targeted vehicles in use at California ports.

Utilities have proposed spending an additional \$500 million in New York, New Jersey and Maryland to build out a network of charging stations to make it easier for electric cars to refill their batteries.

Oil companies are begin-

ning to push back. A bill in Colorado earlier this year to allow utilities to install elec-

tric vehicle-charging stations died amid opposition from the state's gas-station owners.

"We're more engaged at the state and local level on this issue than we have ever been before," said Chet Thompson, president and chief executive of the American Fuel & Petrochemical Manufacturers, a trade group including most of the nation's refiners.

Outside of the U.S., some oil companies are approaching the rise of electric vehicles differently. **Royal Dutch Shell PLC** has bought a charging company and is installing fast-charging points at its fuel stations in Europe. China's governmental support has made the country the world's largest market for electric vehicles.

In the U.S., the burgeoning clash between the power and oil industries flared up in April at a meeting of the American Legislative Exchange Council, a group that creates model state laws and advocates for free markets.

The refiners' lobby pushed model legislation that would prevent regulated utilities from charging ratepayers to create a charging network. The power industry defeated the measure, but the issue remains a point of contention. It is expected to come up again at the group's next meeting in August.

At its engine-engineering fa-

cility in Michigan, Saudi Aramco isn't waiting for the next round of the political fight.

In one bay, a large truck diesel engine has been retrofitted to run on gasoline, using a technology that increases engine efficiency by modifying the fuel and running the engine at a higher compression. A modified Ford F-150 pickup truck was able to get 37 miles a gallon with the Aramco technology.

The Environmental Protection Agency rates the truck at 21 mpg for combined highway/city driving.

Elsewhere, work was under

way to outfit a Volvo truck with the technology as well as onboard carbon capture, another idea Aramco is working on.

The system will separate the carbon dioxide from the truck's exhaust, which then can be off-loaded at truck stops for industrial reuse or storage. Aramco also hopes to reduce the truck's fuel consumption by up to 10%.

"Why is this the right thing to do?" asked Mr. Cleary, the facility's head. "We are going to be using internal combustion engines. Let's make them better."

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The frequency of hacks points to cryptocurrencies' vulnerabilities.

JEAN CHUNG/BLOOMBERG NEWS

BUSINESS NEWS

Aircraft Makers Uneasy Over Trade

BY ANDREW TANGEL
AND ROBERT WALL

LONDON—Aerospace executives at plane makers Boeing Co. and Airbus SE, along with their suppliers, said they are worried new trade barriers could drive up plane manufacturing costs and lead airlines to put off purchases.

"Aerospace thrives on global trade—free and open trade," Boeing Chief Executive Dennis Muilenburg said in London on Sunday ahead of the Farnborough International Airshow, the industry's flagship gathering that kicks off Monday.

"We're concerned about some of the ongoing talk about tariffs and trade restrictions," the head of the U.S.'s largest exporter told reporters, though he added that there had been no material effect on the company so far.

Earlier this month, Tom Enders, chief executive of European rival Airbus, said protectionist sentiments could dampen global growth.

Worries over shifting trade policies, new tariffs and other barriers come as plane makers including Boeing, Airbus and Embraer are looking to tout their latest deals to drum up buzz and new business.

The Trump administration this year imposed tariffs on a range of imports from aluminum to washing machines from China, the European Union and others, saying previous trade deals treated the U.S. unfairly.

Airlines are in buying mode amid rising passenger demand, and airplanes have so far largely avoided being targeted by tariffs from the U.S. and China. The U.S., though, has taken aim at some airplane parts imported from China. China had threatened to target finished jetliners, but so far hasn't.

Ambien's Price Is Rude Awakening

Some drugmakers keep boosting costs of products, despite mounting pressures

BY JONATHAN D. ROCKOFF

A small Colorado drugmaker recently raised the price for a spray form of sleep aid Ambien by as much as 843%, the latest example of how some firms are increasing prices despite mounting pressure.

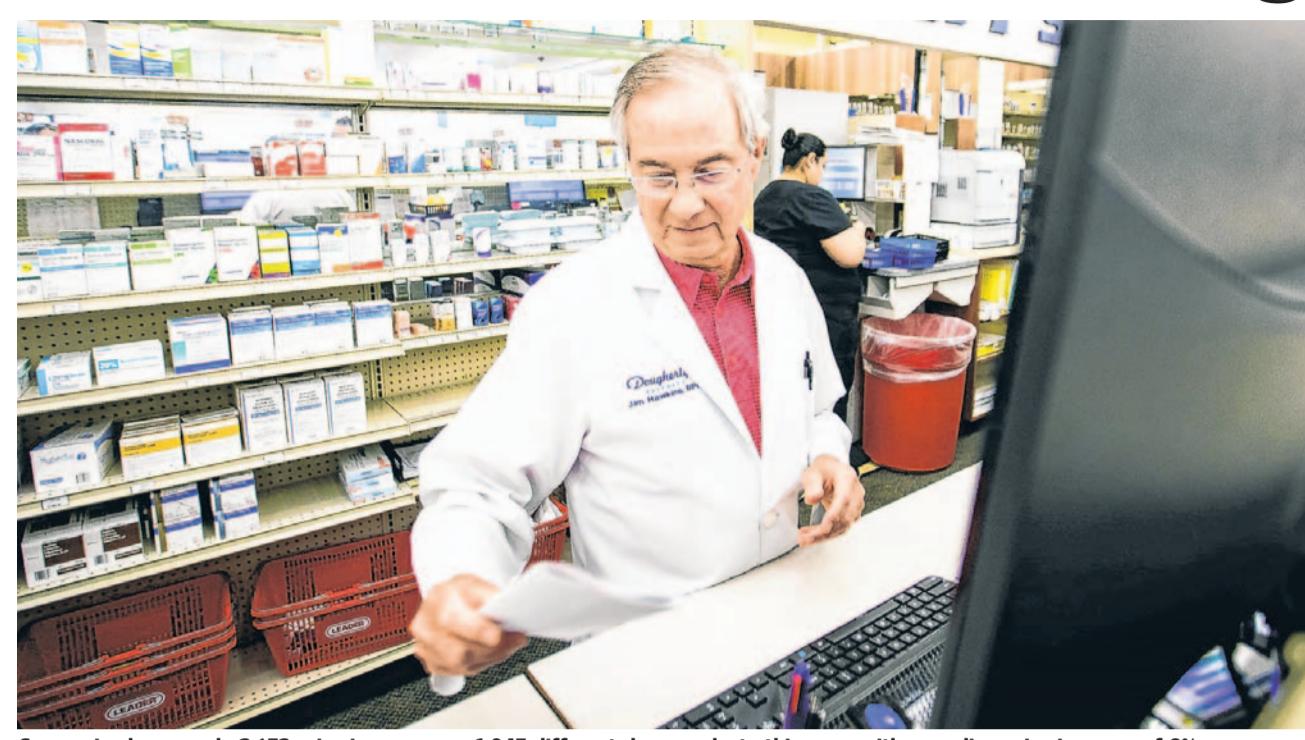
So far this year, companies have made 3,653 price increases on 1,045 different drug products, according to Raymond James & Associates, even as President Donald Trump and other members of his administration have criticized such moves.

The median price increase is 8%, but some specific increases have been far greater. Aytu BioScience Inc. raised the list price of a 7.7 milliliter bottle of its sleep aid Zolpimist to \$659 from \$69.88, while increasing the price of a 4.5 milliliter bottle by 747% to \$329.50, according to RELX PLC's Elsevier Gold Standard Drug Database. The drug is a spray version of zolpidem, the key ingredient in Ambien, which is widely available as cheap generic pills.

Chief Executive Josh Disbrow said Aytu raised Zolpimist's list price to bring it in line with the cost of other brand-name sleep drugs. He said Zolpimist was for the small number of patients willing to pay more, often out of their own pockets, for the oral spray than for lower-priced pills.

"For those people who want a Cadillac, they can pay for it," Mr. Disbrow said in an interview.

Aytu's increase in the list price of Zolpimist was among the biggest increases taken in the middle of this year, according to Elsevier's data on the wholesale-acquisition cost of prescription drugs. Bloomberg earlier re-



Companies have made 3,653 price increases on 1,045 different drug products this year, with a median price increase of 8%.

Prescribing Increases

Companies that have raised the list prices of their drugs this year

COMPANY	DRUG NAME	DISEASE	PRICE CHANGE IN 2018
Acorda	Ampyra	Multiple sclerosis	19.9%
Depomed	Gralise	Shingles pain	18.7%
Otsuka	Abilify	Schizophrenia	9.9%
Endo	Vasone	Blood pressure	9.9%
Novartis	Afinitor	Cancer	9.9%
Intercept	Ocaliva	Liver	7.5%
Roche Genentech	Herceptin	Cancer	6.1%
Shire	Gattex	Short bowel	5.7%
Celgene	Revlimid	Multiple myeloma	5.0%
Melinta	Orbactiv	Skin infection	3.0%

Source: Rx Savings Solutions

THE WALL STREET JOURNAL

by Mr. Trump—haven't reversed course.

"These types of increases indicate that public criticism, even from President Trump, are not enough to change the trajectory of drug costs," said Michael Rea, chief executive of Rx Savings Solutions, which sells software to help employers and health insurers lower their drug spending.

White House officials didn't respond to a request for comment, but Mr. Trump has periodically criticized high drug prices since his campaign, and promised to take action. In May, the president proposed various initiatives to curb high drug prices. Later that month, he predicted "massive" drug-price cuts.

Mr. Englewood, Colo., raised the price of Zolpimist last Tuesday, about a month after buying the rights to sell the drug in the U.S. and Canada from Magna Pharmaceuticals Inc. The practice of buying rights and then raising the price, by companies including Valeant Pharmaceuticals under then-CEO Michael Pearson and

Martin Shkreli's Turing Pharmaceuticals AG, has drawn criticism from public officials and others because the companies didn't invest in developing the drugs.

Mr. Disbrow said Aytu's increases for Zolpimist were different than other examples because the drug is for a lifestyle condition rather than a life-threatening disease, and generic options are available.

He added that Aytu doesn't depend on the Zolpimist price increases to raise sales. Aytu reported \$2.7 million in revenue for the nine months ending March 31.

Mr. Disbrow said he expected most sleep-aid patients would buy the generics, and health plans would require people to try the generics before looking at other options. Doctors write more than 30 million zolpidem prescriptions a year, though fewer than 2,000 of them for Zolpimist, he said.

Generic versions of the sleep aid sell for less than \$10 for a 30-day supply, according to Mr. Rea.

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TECHNOLOGY

Third Parties Know Exactly Where You Are

BY DREW FITZGERALD

Cellphone carriers usually ask for their customers' blessing before listing their phone numbers, sharing their addresses or exposing them to promotional emails.

But seeking permission to share one particularly sensitive piece of information—a cellphone's current location—often falls to one of several dozen third-party companies like **Securus Technologies Inc.** and **3Cinteractive Corp.**

Carriers such as **AT&T Inc.** and **T-Mobile US Inc.** rely on those firms to vouch that they obtained users' consent before handing over the data. The companies that pay to access

last week on internet privacy.

Blake Reid, an associate clinical professor at the University of Colorado Law School, said this "chained consent" process likely violates Section 222 of the Telecommunications Act of 1996, which sets privacy standards for carriers.

Section 222 updated decades-old telecom law by making phone-call records subject to privacy protections. Congress hasn't passed comprehensive privacy legislation since then, though it repealed Federal Communications Commission broadband privacy regulations enacted during the Obama administration.

Mr. Reid said Securus is the most flagrant example to come to light because the company used its website as an investigative tool with little oversight. Securus didn't respond to a request for comment.

Other industry experts doubt the carriers' location-sharing practices violate any law.

The FCC in 2007 imposed new broadband rules that left location data gathered from internet service outside of Section 222 strictures.

"That was a green light for telecommunications carriers to monetize customer-location data," said Stanford University law professor Al Gidari, who helped draft the location-data guidelines that wireless industry group CTIA used to self-regulate.

About 75 companies had access to **Verizon Communications Inc.** customers' locations, the company said in a June letter to Sen. Ron Wyden (D., Ore.), who has pressured telecom companies to disclose more information about their data-protection measures.

Verizon said it would wind down its relationship with the middlemen that serve those companies, though it was searching for an arrangement that could replace them.

All four national carriers said in June that they would cut off two companies that handled the data Securus had accessed and promised new safeguards, though they didn't detail how it would be done.

"This is just the tip of the iceberg," Georgetown Law expert Laura Moy testified in a House subcommittee hearing

Phones Track Step by Step

A look at scenarios in which companies can make use of your whereabouts

By SARAH KROUSE

The smartphones at the center of consumers' lives generate vast streams of data on where they live, work and travel, and how wireless giants like AT&T Inc. and **Verizon Communications Inc.** use that personal data and share it with other companies has come under increased scrutiny.

The four major U.S. carriers said in June that they would stop selling access to the locations of individual customers to two companies—**LocationSmart** and **Zumigo Inc.**—following accusations that a LocationSmart customer misused the information. (The Federal Communications Commission has referred the LocationSmart issue to its enforcement division, a spokesman said.) But those two middlemen aren't the only companies that have had or continue to rely on access to the locations of cellphone users to make money.

Location data controlled by carriers is different from the data collected by applications such as Uber or **Facebook**. Because those apps get location data directly from a consumer's phone—and not from wireless carriers—consumers opt into sharing their location in exchange for or as part of receiving a service.

Here's a look at five scenarios in which companies or carriers have relied on or considered using cellphone location data.

John pulls over to the side of a highway to call for roadside assistance.

The American Automobile Association in the past joined with LocationSmart, according to a company press release. Members of the auto club had the opportunity to opt out of sharing location information when they made a service call and instead describe nearby road markings



KURT WILBERDING/THE WALL STREET JOURNAL

or intersections, an AAA spokeswoman said. She said the company has "other methods in place to locate members" but declined to comment on the options available.

Susan attends a conference in London and then spends a week in Paris. While she is in those countries, her mobile phone relies on local wireless networks.

Tampa-based Syniverse Technologies LLC helps wireless carriers around the world square up on customer roaming charges between their networks. As a result, the company sees which country a mobile user is in, which network they receive service from, the quality of that service and what types of communication a traveler has used, a Syniverse spokeswoman said.

"This information that Syniverse receives as part of providing its services to the mobile operators does not include any granular GPS, cell tower or other similar location-based information, such

as city or street," the Syniverse spokeswoman said.

Ted buys sneakers while he is traveling in Germany.

Syniverse, owned by private-equity giant **Carlyle Group**, in the past worked with **Mastercard Inc.** on fraud-prevention services that would match a traveler's location with where he or she was making purchases.

A spokesman for the credit-card company said work on location-based fraud-prevention products stopped last year. Representatives for Syniverse said the Mastercard fraud service "was never fully launched so we never received any country code information."

A city-planning board is considering creating a bus route and wants to know how many people live in a neighborhood and commute.

Companies such as **Teralytics AG** plot the travel patterns of wireless subscribers for use in infrastructure,

public transportation and urban-planning projects.

Teralytics works with one of the major U.S. carriers and receives an "anonymized representative sample" of location data, a spokeswoman said.

Teralytics is only allowed to use the data to help "city planners and transport services understand how people's mobility needs are evolving, resolve transport hot spots and make sure that transport services meet everyone's needs," she said.

A retailer wants to know how many people walk past each of its locations.

Pinsight Media, a subsidiary of **Sprint Corp.**, uses anonymized data on how the wireless carrier's subscribers shop, use apps and travel in the U.S. to give retailers, financial-services companies and other firms data on their tastes and habits. Apps also join with Pinsight to serve targeted advertisements and must get consent from their users to collect and use information about them.

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EMILY PRAPJOENI/THE WALL STREET JOURNAL

Digital Roles for Writing

Continued from page B1

tract, you might want to reach for your pen. Of the devices I use every day, only my phone remains stubbornly pen-free. Other than Samsung's Note phablets, there aren't many pen-enabled phones.

Unfortunately, sliding a stylus over a glass screen feels nothing like writing on paper. Plus you're dealing with a blazingly bright display, a breakable body and a battery to charge—none of which applies to paper.

That's why a few manufacturers have built devices meant to mimic the paper feeling. And a few tried to make paper itself a bit smarter.

My favorite of the kind is Sony's Digital Paper, a wafer-thin tablet with an E Ink screen (like an Amazon Kindle) that you write on with a stylus. Sony says it is used mostly by lawyers and doctors who need to read long contracts without hurting their eyes, but who also want to scribble notes or corrections in the margins. It turns a pile of printouts into a list of PDF files you can mark up, organize and share. It's useful, but at \$600, it's unnecessary.

I am similarly intrigued by the Smart Writing Set from Moleskine, the popular notebook maker. It comes with a normal-looking paper

notebook and a special pen, which transmits everything it writes and draws to a companion app on your phone or tablet. Every time you start writing in your notebook, the digital counterpart updates in real time to match. Yet at \$200, this, too, is expensive, and its software can be unreliable. It's clever, but it isn't ready.

After testing nearly a dozen products and platforms, I found the best way to marry handwriting and the internet is also the simplest, with just two steps:

The camera on your phone can handle uploading notebook content to the cloud.

Write in a notebook, then take a picture on your phone.

If you upload pages of your notebook to whatever cloud storage service you already use, you'll be able to access them from anywhere. Some, such as Google Drive and Evernote, use a technology called optical character recognition to automatically convert your scrawlings into searchable text.

Rather than flip through every page of my notebook to find the day a co-worker told me about a restaurant to try, I just searched the word "restaurant" in Google Drive and found it immediately.

The built-in camera on your phone can handle uploading your notebook to the

cloud. If you download an app such as Scanner Pro, it can help clean up and enhance text so it's easier to read later. And if you want to make your life truly easy, buy a notebook from Rocketbook.

Rocketbook makes simple, reusable notebooks that cost \$16 to \$34 and that you can wipe clean with a wet towel. One even clears up with a spin in the microwave (seriously). They work with the Pilot FriXion pen, an erasable pen you can find almost anywhere.

Rocketbook's smartest feature is a bunch of small circles at the bottom of the page, which correspond to different destinations you assign in the companion Rocketbook app. Circle one and when you take a picture, it will be delivered automatically to the proper folder in your Dropbox. Another can email it straight to your spouse, stick it into your Evernote files or drop it into a Slack channel.

I spend a minute or two at the end of every day scanning notes with the app.

I see handwriting as a central part of our digital lives. As schools move to ban laptops because they're distracting and studies show the value of writing rather than typing, these products could go from artist tools to a core part of doing business—and handwriting will once again be crucial to written communication. I suspect hardware makers eventually will solve the problems of writing on a screen. But right now, paper still can't beat the internet, and the internet still can't beat paper. So use both.

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BUSINESS & FINANCE

Chinese Exchanges Snub Xiaomi by Curbng Its Trade

By KENAN MACHADO
AND JOANNE CHIU

China's two main stock exchanges said investors on the mainland won't be able to use a trading link with Hong Kong to buy into companies with supervening shares, a setback for recently listed smartphone maker **Xiaomi** Corp.

The decision from the Shanghai and Shenzhen exchanges, which cited a lack of familiarity among investors with such instruments, could also hurt Hong Kong's efforts to lure other large Chinese technology listings in the coming months.

Saturday's ruling came just days after Xiaomi went public and **Hang Seng Indexes** Co. announced plans to add the stock to a group of indexes, including its composite gauge, later this month.

Beijing-based Xiaomi, which recently completed a \$4.7 billion initial public offering, was the first company to list in Hong Kong under new rules in the city allowing listings of companies with two classes of voting stock.

Xiaomi's shares made a lukewarm trading debut last Monday, but news that it would be included in the Hang Seng indexes helped its shares rally more than 26% from its IPO price by the end of the week, for a valuation of about \$68 billion. The surge came on expectations that this would open up a potent source of

mainland investor demand through the Hong Kong-China trading link known as Stock Connect. Virtually all Hang Seng Composite Index components can be traded by investors in China via that link, but the weekend decision means Xiaomi's shares will be excluded for now.

Excluding certain members of the index from the trading link is allowed but hasn't happened before, said **Hong Kong Exchanges and Clearing** Ltd., which operates the stock market. It said it had introduced extra safeguards for investors and was eager to see companies with weighted voting shares join the link "as soon as possible." The three exchanges already have agreed to exclude shares in companies mostly operating outside China, and stapled securities, which combine a share and a unit in a trust.

A spokeswoman for Xiaomi said it didn't comment on the stock market.

Xiaomi had considered a dual listing in Shanghai under rules that Chinese regulators crafted to encourage home-grown tech giants to list at home. The eight-year-old company had applied to list securities called Chinese Depositary Receipts, but shelved the plan last month due to uncertainty about details of the rules and disagreements with Chinese regulators about the terms of the offering, the Journal previously reported.



Smartphone maker Xiaomi had its IPO in Hong Kong last week.

Abraaj's Naqvi Settles Bad-Check Allegation

By NICOLAS PARASIE

DUBAI—The founder of embattled private-equity firm **Abraaj Group** has reached a settlement on a \$48 million bounced-check allegation, his attorney said, allowing him to avoid prosecution as he manages a crisis at his firm.

Arif Naqvi faced a potential prison sentence of three years if convicted on charges of issuing checks with insufficient funds in Sharjah, one of the United Arab Emirates' seven federated states. Sharjah prosecutors had issued an arrest warrant for him, said his attorney, Habib al Mulla.

The court case stemmed from a criminal complaint made by Hamid Jafar, an Emirati businessman and a founding shareholder of Abraaj. Mr.

Jafar extended a short-term \$300 million loan to Abraaj in December 2017 but it wasn't repaid in February as agreed, Mr. Jafar's legal representative has said previously. A Sharjah court dismissed the charges Sunday upon learning of the settlement. However, details of a broader settlement for the full amount of \$300 million have yet to be ironed out, an adviser to Mr. Jafar said.

Mr. Mulla didn't disclose terms of the settlement. Mr. Naqvi wasn't available for comment.

Mr. Jafar's legal representative has said Mr. Naqvi had issued three checks for a total of \$300 million but that he had "no intention of repaying the debt." The charge related to one of several checks issued as part of the loan.

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'Hotel Transylvania 3' from Sony, was No. 1 at the domestic box office, with a total of \$44.1 million for its debut.

'Skyscraper' Fails to Soar

Action movie starring Dwayne Johnson has soft weekend opening, putting it at No. 3

By BEN FRITZ

The man many consider to be Hollywood's biggest star took a tumble at the box office this weekend.

"*Skyscraper*," starring Dwayne Johnson as a former FBI agent trying to rescue his family from a burning tower, opened to an estimated \$25.5 million in the U.S. and Canada.

It was No. 3 at the domestic box office behind the animated "*Hotel Transylvania 3*," with \$44.1 million, and "*Ant-Man and the Wasp*," which on its second weekend in theaters grossed \$28.8 million.

"*Skyscraper*" had a soft opening for an action movie that cost around \$125 million to make and posted the second lowest start this decade for an "event" film starring Mr. Johnson, behind only last year's

Estimated Box-Office Figures, Through Sunday

FILM	DISTRIBUTOR	WEEKEND [*]	CUMULATIVE	% CHANGE
1. Hotel Transylvania 3	Sony	\$44.1	\$45.4	--
2. Ant-Man and the Wasp	Disney	\$28.8	\$132.8	-62
3. Skyscraper	Universal	\$25.5	\$25.5	--
4. Incredibles 2	Disney	\$16.2	\$535.8	-43
5. Jurassic World: Fallen Kingdom	Universal	\$15.5	\$363.3	-46

^{*}Friday, Saturday and Sunday Source: comScore

flop "Baywatch," which made its debut at \$18.5 million.

In an era when franchises often outshine stars, Mr. Johnson is considered one of Hollywood's few remaining bankable actors world-wide. But the international opening of "*Skyscraper*" wasn't huge either. It grossed \$40.4 million in 57 markets, coming in second place in several key countries, including Mexico, South Korea, and the United Kingdom.

However, it has yet to open in China, where the film takes place and expectations are particularly

high. "*Skyscraper*" was produced and co-financed by Legendary Pictures, owned by China's **Dalian Wanda Group**, along with **Comcast** Corp.'s Universal Pictures, which is handling distribution and marketing.

Mr. Johnson's April release "*Rampage*" grossed \$156.4 million in China, more than any other country including the U.S. He has had several major hits in recent years including "*Jumanji: Welcome to the Jungle*," "*San Andreas*," and the "*Fast and Furious*" series, all of which performed

very well in China.

This past winter, multiple Hollywood studios engaged in a fierce bidding war for one of Mr. Johnson's next movies, a thriller called "*Red Notice*," for which he was seeking to be paid at least \$21 million. Universal and Legendary ended up with the film, which is scheduled for release in 2020.

The debut of "*Hotel Transylvania 3*" was similar to the last two movies in **Sony Pictures Entertainment**'s comedic monster franchise. "*Hotel Transylvania 2*" opened to \$48.5 million in 2015 and the original started with \$42.5 million.

Both those films opened in September, however. With children out of school, Sony is hoping summer will bring a higher ultimate gross for the third installment than the global totals of \$473.2 million for No. 2 and \$358.4 million for the first.

"*Hotel Transylvania 3*" grossed \$46.4 million overseas over the weekend, bringing its foreign total to \$54.8 million after opening in some countries previously.

Ex-CEO of Merrill Keeps Low Profile

By MICHAEL WURSTHORN

A decade after the financial crisis, The Wall Street Journal has checked in on dozens of the bankers, government officials, chief executives, hedge-fund managers and others who left a mark on that period to find out what they are doing now. Today, we spotlight ex-Merrill Lynch CEO Stanley O'Neal.

Stanley O'Neal left Merrill Lynch & Co. in shambles, and his career hasn't been the same ever since.

The former Merrill chief executive, known for his abrasive management style and his aggressive transformation of the storied brokerage firm, hasn't held a corner-office job since he was forced to resign in 2007.

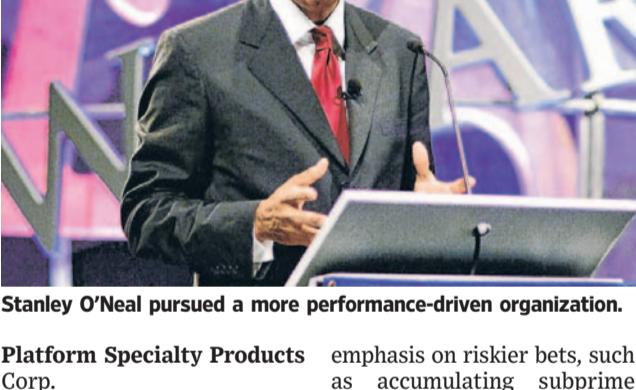
While some of the top Wall Street executives who steered their firms through the chaos of the financial crisis have been able to embark on second acts at the top of new companies, Mr. O'Neal has kept a lower profile since his tumultuous tenure at Merrill. He has limited his jobs to board-of-directors roles, including at aerospace-parts specialist **Arconic** Inc. and chemicals firm

ups of top-executive positions weren't uncommon. His massive foray into sub-prime mortgages turned toxic, and in 2007, Merrill was forced to take a multibillion-dollar write-down on those assets. Mr. O'Neal's tenure would last another week before Merrill's board intervened.

He was unceremoniously replaced with John Thain, then the head of **NYSE Euronext**. Mr. Thain tried to repair the firm's balance sheet, but mortgage-related losses continued to mount, forcing Merrill's executives into a last-ditch effort to save the firm's legacy: a \$50 billion acquisition by **Bank of America** Corp. in 2009.

"They allowed short-term profitability to blind their views of the highly leveraged and risky business Merrill would become, and they allowed a small group of greedy individuals to destroy an icon," wrote Winthrop H. Smith Jr., a former Merrill executive whose father helped build the firm, in a self-published history about the company.

Mr. O'Neal declined to comment for this article through an Arconic spokeswoman.



Stanley O'Neal pursued a more performance-driven organization.

Platform Specialty Products Corp.

Several longtime Merrill veterans continue to lay the firm's demise as an independent, stand-alone company at the feet of Mr. O'Neal. Over his five-year tenure as CEO, Mr. O'Neal pressed the brokerage to let go of its long-embraced Mother Merrill image, so called because many at the firm felt it adopted a maternal nature toward its clients and employees.

Instead, Mr. O'Neal pursued a more performance-driven organization that put greater

emphasis on riskier bets, such as accumulating subprime mortgage assets, and less on selling stocks and bonds.

The makeover brought in big profits and raised the profile of Mr. O'Neal, who was also the first black CEO of a major Wall Street firm. He helped turn Merrill into the No. 1 stockbrokerage firm in the U.S. at the time.

But Mr. O'Neal's effort to move away from a decades-old culture caused an exodus of talent to rivals such as Goldman Sachs Group Inc. and Morgan Stanley. Brutal shake-

overs of top-executive positions weren't uncommon.

His lasting disappointment is that while several banks faced substantial fines, no one was really held accountable. "It's the immaculate corruption," he said. "Banks were engaged in wrongdoing, but somehow no bankers were involved."

Head of Crisis Inquiry Now Builds Homes

By ASJYLYN LODER

Investigating the roots of the financial crisis in Washington's political hothouse can make even an experienced politician nostalgic for a local zoning dispute.

As the former head of the Financial Crisis Inquiry Commission, Phil Angelides had the unenviable job of herding the politically divided commissioners through an inquisition of Wall Street's banking titans in order to explain to millions of Americans what had just happened to their homes, jobs and retirement accounts.

These days, he is focused on real-estate investing and getting Democrats elected to Congress. His latest venture is a property developer is McKinley Village, a newly built

neighborhood in east Sacramento, Calif. Every house comes prewired for solar panels and electric-car-charging stations. Prices range from about \$500,000 to \$1 million.

He has also been involved in a few sizable solar power plants.

"Unlike a lot of what you may do in politics, there's something very gratifying about and tangible about building big solar projects. There's something very tangible about building a new urban neighborhood in your hometown," Mr. Angelides said in a February interview.

But Mr. Angelides says he plans to get more involved in politics. A lifelong Democrat, he says he is concerned about the deregulatory fervor of the Trump administration.

Before his stint as head of

the FCIC, Mr. Angelides was best known for his two terms as California's state treasurer, from 1999 to 2007. He pushed the California Public Employees' Retirement System, the nation's largest public pension, to use its heft to advocate for changes on corporate boards.

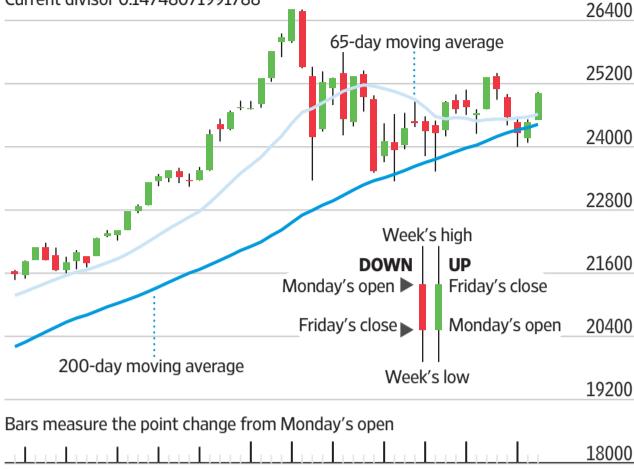
After unsuccessfully challenging Republican Gov. Arnold Schwarzenegger in 2006, Mr. Angelides quipped to the press, "I will by popular demand re-enter the private sector."

He went back into real estate the FCIC. From the beginning, the commission's inquiry was plagued by political infighting. The commission held 19 days of hearings and interviewed more than 700 people, including former Federal Reserve Chairman Alan Green-

MARKETS DIGEST

Dow Jones Industrial Average

25019.41 ▲ 562.93, or 2.30% last week
High, low, open and close for each of the past 52 weeks



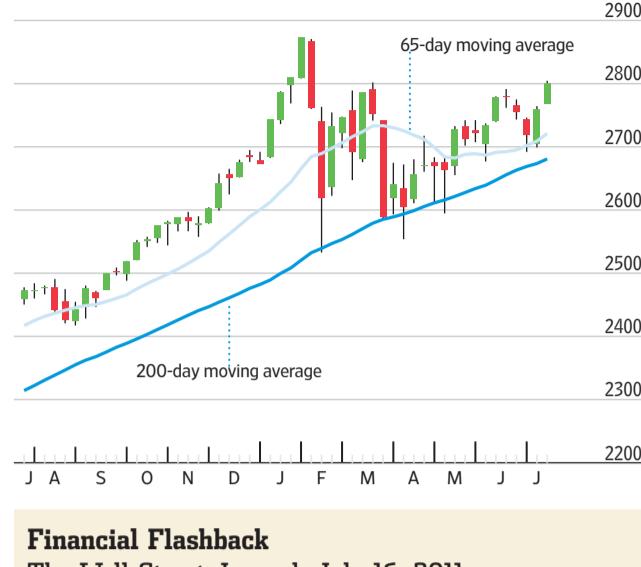
Bars measure the point change from Monday's open

NYSE weekly volume, in billions of shares
Primary market ► Composite

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2801.31 ▲ 41.49, or 1.50% last week
High, low, open and close for each of the past 52 weeks

Financial Flashback
The Wall Street Journal, July 16, 2011

Activist investor Carl Icahn launched a bid for Clorox Co., that valued the iconic American company at \$10.2 billion and invited other buyers to make their own offers.

CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund share price on a stock exchange. **W**hile there is no information on the availability or not applicable, **NS**ignifies fund not in existence of entire period. **12 month** yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, July 13, 2018

Fund (SYM)	NAV	52 wk		Fund (SYM)	NAV	52 wk		Fund (SYM)	NAV	Prem 12 Mo		Fund (SYM)	NAV	Prem 12 Mo				
		Prem	Ttl			Prem	Ttl			Close	Disc	Yld		Close	Disc	Yld		
General Equity Funds																		
Adams Divers Eqtr Fund AIX	18.45	15.77	-14.5	18.0	Clearbridge Engy MLP Opp EMO	11.74	11.10	-5.5	-1.6	Prem	Ttl		MS EmktdlDomDebt EDD	7.82	6.93	-11.4	5.4	
Boulder Growth & Income BIF	12.51	10.35	-17.3	8.7	Clearbridge Engy MLPTR CTR 11.97	11.32	-5.4	-2.8		BlackRock Income Trust BKT	6.35	5.82	-8.3	PIMCO Dynamic Credit PCI	NA	23.60	NA	8.3
Cohen & Steers Infr Fd UTF	24.31	23.11	-4.9	8.7	John Hancock PfldIncome HPI	21.50	21.58	+0.4	6.5	PIMCO Income Opportunity PKO	NA	27.40	NA	8.3				
Cohen & Steers Qual Inc ROJ	10.84	10.24	-5.5	3.0	John Hancock Pfld Incrl HPS	18.92	18.54	-2.0	5.0	PIMCO Strat Income Fund RCS	NA	9.79	NA	8.9				
Cohen & Steers Qual Inc RNP	22.00	19.57	-11.0	0.9	JHancock Prv Div PDV	15.04	19.97	+6.2	6.0	Templeton Emerging TEI	11.54	10.47	-9.3	8.5				
Cohen & Steers TR RFI	13.07	12.60	-3.6	7.7	LMP Cap & Incrc Fd SCD	14.55	13.18	-9.4	-0.3	Templeton Global GIM	7.19	6.17	-13.7	5.1				
CLSelgm Prm Tech & Fu STK	21.62	22.00	+1.8	9.8	Nuveen Pf&Incm Ops Fd JPC	16.10	9.30	-8.1	-3.9	Western Asset Emrg Mkts EMI	15.83	13.72	-13.3	8.7				
Duff&Phielb GblUtlInlg Fd DPG	16.48	14.75	-10.5	-3.1	Nuveen Pf&Incm Secs Fd JPS	9.64	8.81	-8.6	-6.4	Western Asset Inf Opps WIW	12.55	11.09	-11.6	3.8				
Eaton Vance Eqty Inc Fd E01	15.37	15.59	+1.4	21.2	Nuveen Preferred & Incm JPI	24.27	23.26	-4.2	0.4	Western Asset Inf Opps WII	12.93	11.40	-11.8	3.6				
Eaton Vance Eqty Inc Fd E10	17.31	17.53	+1.3	25.8	Nuveen Tax Adv Fd ITR	17.51	16.96	-3.0	-3.5	Wistm Asset Gf DefOppd Fd GDO	17.96	16.52	-8.0	7.9				
EtnVnCrsRskMngt ETJ	9.78	9.60	-2.7	1.0	TCW Strategic Income Fund TS	11.12	11.37	+2.2	-0.7	Wistm Asset Emrg Mkts EMI	15.83	13.72	-13.3	8.7				
Virtus Global Dividend ZTR	11.22	11.37	+2.2	-0.7	Virtual Stock Fund VTF	11.12	11.37	+2.2	-0.7	Wistm Asset Inf Opps WII	12.55	11.09	-11.6	3.8				
First Tr Tax Mgd Wrt-Bte ETB	16.05	16.25	+1.2	6.1	World Equity Funds					World Equity Funds								
Eaton Vance Wtr Wrt-Op ETV	13.35	13.72	+2.5	10.9	Aberdeen Total Dyn Div ADP	10.00	8.85	-11.5	8.3	Aberdeen Total Dyn Div ADP	10.00	8.85	-11.5	8.3				
AllianzGI Conv & Incm NCV	6.31	7.04	+11.6	3.8	AdvtClymFnd AVK	17.23	15.49	-10.1	3.8	BlackRock Invst BKN	15.48	14.03	-9.4	5.1				
AllianzGI Conv & Incm NCX	5.66	6.03	+6.4	6.9	Blkrk Debt Strat Fd DSU	12.65	11.12	-11.4	7.3	BlackRock Mun Corp BTZ	24.70	21.46	-9.5	4.0				
Eaton Vance Eqty Inc Fd NE	24.28	24.28	+2.8	-5.4	Eagle Point Credit ECC	18.52	18.52	NA	12.1	BlackRock Mun Hldngs Inv MEN	11.60	10.50	-9.5	5.9				
Fst Energy Eqt & Growth Fd NEF	23.05	22.85	-0.9	2.7	Eaton Vance Fr Invtr FGY	15.66	14.53	-7.2	5.7	BlackRock Mun Hldngs Inv MFL	14.19	12.84	-9.5	6.1				
Fst Tr EnrgEqtn Fd FFA	16.28	15.99	-1.8	14.8	Eaton Vance Sr Inv T EVF	7.20	6.32	-12.2	5.7	BlackRock Mun Hldngs Inv MVF	9.41	8.81	-6.4	6.0				
Calamos CHI	11.20	11.90	+6.3	16.4	First Trust Sr FR Fd II FCT	14.00	12.72	-9.1	5.8	BlackRock Mun/Vest MVT	14.83	14.03	-5.4	6.0				
First Tr EnrgEqtn Fd FRF	17.25	16.41	-4.9	-5.0	Ft \$ Floating Rate Fd FFF	9.62	9.27	-3.6	5.3	Dreyfus Mun Bd Inv MUB	14.62	13.75	-6.0	5.6				
First Tr MLP & Engy Inc Fd FEI	13.06	13.05	-0.1	-7.5	Ft \$ Floating Rate Fd FIV	15.20	15.20	NA	NA	Dreyfus Mun Yld Inv MDY	14.46	13.49	-6.7	5.7				
Gabelli Dividend & Incm GRX	12.23	10.41	-14.9	2.2	Fund Participation Funds					Dreyfus Mun Yld Inv MYF	13.59	12.18	-10.4	5.9				
Gabelli Equity Trust GAB	6.44	6.31	-2.0	12.7	Apollo Sr Fltge Fd AFT	17.69	16.08	-9.1	6.7	Dreyfus Mun Yld Inv MYV	9.41	8.81	-6.4	6.0				
Gen American Investors GAM	42.22	35.25	-16.5	11.8	BlackRock Invst BKN	14.91	13.86	-7.0	5.2	Dreyfus Mun Yld Inv NYL	8.21	7.57	-7.8	6.8				
Hnck John TxAdv HTD	25.10	23.06	-8.1	-1.1	BlackRock Invst NYL	14.91	13.86	-7.0	5.2	Dreyfus Strategic Munis LEO	8.43	7.67	-9.0	6.2				
Liberty All-Star Equity USA	7.00	6.67	-4.7	27.2	BlackRock Invst NYM	15.49	13.12	-11.3	5.3	Dreyfus Strategic Munis MLT	14.83	14.03	-5.4	6.0				
Hnck John TxAdv HTD	23.40	21.58	-15.8	13.9	BlackRock Invst NYQ	15.49	13.12	-11.3	5.3	Dreyfus Strategic Munis NYL	15.88	14.13	-8.5	6.2				
Neuberger Berman Plc Incm NLP	9.57	8.97	-6.3	-1.5	BlackRock Invst NYX	15.49	13.12	-11.3	5.3	Dreyfus Strategic Munis NYM	15.88	14.13	-8.5	6.2				
Neuberger Berman Plc Incm NLU	11.27	11.88	+5.4	11.0	Brookfield Real Assets RA	24.37	23.08	-3.5	10.5	Dreyfus Strategic Munis NYV	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NLU	5.42	5.16	-4.8	6.5	Credit Suisse Hldg Yd DHY	2.68	2.63	-1.9	9.6	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Northstar Dom DYN	18.51	18.44	-0.4	18.0	Dreyfus Inv Grnd Cmptn NYM	13.62	12.47	-8.4	6.0	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NYE	18.48	16.43	-3.2	-2.4	Dreyfus Inv Grnd Cmptn NYZ	15.88	14.18	-10.7	5.0	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NYG	18.26	17.57	-11.9	6.0	Dreyfus Inv Grnd Cmptn NYZ	15.88	14.18	-10.7	5.0	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NYH	8.59	7.57	-11.9	-0.6	Dreyfus Inv Grnd Cmptn NYZ	15.88	14.18	-10.7	5.0	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NYI	8.25	7.69	-6.8	-5.8	Dreyfus Inv Grnd Cmptn NYZ	15.88	14.18	-10.7	5.0	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NYL	8.00	7.68	-5.8	-5.8	Dreyfus Inv Grnd Cmptn NYZ	15.88	14.18	-10.7	5.0	Dreyfus Strategic Munis NYZ	15.88	14.18	-10.7	5.0				
Neuberger Berman Plc Incm NYM	8.00	7.68	-5.8	-5.8	Dreyfus Inv Grnd Cmptn NYZ	15.88	14.18	-10.7	5.0	Dreyfus Strategic Munis NYZ	15.88	14.18						

MARKETS

Investors Flood Into Persian Gulf Debt

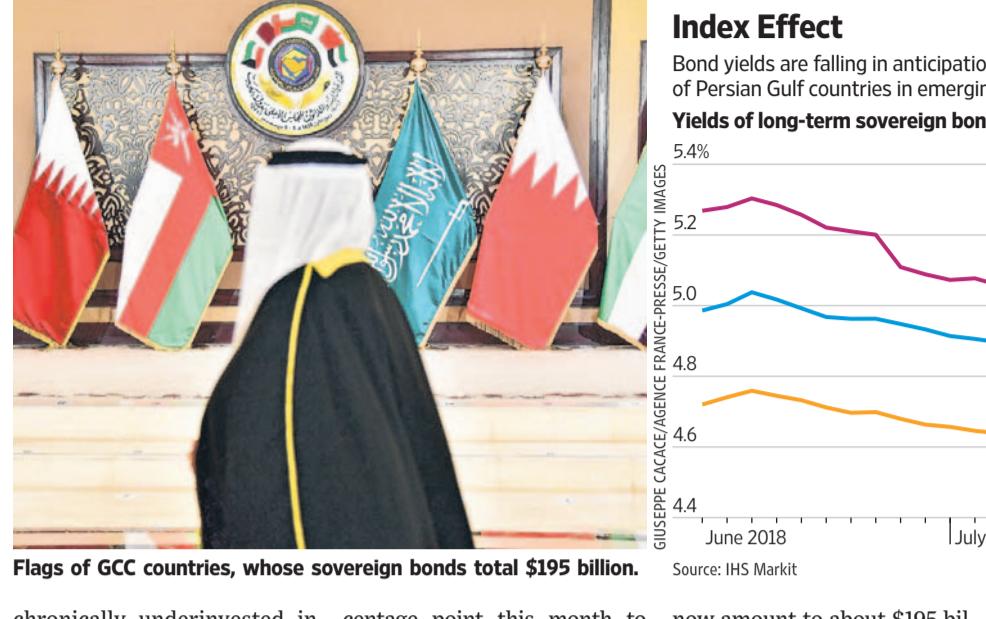
Expected inclusion of countries in emerging-market indexes sparks pre-emptive buying

By MATT WIRZ

Persian Gulf sovereign-bond prices jumped as much as 9% in recent weeks ahead of their probable inclusion in **JPMorgan Chase & Co.'s** emerging-market indexes, a reflection of the growing power that index providers wield in markets that are increasingly dominated by large passive investment funds.

The proposed change would fundamentally transform the emerging-market asset class, increasing its size by about 12% and adding Gulf Cooperation Council, or GCC, nations that are far wealthier than the norm in the developing world. JPMorgan is expected to add Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates to the indexes, which already include Oman, before the end of the summer but could still decide not to proceed with the addition, bond fund managers said.

"There is a need to recognize that GCC countries constitute a substantial portion of emerging-markets [bond] issuance," said Mohiedine Kronfol, a Dubai-based fund manager specializing in Middle East bonds for Franklin Templeton Investments. "The GCC market has been orphaned, and investors are arguably



Flags of GCC countries, whose sovereign bonds total \$195 billion.

chronically underinvested in the region."

GCC bonds account for about 15% of all emerging-market bonds outstanding but only 10% of the new bonds issued to investors, he said.

Some fund managers who track the indexes started buying the bonds pre-emptively this month. Passive bond funds, which individual investors increasingly prefer, typically adhere as closely to their benchmark indexes as possible to avoid delivering below-average returns.

The buying is driving bond prices up and yields down, making it cheaper for the region's governments to issue new debt as their borrowing needs are rising. The yield of Saudi Arabia's bond due in 2047 fell half a per-

centage point this month to 4.85%, reflecting an implied 9% decline in the country's borrowing costs, according to data from IHS Markit. Yields of comparable Bahraini bonds fell to 9.1% from 10% over the same period.

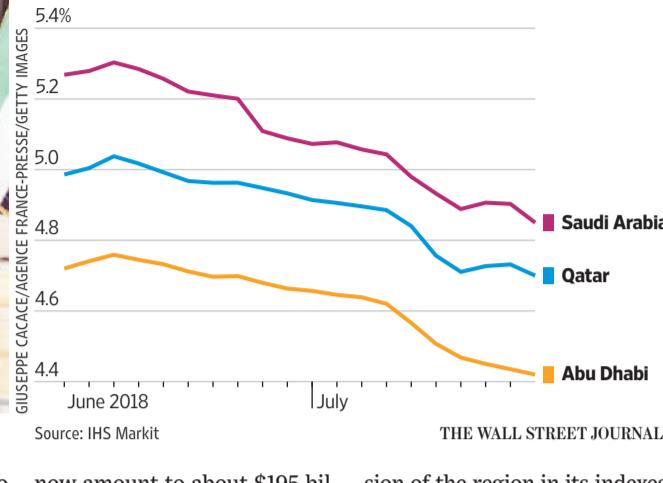
GCC countries borrowed little until recent years, depending primarily on oil exports to support relatively high standards of living. When oil prices fell by about half in 2015 and 2016, countries in the region turned to debt markets for money to help them diversify their economies and plug budget holes.

Governments in the region have issued \$114 billion of bonds since the start of 2016, about 10 times the amount borrowed from 2013 to 2015, and total GCC sovereign bonds

Index Effect

Bond yields are falling in anticipation of the expected inclusion of Persian Gulf countries in emerging-market bond indexes.

Yields of long-term sovereign bonds



Source: IHS Markit

THE WALL STREET JOURNAL.

tries among asset managers tracking the JPMorgan indexes, who manage about \$250 billion, but access to the broader investor base is a double-edged sword, Mr. Arnopolin said. Investors in index-tracking bond funds can pull out of such vehicles with a herd mentality, causing sharp moves in the yields of the bonds included in their benchmark indexes. That is a concern this year because emerging-market bond funds have declined 4.4% on average through July 12, according to Morningstar.

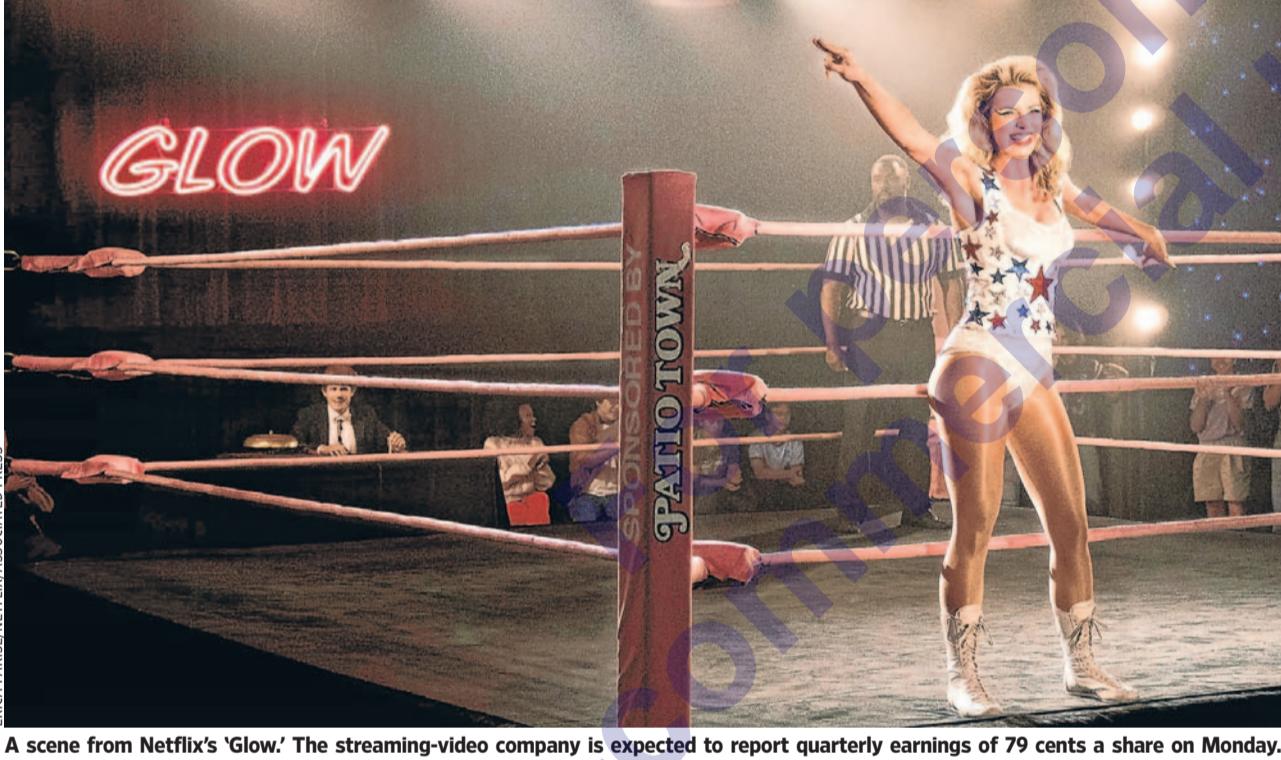
Before JPMorgan can make the addition, it will have to create a workaround to the rule it has used to pick countries for the index—a maximum per-capita income of about \$20,000—because GCC countries, with the exception of Oman, are much wealthier than most emerging markets. Gross income per capita is about \$40,000 in the U.A.E., compared with about \$10,000 in Brazil, according to the proposal that JPMorgan sent investors.

The fix that the bank developed is to add a purchasing-power-parity, or PPP, ratio test to its methodology that measures the cost of purchasing identical baskets of goods with different countries' currencies, a metric that puts GCC nations more on par with other emerging-market countries. Recent PPP figures are unavailable, but World Bank data show 2011 real expenditure per capita in the U.A.E. at \$29,463, compared with \$9,906 in Brazil.

"There's a scramble going on for GCC bonds," said Yacov Arnopolin, co-manager of a \$2 billion emerging-market bond fund for Pacific Investment Management Co. that tracks a JPMorgan index. "It's a fairly meaningful change to the benchmark."

Inclusion in the index would raise the profile of GCC coun-

THE TICKER | Market events coming this week



A scene from Netflix's 'Glow.' The streaming-video company is expected to report quarterly earnings of 79 cents a share on Monday.

Monday	J.B. Hunt	1.28/0.88	Wednesday	AmEx	1.83/1.47	July, expected	21.5
Business inventories	Netflix	0.79/0.15	Mort. bankers indexes	Crown Castle	0.31/0.31	Earnings expected*	
April, previous up 0.3%			Purch., previous up 7%	IBM	3.04/2.97	Estimate/Year Ago(\$)	
May, expected up 0.4%			Refinan., prev. down 4%	Morgan Stanley	1.11/0.87	Bank of New York Mellon	1.02/0.88
Empire Manufacturing	Capacity utilization	77.9%		U.S. Bancorp	1.00/0.85	Danaher	1.09/0.99
June, previous 25	May, previous	77.9%	EIA status report			Intuitive Surgical	2.50/1.98
July, expected 21	June, expected	78.2%	Previous change in stocks in millions of barrels			Microsoft	1.08/0.98
Retail sales	Industrial production	down 0.1%	Crude oil	down 12.6		Philip Morris Intl.	1.23/1.14
May, previous up 0.8%	May, previous	up 0.1%	Gasoline	down 0.7		Union Pacific	1.94/1.45
June, expected up 0.5%	June, expected	up 0.5%	Distillates	up 4.1			
Retail sales, ex. autos	Earnings expected*		Building permits	1.301 mil.			
May, previous up 0.9%	Estimate/Year Ago(\$)		May, previous	1.31 mil.			
June, expected up 0.3%	Charles Schwab	0.58/0.39	June, expected				
Earnings expected*	CSX	0.86/0.64	Housing starts	1.35 mil.			
Estimate/Year Ago(\$)	Goldman Sachs	4.65/3.95	June, expected	1.32 mil.			
Bank of America 0.57/0.46	J&J	2.07/1.83	Earnings expected*	1.32 mil.			
BlackRock 6.55/5.24	Prologis	0.38/0.50	Estimate/Year Ago(\$)				
	UnitedHealth	3.04/2.46	Abbott Labs	0.71/0.62			

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ▶ ADJUSTED FOR STOCK SPLIT NOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

U.S. Aims To Rein In Speed Trade

Continued from page B1
tions' data feeds. Dow Jones, The Wall Street Journal's parent company, is among the organizations that sell fast access to the USDA's data. Others include Bloomberg LP, London-based Market News International and Thomson Reuters Corp.

An electronic-trading firm could profit from the reports by scanning the data and buying futures if the report is bullish for prices, or selling if the report is bearish.

"In a world of electronic and high-frequency trading,

two seconds is an eternity," said Scott Irwin, a professor at the University of Illinois at Urbana-Champaign. "It's like giving Usain Bolt a 50-meter head start in a 100-meter race," he added, referring to the Olympic sprinting champion.

Farmers, ranchers and agribusinesses often rely on futures markets to protect against swings in commodity prices. Some agriculture groups complain that high-speed trading has hurt these markets by increasing volatility and making it tougher for more traditional players to execute trades at good prices.

Under its new policy, the USDA will simply release the data online without sharing it with media outlets first. Among the reports affected are World Agricultural Supply and Demand Estimates, a closely watched source of

monthly supply projections for wheat, rice and other crops.

Some commodity traders welcomed the USDA's move. "It will help the general public and the traders that aren't paying a lot of money for data access," said Ron Hovanec, a former Ohio dairy farmer who now trades futures and options for his own account.

Others predicted the new policy would have little impact, since speedy traders could write computer programs to grab data from the USDA's website the moment reports are released. Those with the quickest technology would still have an edge.

"I struggle to see how releasing crop and livestock reports via the USDA's website will address the fact that some participants will be able to capture, analyze and respond to that data more quickly than

others," Rob Creamer, president and chief executive of Geneva Trading, a high-tech trading firm in Chicago, said in an email.

The current process "is clearly inequitable and benefits the news outlets selling the high-speed service and the customers who are able to buy it," a USDA representative said in an email.

Other government agencies also have considered eliminating media lockups. In 2014, the Labor Department's Office of Inspector General said the agency should either tighten lockup procedures for a key weekly measure of U.S. employment or get rid of lockups altogether. Some past officials at the agency have criticized the fact that news organizations make money by selling the government's economic data to high-speed traders.

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MARKETS

Sizing Up the Bond Market's Signals

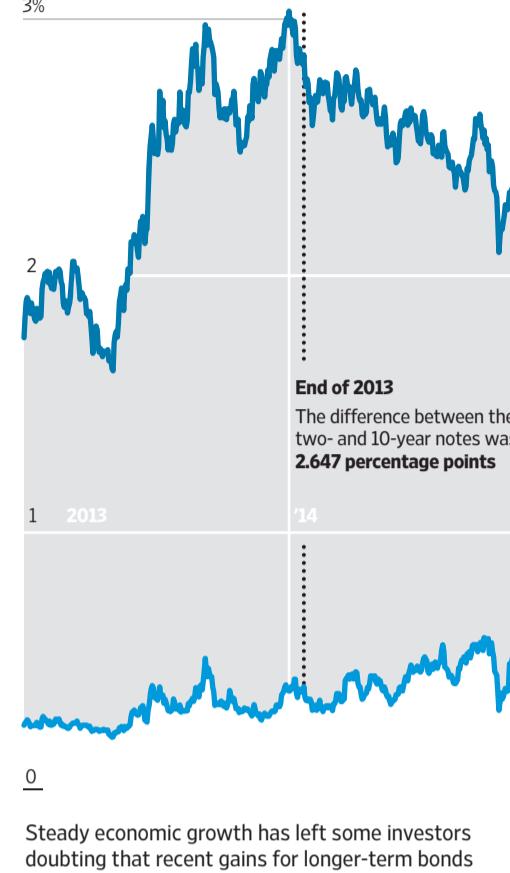
Investors will take a fresh look at U.S. government-bond yields this week, after a tame inflation report and concerns about trade frictions helped push the yield on the benchmark 10-year Treasury note to a fifth consecutive weekly decline.

Yet even as jittery global markets spur demand for the relative safety of government debt, investors see the potential for yields to reverse course yet again. Speculative bets against the 10-year note recently hit a record, highlighting the potential for a shift that many worry could spur a new wave of volatility.

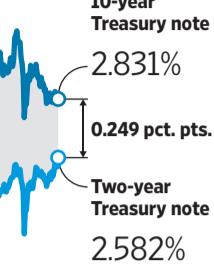
While the 10-year yield has stalled, the yield on the two-year note, which typically moves in line with expectations for monetary policy, has climbed. That is a sign of a narrowing dispersion between shorter- and longer-term rates, known as a flattening yield curve.

Many view a flattening curve as a sign of economic slowdown, even though few see a recession on the horizon, leaving analysts debating the signal's meaning. Investors may get more clarity from the week's corporate-earnings reports.

U.S. Treasury yields

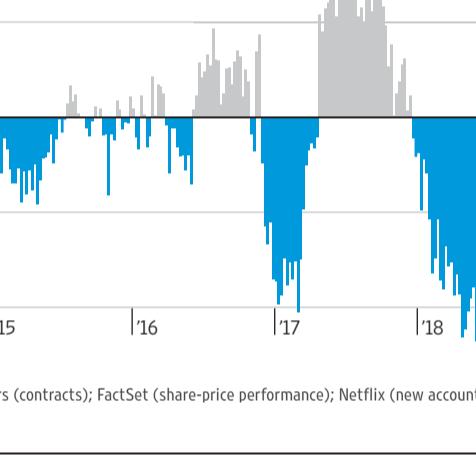


Longer-term yields stall, curve flattens ahead of corporate-earnings reports



Steady economic growth has left some investors doubting that recent gains for longer-term bonds can hold. Speculators have piled into bets against 10-year Treasuries in the futures market.

Speculators' net contracts in 10-year Treasury futures



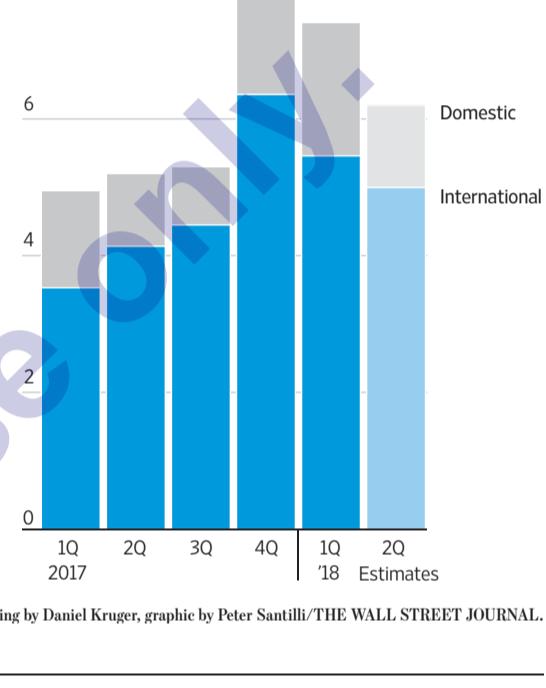
Bonds will also be key when Goldman Sachs Group Inc. and Morgan Stanley report earnings this week. After JPMorgan Chase & Co.'s results got a boost from a trading pickup in late June, investors will be looking to see if Goldman, the most reliant on fixed-income trading among big U.S. banks, gets the same bump.

Share-price performance, year to date



One beneficiary of trade tensions has been large, fast-growing stocks such as Netflix Inc., which is expected to report another quarter of robust subscriber gains when it posts second-quarter results on Monday. Most of the company's growth has come from additions in international customers as its home market matures.

Netflix subscriptions added by location, quarterly



Sources: Ryan ALM (yields); Thomson Reuters (contracts); FactSet (share-price performance); Netflix (new accounts)

Reporting by Daniel Kruger, graphic by Peter Santilli/THE WALL STREET JOURNAL.

HEARD ON THE STREET

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OVERHEARD

China Land Prices Signal Trouble

Rapid Rise
Change from a year earlier



since April to 2.7%

After the 2014 property crash, China's central bank struggled to stimulate investment without pumping up other bubbles—back then in stocks—and capital outflows.

Improved capital controls may give Beijing more ability to ease policy now without sparking destabilizing capital flight. And significant falls in developers' housing inventories and in excess industrial capacity since early 2015 may mean apartment and steel prices won't fall too far—helping companies service their debts.

That is the positive story. But if housing prices in China start dropping rapidly, or big capital outflows re-emerge, the next 12 months could see Chinese currency and debt markets once again running into major trouble. With the U.S.-China trade conflict rapidly escalating, global markets don't look particularly well prepared for that.

—Nathaniel Taplin

ICO, IPO—that one-letter difference makes them so easy to confuse. But promoters of initial coin offerings insist, to escape regulation, that they in no way resemble initial public offerings of stock. A Securities and Exchange Commission official begged to differ, saying that the key test is "the reasonable expectations of purchasers."

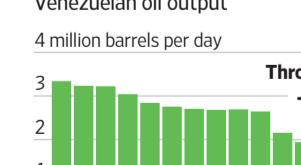
But if you thought getting filthy rich was a "reasonable" expectation, think again. Researchers at Boston College, in a report titled "Digital Tulips? Returns to Investors in Initial Coin Offerings," write that initial returns starting in January 2017 were an impressive 179% but that over half of the 4,003 planned and executed ICOs they examined failed within four months.

And IPOs? The average increase in 2017 was 21% on their first day of trading, according to Fidelity, but their return through the rest of the year was minus 7.4%.

Venezuela's Oil Industry Has Become Beijing's Money Pit

Big Mess

Venezuelan oil output



Sources: EIA; OPEC from 2016

for Strategic and International Studies stated earlier this year that "China's influence in Latin America is neither transparent nor market-oriented."

But China clearly miscalculated in Venezuela, where it is now throwing good money after bad. The CSIS tallies \$55 billion in energy-related loans alone that it has extended. Unable to come up with hard currency to service them, Venezuela has been paying in discounted barrels of oil but struggled even to do that after prices collapsed in 2014. China offered a "grace period" on some loans.

At one point when prices were higher and its oil industry less decrepit, Venezuela was sending China

600,000 barrels a day, according to Russ Dallen, the chief executive of Caracas Capital Markets, who has done extensive work untangling Venezuela's opaque finances. He estimated that has brought the balance down to about \$20 billion to \$23 billion, plus an additional \$3 billion to \$4 billion owed to Russian oil company Rosneft.

The cash drain from these enormous debts may have exacerbated the decline in output, and there is scant chance that China's latest infusion will do much to arrest the fall. Hence the market's shrug at the news. But why does cash keep flowing in?

Part of it is the potential equity value of that bad debt. Chinese and Russian

companies have been given valuable hydrocarbon concessions—in some cases including properties expropriated from Western firms such as Exxon Mobil. While past loans are a disaster, China and Russia now have investments to protect. Disbursing more modest, targeted sums makes sense.

Venezuela needs that cash. Right now it only can sell about 500,000 barrels a day for hard currency.

For those interested in the short-term impact on the oil market, new loans should be viewed as a way to protect the status quo. They make an outright collapse in output through internal unrest less likely, but they probably won't stop the decline either.

—Spencer Jakab

Netflix has had an astonishing year. Its shares surpassed \$400, up 110% since January, and it was nominated for 112 Emmy Awards, more than any other television network, including HBO, which had held that distinction for 17 years.

The only sign investors are getting nervous is a 4% selloff in the company's shares on Friday ahead of this week's earnings.

On Monday, the most important data points will be the company's subscriber numbers for the latest quarter and its outlook for the coming quarter. Netflix projected 1.2 million new domestic subscribers and five million international ones for the latest quarter. As long as it hits those numbers, and it is hard to believe it won't, investors will be pleased.

Consumers are so happy that higher pricing hasn't stopped them from binging. Netflix has increased the price of its standard streaming service in the U.S. by 39% in the past four years. The domestic subscriber base still surged 62% in that time.

Netflix may be testing the waters for another increase. The company is reportedly rolling out a new plan in some European markets that would offer 4K streaming to multiple devices. The cost, at least in trial mode, appears to be about \$20 a month—more than 40% above the price of the company's current premium offering.

Higher subscription costs mean Netflix will be able to spend more on content. This won't just lock down viewers, it could drive other players out of the game by pushing up their costs and biting into their revenue.

—Elizabeth Winkler