

# THE WALL STREET JOURNAL.

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WSJ.com EUROPE EDITION

DJIA 21182.53 ▲ 0.04%

NASDAQ 6321.76 ▲ 0.39%

NIKKEI 19909.26 ▼ 0.38%

STOXX 600 389.15 ▼ 0.01%

BRENT 47.86 ▼ 0.42%

GOLD 1276.30 ▼ 1.07%

EURO 1.1210 ▼ 0.42%

## What's News

### Business & Finance

Stock pickers that have beaten the market this year have relied on Facebook, Amazon, Apple, Alphabet and Microsoft. A1

Verizon's deal for Yahoo, which was approved by Yahoo shareholders Thursday, will lead to about 2,100 layoffs. B1

Boeing said it is moving some work completing aircraft overseas but doesn't expect this to affect its U.S. manufacturing workforce. B1

The shipping industry, which has struggled with overcapacity, is showing signs of recovery, executives and analysts say. B2

Alibaba said its annual revenue is on course to grow as much as 49%, sending its shares higher. B4

China's tech titans are focusing on the lifestyle-service industry in their search for new growth. B1

The U.S. House was set to pass a GOP-led bill that would rewrite financial regulations, but it is unlikely to become law. B5

Morgan Stanley and Hong Kong's All-Stars plan to launch Asia-focused private-equity funds. B7

J.P. Morgan said its chief operating officer, who was once seen as a potential CEO, is leaving the bank. B5

The Nordstrom family is exploring the possibility of taking the department-store chain private. B2

Valeant reached a deal to sell its iNova business for \$930 million. B3

### World-Wide

Comey testified before a Senate panel that he believed Trump was trying to pressure him to drop an investigation into former national security adviser Flynn. The former FBI director also accused the president of trying to defame the bureau. A1

Britain voted in an election that will likely determine its Brexit strategy. Exit polls suggested the Conservatives would fail to achieve a parliamentary majority, though it would remain the largest party, in what would be a setback for May. A1, A4

Iranian officials blamed Islamic State for attacks that killed 17 people in Tehran and said the attackers had been recruited in Iran. A3

Islamic State said it executed two Chinese nationals who were kidnapped from Pakistan in May. A3

An American pilot shot down an armed Assad-regime drone that fired on U.S.-led forces in Syria. A3

Greece's creditors are working on a bailout deal that would leave IMF financing in limbo. A3

ECB took a tiny step toward unwinding monetary stimulus, but indicated any action is some way off. A3

The White House and some GOP lawmakers are pushing for tougher punishments for police killers. A6

The total net worth of U.S. households climbed by \$2.3 trillion last quarter to a record \$94.8 trillion. A6

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Source: Morningstar

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## U.K. Polls Point to No Majority



A voting site in London. The election was seen as critical to the course of negotiations over Britain's exit from the European Union.

### President's Outsider Status Has Downside

By GERALD F. SEIB

Being an outsider has its advantages in today's political climate, and last year President Donald Trump made the most of them.

Thursday, though, the world saw the downsides of coming from so far outside the system.

**ANALYSIS** A basic set of rules for surviving and thriving in the nation's capital would include: Don't make an enemy of the Federal Bureau of Investigation, keep potential enemies inside the tent, and, above all, remember that it usually isn't the action but the appearance of a coverup that brings real trouble.

A compelling morning of congressional testimony by Please see SEIB page A5

Ex-FBI chief offers telling quotes..... A5

Trump doesn't mention Comey in remarks..... A5

## Comey Says Trump Defamed Him

By DEL QUENTIN WILBER  
AND BYRON TAU

WASHINGTON—Former FBI Director James Comey testified before a Senate panel that he believed President Donald Trump was trying to pressure him to drop an investigation into a White House adviser, and he accused the president of trying to defame him and the bureau after his dismissal.

Mr. Comey declined on

Thursday to offer his opinion on whether he thought Mr. Trump was trying to obstruct justice, but he said that issue is something that a newly appointed special counsel would examine. He said he took detailed notes of his conversations with the president because he was concerned Mr. Trump might lie about what the two had discussed.

The president's personal attorney, Marc Kasowitz, said Mr.

Trump was pleased that Mr. Comey confirmed that the president wasn't personally under investigation. But he disputed much of Mr. Comey's testimony about his private conversations with Mr. Trump and pointed out that the former director admitted he leaked information to the media.

Mr. Comey began his highly anticipated testimony by saying the president's "shifting explanations" for his abrupt

firing on May 9 "confused me and increasingly concerned me." He testified he took the president at "his word" that he was dismissed in response to his supervision of the investigation into Russia's alleged meddling in the 2016 presidential election.

Mr. Comey said he believed the president had mistreated him and the Federal Bureau of Investigation by claiming the

Please see COMEY page A5



'Lordy, I hope there are tapes,' James Comey said of the possibility that an audio record exists of his interactions with the president.

## Stock Pickers Ride Tech Giants' Surge

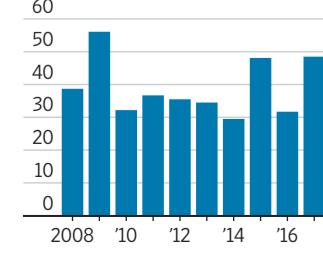
By CHRIS DIETERICH  
AND SARAH KROUSE

It is one of the least creative trades of the year—and one of the most profitable.

Many stock pickers that have beaten the market in the early months of the year have five of the best-known technology companies to thank:

### Stronger Start

Percentage of actively managed U.S. stock mutual funds beating their benchmark in the first five months of the year



Facebook Inc., Amazon.com Inc., Apple Inc., Google parent Alphabet Inc. and Microsoft Corp.

Those five stocks have accounted for 41% of the S&P 500's market-capitalization advance this year through Wednesday. Of the 101 top-performing actively managed U.S. stock funds this year, 84 count two or more of those technology firms in their top five holdings, according to Morningstar Inc.

The best-performing funds by definition pick the best-performing stocks. While funds in the past have had large holdings of big tech firms, what's unusual about 2017 is that the biggest stocks are doing particularly well, meaning investors must make more outside bets to beat their benchmarks.

The average price gain for the S&P 500's 10 largest U.S. stocks was 12% through the first five months of this year, the second-highest mark for that group over the past two decades, according to WSJ Market Data Group. The S&P 500's tech sector had gained 20% this year through May.

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## INSIDE



### VERIZON DEAL TO BRING LOSS OF 2,100 JOBS

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### THE NEW LOOK OF WALLPAPER

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### A MORE SEDUCTIVE SPAIN

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## How Low Has the Dollar Sunk? Some Rappers Prefer Euros

\* \* \*

Artists are snubbing 'Benjamins' to rhapsodize about foreign bills

BY CHELSEY DULANEY

It's been a humbling year for the almighty U.S. dollar. Investors, concerned about political instability in Washington and signs of an economic slowdown, have driven its value down to pre-election levels.

More dispiriting, however, is the greenback's deflated reputation among its most historically devoted support group.

Like a lot of hip-hop artists, Remy Banks is more obsessed lately with amassing foreign currencies. In "Cold World,"

Mr. Banks raps of "diving in the deep end of a pool full of euros, pounds, and yen."

That's not just showboating, he explained.

"I'm not going to stop working hard until I get to this point where I can travel around the world, until I can jump into a pool with all these different currencies like Scrooge McDuck," the Queens, N.Y.-born rapper said.

Fetty Wap

Rapper Remy Ma made one of the first hip-hop references to the United Arab Emirates currency, the dirham, in her 2016 hit with Fat Joe, "All The Way Up."

"I'm talkin' color money, purple yen and blue dirham," she rapped about the aqua-toned notes.

Money has been a dominant theme in hip-hop since it began in the 1970s. There has been a natural focus on

Please see MONEY page A6



# WORLD NEWS

## Tehran Attackers Were Recruited in Iran

Security breach that left 17 dead could raise questions about Iran's military strategy

Iranian officials blamed Islamic State for unprecedented attacks that killed 17 people in Tehran this week, saying the attackers had been recruited within Iran, as an investigation into the incidents intensified.

By Aresu Eqbali  
in Tehran and Asa Fitch in Dubai

"Those individuals who carried out the attacks on Wednesday in Tehran had joined Islamic State from different places inside Iran," Reza Seifollahi, deputy secretary of Iran's Supreme National Security Council, said Thursday on state television. Another official identified three of the people involved in the attacks as Iranians.

Iranian authorities haven't released the attackers' identities but the Intelligence Ministry published grisly photos purporting to be of five of their bodies, along with their first names.

The twin attacks took place at Iran's parliament in Tehran and the shrine of Ayatollah Ruhollah Khomeini, the Islamic Republic's founding figure, which lies south of the city center. They were the first Islamic State-claimed attacks in



A gunman aims at a man on the floor in Iran's parliament an image from closed-circuit television.

side Iran, bringing the regional battle against the Sunni Muslim extremist group to the heart of Shiite Iran.

The breach in security at two heavily guarded and symbolic pillars of the Iranian system could raise questions about the country's military strategy and the ability of newly re-elected President Hassan Rouhani's ability to shield it from extremism, analysts said.

Many Iranians were defiant in the immediate aftermath of the attacks, exchanging messages on social media expressing togetherness, although some also pointed to the costs of Iran's military involvement in Syria and Iraq and its failure

to keep extremism at bay. Iranian leaders, including Mr. Rouhani, said the attacks would only strengthen Iran's resolve to fight terrorism. "The Iranian nation will withstand terror, violence and extremism more resiliently than before," he said, according to the official Islamic Republic News Agency.

Islamic State claimed responsibility shortly after the attacks in a statement posted to its official Amaq news agency.

The attackers were working in concert with Islamic State in areas of the Middle East controlled by the extremist group, Mr. Seifollahi said.

Islamic State once held

large swaths of territory across its self-declared caliphate in Iraq and Syria, but has more recently fallen back on guerrilla-style suicide attacks as it faces battlefield losses.

The attackers had joined Islamic State and left Iran to fight in Mosul in Iraq and Raqqah in Syria, an intelligence ministry statement said Thursday. It didn't say when they left. They returned to Iran in July 2016 under the command of an Islamic State operative identified as Abu Ayesheh, it said, intending to strike the country's holy cities.

They then fled Iran to an unnamed location after their network was crushed and Abu Ayesheh was killed, it said, but didn't elaborate on when or how they returned to carry out Wednesday's attacks.

Iranian authorities have foiled more than 100 terrorist plots in the past two years, Intelligence Minister Mahmoud Alavi told state television, and the country has long relied on tight monitoring to combat attempts by Islamic State to carry out attacks on its soil.

Security forces arrested 11 people in October on suspicion of planning Islamic State terror attacks, and seized large amounts of explosives. State media said the authorities disrupted another attack in June 2016.

### U.S. Shoots Down Armed Syrian Drone

Regime aircraft had fired on American forces in the area

WASHINGTON—An American pilot shot down an armed drone that fired on U.S.-led forces in Syria on Thursday in an escalating confrontation with President Bashar al-Assad and his allies, military officials said.

The attack came after the Predator-style drone fired on U.S.-led forces on patrol with Syrian fighters in southern Syria, where American forces operate from a base on the border with Jordan and Iraq.

While no members of the U.S.-led coalition were hurt by the attempted drone strike, it marked a significant expansion in the fight between Mr. Assad's forces and Americans operating in Syria.

The fight in southern Syria has intensified in recent weeks as the U.S. military has beefed up its presence in the area. Three weeks ago, the U.S.-led coalition carried out airstrikes on pro-regime forces that moved toward al-Tanf, where U.S. forces and their allies operate.

—Dion Nissenbaum and Nathan Hodge.

## ECB Skips Rate Cut, But Keeps Stimulus

By TOM FAIRLESS

TALLINN, Estonia—The European Central Bank took a tiny step toward unwinding its large monetary stimulus, but indicated any action is some way off, despite pressure from some in Europe to change policy soon.

At a news conference in Estonia's capital city, Tallinn, ECB President Mario Draghi unveiled brighter economic forecasts and signaled the ECB probably wouldn't cut interest rates again, a sign of confidence in the region's recovery.

But Mr. Draghi also warned inflation would remain weak over the coming years, and said ECB members hadn't discussed winding down their bond-purchase program of €60 billion (\$67.6 billion) a month. "We need to be patient," he said. "A very substantial degree of stimulus is still needed" to support the economy.

The euro slid as much as half a cent against the dollar, and eurozone government bond prices rose as investors anticipated the ECB would leave its stimulus in place for longer. Many economists had expected Mr. Draghi to hint more strongly at an exit path.

"The ECB is essentially in a holding pattern," said Patrick O'Donnell, a fund manager with Aberdeen Asset Management in London. "There's no appetite to risk choking off the growth that the economy has been seeing of late."

Mr. Draghi's message of patience is likely to cause further irritation in Germany, Europe's largest economy, where top officials have been calling urgently for a reversal from the ECB. Those officials, who include German Finance Minister Wolfgang Schäuble, argue that years of easy money are inflating asset prices while harming German savers and pensioners.

"Sadly, the return to a normal monetary policy is set to drag out painfully slowly," said Jörg Krämer, chief economist at Commerzbank in Frankfurt. "An end to easy money is urgently needed to avoid the risk of new property price bubbles."

The eurozone is enjoying its most protracted growth spurt in almost a decade. Its economy grew by 1.9% in the first quarter, outpacing the U.S. Unemployment has fallen to an eight-year low of 9.3%, bank lending is expanding robustly, and business surveys suggest growth is accelerating.

## Greek Bailout Could Leave IMF in the Cold

Greece's international creditors are working on a bailout deal that would outline options for limited debt relief but leave financing from the International Monetary Fund in limbo and potentially breach the Washington-based fund's emergency lending guidelines.

By Ian Talley  
in Washington  
and Nektaria Stamouli  
in Athens

The proposal, to be discussed in the next meeting of eurozone finance ministers on June 15, will describe some debt-relief measures that could be implemented after the end of Greece's current bailout program in August 2018. The proposals include a potential extension of maturities on some bailout loans by up to 15 or 17 years, according to several officials. But many analysts believe the deal signals the IMF may never rejoin the bailout with its own financing, cementing what has already been three years without the fund.

Under the proposal, the fund will approve a bailout "in principle." Actual IMF financing would be contingent on Athens's European creditors implementing debt relief, according to the officials.

Ostensibly, Europe could move ahead with its own financing without the IMF. But Germany wants the IMF on board because it has promised voters it won't give Athens any more cash without the fund to lend the program a measure of credibility. Without fresh fi-



Municipal employees in Athens protested further austerity measures last month. Greece's current bailout program ends in August 2018.

nancing, Greece risks default and a major market meltdown with bonds coming due in July. That could not only trigger another painful bout of painful economic and political turmoil for the country, but also set the country back on the path for a potential euro exit.

The IMF contends that this half-in-half-out process is legal under its bylaws, pointing to the precedent set more than three decades ago.

"I don't think it would be a case here of breaching guidelines...or bending or breaking rules," IMF spokesman Gerry Rice said Thursday. "I would want to push back strongly

against that notion."

Still, the Greek case could arguably be said to infringe on many of the fund's most important guidelines established for the procedure several decades ago.

Amid the debt crises of the early 1980s, the IMF's executive board started approving bailout programs "in principle." Loans were released "only after the Fund was satisfied that arrangements had been made for the financing of the uncovered gap in the member's balance of payments," according to IMF records reviewed by The Wall Street Journal.

Mr. Rice said part of the

precedent set in the 1980s was each program was unique in the terms of the approval in principle.

"So clearly we'll draw upon what was done in the past, but take into account the specific country circumstances were it to be applied today," he said.

The procedure came about mainly to break a deadlock created by creditors' insistence that debtor countries have an IMF program in place before they are granted debt relief.

But the procedure still gave the IMF board cause for concern, so the fund crafted guidelines for its use. "It ought to be used cautiously and sparingly,"

Nigel Wicks, the U.K.'s then representative to the executive board, said at the time.

The fund said the primary intent of using the "approval in principle" practice was the help catalyze a debt-relief deal with creditors. The IMF cautioned that "due consideration would need to be given to whether in some cases this might reduce the pressure on creditors to come to an agreement."

But in Greece's case, the process is seen by analysts as weakening pressure on Germany to reach a debt-relief deal, buying time for Berlin ahead of its elections in September.

## WORLD WATCH

ITALY

### Deal on Electoral Law Falls Apart

A deal among Italy's biggest parties on a new electoral law fell apart Thursday, throwing into doubt the possibility that the country could hold snap elections as soon as the fall.

Italy must hold national elections by May 2018. However, the country needs a new electoral law to eliminate discrepancies between the rules to elect members of the Chamber of Deputies and the Senate. Moreover, a court ruled earlier this year that parts of the current rules are unconstitutional.

Last week, Italy's four main parties, including the ruling center-left Democratic Party and the antiestablishment 5 Star Movement, agreed on new rules whereby each party is awarded parliamentary seats in proportion to the votes it wins in an election, with a 5% threshold needed

to enter the legislature. That deal raised speculation that Italy could go to vote as soon as September.

But on Thursday, that deal fell apart over an amendment to the legislative proposal on rules to elect candidates in an autonomous region in northern Italy.

—Deborah Ball

### GLOBAL TERROR

### ISIS Says it Killed 2 Chinese in Pakistan

Islamic State fighters executed two Chinese nationals who were kidnapped from southwestern Pakistan last month, the group said Thursday, a development likely to

raise concerns about the security of foreign nationals in Pakistan.

The claim was released by Islamic State's Amaq news service and reported by the SITE Intelligence Group, which monitors jihadis communications.

Armed men abducted the two Chinese nationals in the city of Quetta in southwestern Pakistan



Residents in Myanmar watched a navy vessel carrying bodies from a plane that crashed at sea.

on May 24, Pakistani police said. Thousands of Chinese have moved to Pakistan over the past two years to support investment under Beijing's infrastructure program.

—Qasim Nauman

MYANMAR

### Plane's Debris, Bodies Found Off Coast

The Myanmar navy and local fishermen pulled 39 bodies and airplane wreckage from waters off the country's southern coast Thursday, a day after a military plane disappeared carrying 122 people, many of them the family members of soldiers.

Authorities lost contact with the plane Wednesday as it was flying from Myeik to Yangon. The aircraft, a Chinese-made Y-8 200F transport plane, was carrying 14 crew members and 108 passengers including soldiers and scores of family members. There were 15 children on board.

—Myo Myo

## THE U.K. ELECTION

### Economy Scorecard

The British economy is sending mixed signals in the wake of last year's Brexit vote. Consumers are feeling the pinch from higher prices but stock markets are rising.



Sources: ONS (inflation, unemployment); Markit (manufacturing PMI); Nationwide Building Society (house price index); WSJ Market Data Group (FTSE 250, forex)

# Big Economic Questions Take Back Seat

Brexit and security concerns overshadow pocketbook issues in run-up to the vote

By PAUL HANNON  
AND SAABIRA CHAUDHURI

LONDON—As Britons went to the polls Thursday amid slowing economic growth, rising prices and a sharply lower pound, the big question is whether any of it mattered much to voters.

During the campaign, Prime Minister Theresa May's Conservatives and the Labour Party, led by Jeremy Corbyn, sparred over pocketbook issues like taxes, executive pay and the cost of social care. But in the long shadow cast by Brexit and security concerns after three deadly terror attacks in as many months, neither party en-

gaged in the sort of broad-strokes economic debate that has characterized recent national polls.

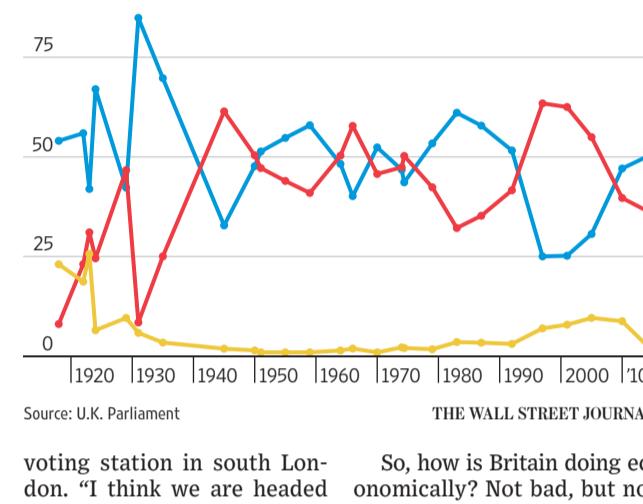
Chancellor of the Exchequer Philip Hammond, who like the U.S. Treasury secretary has broad responsibility for the economy, has played a minor role in the campaign, as has his Labour counterpart.

Clouding the debate, corporate chiefs and economists have struggled to make forecasts about issues that could affect voters most—for instance, the long-term path for inflation, interest rates, housing prices and the pound. Post-Brexit issues like immigration, trade and market access all will have big economic consequences, but they are subject to negotiations with the European Union after the election.

"I'm looking at the bigger picture," said Sonia Chester, a 45-year-old doctor, leaving a

### U.K. Voting History

Share of seats won by party in general elections



voting station in south London. "I think we are headed into a period of great uncertainty either way because of Brexit."

bank, were forecasting a big immediate economic hit should the U.K. vote to leave the EU. But in the months after the June 23 referendum, Britons kept shopping, and consumer and business sentiment stayed buoyant.

The biggest economic impact of the vote was the sharp drop in the pound. It had climbed to around \$1.50 at the time of the referendum, with polls predicting a "remain" vote. Now, it's trading around \$1.29.

That has been a two-edged sword. Manufacturers and exporters should see their products priced more competitively overseas, and profits brought home and translated into pounds will boost the bottom lines of internationally focused firms. The FTSE-100 index of British blue-chips is dominated by such companies and is up more than 17% since the Brexit referendum.

But those same companies will also pay more for ingredients and parts coming from outside the country. Meanwhile, everyday Britons are already paying more for imports like wine and electronic goods. Unilever PLC triggered a media frenzy in October when it bumped up prices of Marmite salty spread, Ben & Jerry's ice cream, Dove soap and other products by 10%, cutting currency moves.

With costs rising and wages stagnating, the Labour Party has campaigned on what it called uneven incomes between high- and low-paid workers. A campaign slogan promises action "for the many, not the few."

Mrs. May's manifesto, meanwhile, includes pledges to increase scrutiny of pricing decisions by utilities. She has also promised more openness on how much business leaders are paid and why.

## Brexit Opponents A No-Show At Polls

BY JASON DOUGLAS

LONDON—Brexit was the dog that didn't bark in the U.K.'s election campaign.

When Prime Minister Theresa May in April called a snap election to strengthen her hand in withdrawal talks with the European Union, pundits predicted that lingering opposition to Brexit would sap support for the two main parties and boost smaller pro-EU groups.

To their surprise, those voters—labeled "re-moaners" by pro-Brexit British tabloids—don't appear to have materialized.

As Britons headed to the polling booths Thursday, final opinion polls continued to show a range of support for Mrs. May's Conservatives and the main opposition Labour Party, both of which back Brexit.

One poll put Conservative support at 41% against 40% for Labour. Another put the Conservatives at 46%, against 33% for Labour.

The third-largest national party, the Liberal Democrats, campaigned for seven weeks on a platform that included a second referendum on whether to leave the EU. But only one out of Thursday's six polls put the party's support in double figures, at 10%.

Pollsters say that a big chunk of those who voted to stay in the EU in last year's referendum appear to have since resigned themselves to Brexit, believing the government has a duty to implement the public's decision.

A May survey of more than 5,000 voters by polling firm YouGov PLC found that about half of those who voted to remain in the EU fell into this category.

YouGov said the main beneficiaries appeared to be the Conservatives, who were picking up many of this new group as well as hard-core Brexit voters who had previously been drawn to the anti-EU UK Independence Party.

Indeed, UKIP voters appear to have played a critical role in shoring up the Conservative vote. Nearly four million people—12.6% of those who voted—backed the party at the 2015 election. But almost all appear to have ditched the party now that Brexit is under way.

**BRUSSELS BEAT** | By Stephen Fidler

## Elections Reveal Diverging EU Paths



Two elections in two countries within the space of three days, and history appears to be reassessing itself. The U.K. is turning away from the European Union and France turning toward it.

Britain's suspicion of Continental entanglements dates back centuries. After World War II, its leaders shunned the Franco-German project that became the EU, certain it would fail. It finally joined in 1973, attracted by its economic success that contrasted with its own decline.

Now, once again, it is now turning its back.

In almost every U.K. election outcome predicted by opinion polls, Britain moves further away from the EU.

Even as anxiety rises in some business sectors—not least about their ability to hire overseas workers post-Brexit—and as higher inflation begins to erode living standards because of the drop in the pound following last year's referendum, the U.K. seems to be headed ineluctably out of the EU.

France seems to be going in the other direction. President Emmanuel Macron campaigned on an unmistakably pro-EU ticket and has driven all before him. Opinion polls suggest that his new party's candidates will sweep the board in elections for the National Assembly, the first

round of which is on Sunday. That will give him the mandate to push through long-awaited changes to the French economy that he hopes will cut unemployment and spur growth.

"The elites in Britain and France have always had very different views on the merits of EU membership," says Charles Grant, director of the pro-EU Centre for European Reform.

There are other differences across the English Channel. Mr. Macron has marginalized the traditional center-right and center-left parties of French politics, creating a powerful new force in the middle. The Gaullists and Socialists will be left as shadows on the fringes of the National Assembly, opinion polls predict.

In the U.K., meanwhile, a political realignment seems as far away as ever and the traditional two-party system appears to have reassessed itself. Most constituency battles in England were two-way fights between the Conservative and Labour parties, though Labour's path to government is held back by the Scottish National Party's domination of Scotland, once a happy hunting ground for Labour.

That difference is as much a consequence of the two countries' different political traditions as of any fundamental difference in political attitudes. Political realign-

ments are more common in France's mixed presidential and parliamentary system. Britain's winner-take-all parliamentary system has made political transformations a once-in-a-century phenomenon.

It added, "We must reject the ideological templates provided by the socialist left and the libertarian right and instead embrace the mainstream view that recognises the good that government can do."

"We haven't had such an illiberal pair of political leaders" in many decades, says Mr. Grant.

Britain and France are thus diverging. A reform-minded French president has doubled down on the EU while the British have turned their backs on the bloc and seem less convinced of the power of markets.

Both economies start out on these different paths at a similar size. Their different future trajectories will have a demonstration effect that could have important consequences for the future of Europe.

If the British economy performs successfully, confounding the expectation of most economists who think Brexit makes success less likely, then leaving the EU may look less perilous to others. If the French economy outperforms while it is embedded inside the bloc, the economic arguments for other countries to leave will be weakened.

the benefits of the single market and maintaining closer links to the EU, hinting at a softer approach to the talks. But with the party's loyalty split between young, urban voters, who largely backed remaining in the bloc, and voters in Labour's traditional working-class strongholds, who overwhelmingly favored Brexit, the party struggled to challenge Mrs. May on the issue. It had more success in reaching wavering voters weary of years of Conservative belt-tightening with a populist platform that included nationalizing railways, free child care and free college tuition. These pledges—and the contrast between Mr. Corbyn's relaxed campaigning style and Mrs. May's stiff appearances on the stump—helped Labour narrow the gap in opinion polls during the six-week race.

She offered what she repeatedly described as "strong and stable" leadership in contrast to what she depicted as "chaos and confusion" under Mr. Corbyn.

Mr. Corbyn's Labour Party said it would prioritize retaining

which only the candidate with the largest number of votes in a given constituency gets elected, left open a wide range of scenarios.

The recent sharp reduction in the Conservatives' lead, poor past reliability of voters' surveys and uncertainty about turnout rates all conspire to "make this election tricky to call," said Kallum Pickering, senior U.K. economist at **Berenberg Bank** in London. He put the probability of the Conservatives winning an increased majority—the most likely scenario according to his projection—at 35%.

The Conservatives looked likely to pick up a majority of the nearly 4 million votes—12.6% of the total—cast for the anti-EU **UK Independence Party** in the 2015 election. UKIP's support has shrunk since last year's Brexit referendum and stands at about 4%. A recent survey by **Opinium Research**

search LLP showed that 49% of past UKIP voters were now supporting the Conservatives, with only 13% switching to Labour.

Mrs. May called the snap election in April, seeking to strengthen her party's thin parliamentary majority ahead of the Brexit talks, which formally began in March and are due to last at least two years.

The campaign's initial focus on Brexit was seen as likely favoring the incumbent. Mrs. May, who had campaigned for the U.K. to remain in the EU, has laid out plans for a clean break with the bloc, which would see it leave the European single market to gain tighter control of immigration, an important issue for many British voters.

She offered what she repeatedly described as "strong and stable" leadership in contrast to what she depicted as "chaos and confusion" under Mr. Corbyn.

Mr. Corbyn's Labour Party said it would prioritize retaining

## Terror Became Dominant Theme

BY WIKTOR SZARY

LONDON—The British general-election campaign started off being about Brexit. It ended being dominated by terrorism.

Campaigning was interrupted twice by terrorist attacks, on May 22 in Manchester then last weekend in London. Together with an attack in March on London's Westminster Bridge, 35 people were killed in three months.

The attacks shattered a 12-year span during which there were no mass-casualty terrorist incidents on British soil. An Opinium Research LLP poll, conducted one day after the most recent London attack and four days before the election Thursday, showed that 55% of voters considered terrorism one of the most important issues facing the country, with Brexit trailing at 40%.

The survey suggests a swing in voter mood: In a similar poll, conducted days before the Westminster attack, handling the U.K.'s exit from the European Union was seen as a priority by 40% of Britons, with terrorism named by 21%.

On the surface, the shift in campaign's theme should have played in favor of Prime Minister Theresa May, of the Conservative Party. She was in charge of domestic security and police forces as interior minister between 2010 and 2016. Surveys indicated she was widely seen as competent in the field.

Ultimately, neither side appeared to have capitalized on the issue. Matthew Goodwin, professor of politics and international relations at the University of Kent, said in an Election Day note that he was skeptical terrorist attacks could "produce decisive and direct shifts in party loyalty."



PAUL ELIAS/AGENCE FRANCE PRESSE/GTY IMAGES  
A mourner at a London memorial.

## VOTE

Continued from Page One

with the main opposition Labour Party with 266 seats.

Polling day marked the end of a short, tumultuous campaign, which initially focused on the coming Brexit negotiations but quickly shifted to other concerns, including health and social care, before being disrupted in its final weeks by attacks in Manchester and London.

Opinion polls had suggested Mrs. May, who leads the center-right Conservative Party, would fend off socialist veteran Jeremy Corbyn, leader of the main opposition Labour Party.

But surveys showed that the government's advantage had shrunk over the course of the seven-week campaign.

The U.K.'s "first-past-the-post" electoral system, in

which only the candidate with the largest number of votes in a given constituency gets elected, left open a wide range of scenarios.

The recent sharp reduction in the Conservatives' lead, poor past reliability of voters' surveys and uncertainty about turnout rates all conspire to "make this election tricky to call," said Kallum Pickering, senior U.K. economist at **Berenberg Bank** in London. He put the probability of the Conservatives winning an increased majority—the most likely scenario according to his projection—at 35%.

The Conservatives looked likely to pick up a majority of the nearly 4 million votes—12.6% of the total—cast for the anti-EU **UK Independence Party** in the 2015 election. UKIP's support has shrunk since last year's Brexit referendum and stands at about 4%. A recent survey by **Opinium Research**

search LLP showed that 49% of past UKIP voters were now supporting the Conservatives, with only 13% switching to Labour.

Mrs. May called the snap election in April, seeking to strengthen her party's thin parliamentary majority ahead of the Brexit talks, which formally began in March and are due to last at least two years.

The campaign's initial focus on Brexit was seen as likely favoring the incumbent. Mrs. May, who had campaigned for the U.K. to remain in the EU, has laid out plans for a clean break with the bloc, which would see it leave the European single market to gain tighter control of immigration, an important issue for many British voters.

She offered what she repeatedly described as "strong and stable" leadership in contrast to what she depicted as "chaos and confusion" under Mr. Corbyn.

Mr. Corbyn's Labour Party said it would prioritize retaining

the benefits of the single market and maintaining closer links to the EU, hinting at a softer approach to the talks. But with the party's loyalty split between young, urban voters, who largely backed remaining in the bloc, and voters in Labour's traditional working-class strongholds, who overwhelmingly favored Brexit, the party struggled to challenge Mrs. May on the issue. It had more success in reaching wavering voters weary of years of Conservative belt-tightening with a populist platform that included nationalizing railways, free child care and free college tuition. These pledges—and the contrast between Mr. Corbyn's relaxed campaigning style and Mrs. May's stiff appearances on the stump—helped Labour narrow the gap in opinion polls during the six-week race.

—Jason Douglas and Denise Roland contributed to this article.

# U.S. NEWS

## Trump Tells Evangelicals: 'We Will Come Out Bigger and Stronger'



MARY ALTAFFER/ASSOCIATED PRESS

WASHINGTON—President Donald Trump finished his prepared remarks at the Faith and Freedom Coalition event Thursday without mentioning James Comey or the activity around Capitol Hill.

In his remarks, Mr. Trump said: "You didn't let me down and I will never ever let you down, you know that." He added: "We are under siege...but we will come out bigger and stronger than ever."

The president devoted more of his 30-minute speech to discussing his executive order on religious rights and other popular stances with his audience, such as reinstating the ban on federal funding for abortion providers overseas. (His Paris comments were actually received more enthusiastically, second only to Mr. Trump's statement that "We worship God" for audience applause.)

He said that nuns suing the federal government over requirements that health plans cover contraception have "won" already, thanks to his administration's executive order, expanded on his criticisms of Obamacare, and told the audience that terrorism was a particular threat to religious liberty around the world. Mr. Trump wrapped up his remarks with a pledge to "get the job done and get the job done correctly."

—Louise Radnofsky

## Ex-FBI Chief Offers Telling Quotes

BY REBECCA BALLHAUS

In Thursday's Senate hearing, former FBI Director James Comey addressed his firing as director, his conversations with President Donald Trump, and why he decided to take regular notes after his meetings with the president. Here is a roundup of some key quotes from Mr. Comey in his testimony.

**Fired Because of Russia?** Mr. Comey offered the most explicit account to date of what he felt was the reason behind his firing. "It's my judgment that I was fired because of the Russia investiga-

tion," he said. "I was fired in some way to change...the way the Russia investigation was being conducted."

**Those Were Lies:** He delivered his most forceful rebuke yet of the White House for the circumstances surrounding his firing. He said of the administration's claims that the FBI was in disarray and had lost confidence in its leader: "Those were lies, plain and simple. I'm so sorry that the FBI workforce had to hear them, and that the American people were told them."

**Concerned About Mr. Trump Lying:** Mr. Comey said he was "honestly concerned"

that the president "might lie about the nature of our meeting." He also gave further details on the president's body language in his conversations with him about loyalty and the Flynn probe. "This may be a faulty memory, but his body language gave me the sense like, what is he going to do?" Mr. Comey said, describing how Mr. Trump handled his lack of response to being told the president expected loyalty from his FBI director. Mr. Comey then appeared to imitate his recollection of the president's facial expression by raising his eyebrows.

**The Possible Tapes:**

"Lordy, I hope there are tapes," Mr. Comey said, asked about the president's tweet that he "better hope" no tapes exist of their exchanges.

**Circumstances:** Asked why Americans should take his word over the president's, Mr. Comey asked rhetorically about the circumstances of the request to back away from the Mike Flynn probe, "Why did he kick everybody [else] out of the Oval Office?"

Mr. Trump's lawyer said Thursday that Mr. Trump never demanded loyalty from Mr. Comey, nor did he push Mr. Comey to drop the Flynn probe.

## SEIB

*Continued from page A1*

fired FBI Director James Comey illustrated that Mr. Trump, deliberately or unwittingly, violated each of those maxims. In the process, he appears to have made a problem that always was going to be difficult for him—assertions that Russia intervened in the 2016 election, ultimately to benefit the Trump campaign—considerably worse. The Russia question is a minefield, and Mr. Trump has stepped directly on many of the mines.

The irony is that this all came into focus on a day in which the dramatic congressional hearing before the Senate Intelligence Committee also produced revelations that actually are helpful to the president's cause. Most notably, those include the fact that Mr. Trump himself was never the subject of Mr. Comey's inquiries on the Russia connection.

Instead, though, the focus was on Mr. Comey's description of a series of private conversations in which he said the president tried to coerce him into becoming a loyalist and sought to squelch a continuing criminal investigation of former national security adviser Mike Flynn, then seemed to fire Mr. Comey because he wouldn't cooperate, and subsequently lied about the origin and details of their conversations.

Those are serious assertions and have the potential to create significant legal problems—perhaps even a case for obstruction of justice—for the president, in addition to the potential problems for those around him.

In each of those cases, though, it was clear that the way Mr. Trump handled his relationship with the nation's top criminal investigator made the situation more dangerous. In Mr. Comey's telling, the president attempted to use meetings and phone calls to extract a pledge of "loyalty" and a "patronage relationship" from the FBI chief, and to pressure him into declaring publicly that the president himself wasn't a target of FBI investigation.

During a Jan. 6 meeting at Trump Tower in New York, Mr. Comey briefed the president-elect about an unverified dossier that had been compiled by a former British intelligence official that was on the verge of being reported in the media. The dossier contained embarrassing but unsubstantiated information on Mr. Trump.

It was during that meeting that Mr. Comey testified that he first assured Mr. Trump that he wasn't the target of the bureau's open counterintelligence investigation.

"I was worried very much about being in a kind of J. Edgar Hoover-type situation," Mr. Comey said, referring to the first director of the FBI who was known for keeping unsavory information on politicians.

Mr. Comey also said he hoped an audio record existed of his interactions with Mr. Trump. Mr. Trump previously tweeted a suggestion that tapes of their conversations might exist. "Lordy, I hope there are tapes," Mr. Comey said.

—Rebecca Ballhaus

contributed to this article.



The hearing was one of the most closely watched in recent memory. Above, a restaurant-bar in Brooklyn.

conducting himself. "Maybe if I were stronger, I would have," Mr. Comey said. "I was so stunned by the conversation."

Many senators focused on Mr. Comey's description of an encounter that he believed amounted to the president seeking to direct him to drop an investigation of former national security adviser Mike Flynn.

In a Feb. 14 Oval Office meeting, Mr. Comey said in prepared testimony, which was released Wednesday, that the president told him, "I hope you can see your way clear to letting this go, to letting Flynn go. He is a good guy. I hope you can let this go."

At the time, the FBI was conducting an investigation into Mr. Flynn's conversations with a Russian diplomat during the transition, Mr. Comey said. Mr. Flynn had resigned a day earlier under pressure for misleading Vice President Mike Pence about what he and the Russian envoy discussed.

"I took it as a direction," Mr. Comey told lawmakers on Thursday, referring to Mr. Trump telling him that he hoped he would let the Flynn probe go. "This is the president of the United States with me alone saying 'I hope this,'" Mr. Comey said. "I took it as, 'this is what he wants me to do,'"

Mr. Comey said the presi-

dent's message wasn't phrased as an order. At the time, Mr. Flynn was in legal jeopardy, Mr. Comey said.

"I don't think it's for me to say whether the conversation I had with the president was an effort to obstruct," Mr. Comey said.

"I took it as a very disturbing thing, very concerning, but that's a conclusion I'm sure the special counsel will work towards, to try and understand what the intention was there, and whether that's an offense," he said.

Mr. Kasowitz disputed Mr. Comey's recollection of his conversation with Mr. Trump. "The president never, in form or substance, directed or suggested that Mr. Comey stop investigating anyone, including suggesting that Mr. Comey 'let Flynn go,'" Mr. Kasowitz said.

Mr. Kasowitz also disputed Mr. Comey's statement that Mr. Trump told Mr. Comey that he expected loyalty from him. "Of course," Mr. Kasowitz said, "the Office of the President is entitled to expect loyalty from those who are serving in an administration."

Mr. Comey said he decided to write memos about his private conversations with the president because he feared Mr. Trump might try to misrepresent what had occurred. "I was honestly concerned that he

might lie about the nature of our meeting," he said.

In one conversation, Mr. Comey said it was his sense that the president was "looking to get something in exchange" for granting Mr. Comey's request to stay in his job.

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—Rebecca Ballhaus

contributed to this article.



Mr. Comey heading to the Senate hearing on Thursday.

JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

## U.S. NEWS

# Infrastructure Faces Urban-Rural Divide

By TED MANN

WASHINGTON—President Donald Trump's plan to tap the private sector to rebuild \$1 trillion worth of roads, bridges and rails has encountered an early problem: geography.

The administration says it will rely on private investors to supply the vast majority of cash to support a decadelong infrastructure rebuilding effort. But members of Congress from rural areas are wary.

That is because private investors are looking for infrastructure projects that throw off steady streams of revenue, from which they derive their profits, and those tend to be found near population centers. Some rural lawmakers have already begun to raise doubts about the few specific infrastructure proposals Mr. Trump has made.

Republicans such as Sen. Jerry Moran of Kansas have questioned Mr. Trump's endorsement of a plan to privatize the air-traffic control system, saying private ownership could give short shrift to small rural airports.

Sen. John Barrasso, (R, Wyo.), chairman of the Senate's environment and public-works committee, has told local media outlets that an infrastructure package shouldn't require tolls on the lightly traveled highways in his state, the least populous in the country.

Support from Republicans,

many who represent rural areas, will be crucial in getting a large infrastructure package through the GOP-led Congress, since many Democrats have said they would oppose efforts to rely on tolls, rather than federal aid, to pay for building projects.

Mr. Trump's fellow Republicans have expressed concern about his proposals to rely on private investors to fulfill his \$1 trillion promise since the administration's first days. Sen. Shelley Moore Capito, (R, W.Va.), quizzed Transportation Secretary Elaine Chao during her confirmation hearing in January about how the administration would apply its plan in rural states, which can lack the traffic necessary to raise funds for investors through tolls and user fees.

Ms. Chao avoided the question. "It's a huge issue that demands the best thinking of all of us," she said.

That question looms large now that the administration has said it would intentionally shift more responsibilities to pay for infrastructure to cities and states, in some cases providing incentives to those local governments that are willing to raise fees and tolls on residents to do so.

Incentives to bring in private investment will be beneficial, said Ananth Prasad, a senior vice president at HNTB and former secretary of transportation for the state of Florida.



The Horseshoe highway project in Dallas is seen in this September 2016 photo.

But, he said, it "doesn't solve the overall problem" of finding the revenue to pay for investments.

Whether construction is funded and managed through traditional government outlays or through private investment consortia, Mr. Prasad and others in the construction business say, someone has to pay.

Amid a whirl of other controversies such as the hearings on Russia's involvement in the election, Mr. Trump is continuing a series of events this

week to highlight his commitment to infrastructure building, though the administration hasn't issued a detailed proposal and aides wouldn't say when one might emerge.

The president was set to meet Thursday with mayors and governors at the White House to hear their views and concerns. And senior administration officials said the president would visit the Transportation Department on Friday to repeat his calls to cut back on permitting requirements that can delay the

launching of major construction projects.

The administration has signaled its openness to rural concerns. The White House told reporters on the way to a presidential speech in Ohio on Wednesday that the president's program would include federal grants for bridges, roads and waterways in rural areas.

Because the administration hasn't released a concrete plan, it isn't clear whether similar grants will be offered to urban areas.

Mr. Prasad said that a gas-tax increase could be beneficial and that Congress should take its lead from Republican-leaning states, including Tennessee, Utah, Georgia and South Carolina, that have raised their own gas taxes to fund highway repairs.

Some urban areas will be able to fund new projects like the Port of Miami tunnel, a public-private partnership Mr. Prasad helped oversee. That project is a 30-year partnership in which the state is reimbursing private investors who financed the construction through a series of "availability payments," paid out of Florida gas tax revenues, as an alternative to a toll.

"It's a good model of public-private partnership," Mr. Prasad said, but one that requires a large and steady tax base, or a large stream of traffic that states are willing to toll to raise revenue.

"That can't work on a reconstruction of I-70 in Kansas and Missouri," he said, "because if you're not going to toll that, they don't have the revenue to put together an availability payment."

## U.S. WATCH

### INCOMES

#### Household Net Worth Rises to \$94.8 Trillion

The total net worth of U.S. households climbed by \$2.3 trillion in the first quarter of 2017, reaching a record \$94.8 trillion as the stock market soared and home prices climbed in many parts of the country.

Household wealth in the stock market climbed by \$1.3 trillion in the quarter, showing just how much the market's climb to Dow 20000 and beyond has created a swell of wealth on Americans' investment statements that is helping underpin consumer confidence.

The figures are from a quarterly Federal Reserve report, known as the Flow of Funds, that tracks the aggregate wealth of all U.S. households and nonprofit organizations.

The report showed that the value of household real estate rose by about \$500 billion in the quarter, reflecting a continuing increase in national home prices. The sum Americans held in savings accounts rose by about \$100 billion in the quarter.

—Josh Zumbrun

### NEW YORK CITY

#### Gangs Order Opioids Online From China

New York City gang members are increasingly bypassing their usual sources for drugs and buying powerful illicit opioids directly from China online, according to investigators, who say the trend poses tough new challenges for law enforcement trying to crack down on the addiction epidemic.

The latest clue came in a package seized after a search warrant was executed in November, investigators say. It contained a kilogram of the opioid drug furanyl fentanyl—and the name of an obscure Chinese company called Shenzhen Unique-Peptide Biotechnology Co.

The DHL package, with the firm's return address, was delivered to one of several alleged New York Bloods gang members who were indicted in March for drug trafficking, according to Paul Molinaro, a New York Police Department detective. The Chinese firm sent another package to the defendant's relative, and a third package that investigators believe was delivered to another defendant, said Det. Molinaro of Brooklyn's gang major case unit.

Reached by phone, the Chinese firm, which isn't named in the March indictment and hasn't been named publicly, denied sending the packages, saying it doesn't sell fentanyl compounds. The defendants who allegedly received the furanyl fentanyl have pleaded not guilty to all charges in the indictment.

—Zolan Kanno-Youngs and Jeanne Whalen

## MONEY

Continued from page A1  
the U.S. dollar, reflecting the genre's roots in American cities. Puff Daddy famously rapped in 1997 that "It's all about the Benjamins" in his tribute to the \$100 bill, which bears Benjamin Franklin's likeness.

Even a decade ago, rappers nodded only a handful of times to any currency other than the dollar. In 2007, the euro appeared in just one rap song in the database of Rap Genius, a crowdsourced website that annotates rap lyrics. The Japanese yen appeared twice, and the peso a half-dozen times.

But as hip-hop music has become more global, rappers are internationalizing their lyrics, too, and references to foreign currencies are multiplying.

Peso appeared in 40 rap songs last year, Rap Genius said, while yen was mentioned in 10 and euro in seven. The Indian rupee, Russian ruble and British pound are also popping up in hip-hop lyrics with increasing frequency.

One of Mr. Banks's favorite currency notes is the Canadian

dollar, which a friend told him smelled like maple syrup. "I was like, get the hell out of here," he recalled. "Then I put it in my hand, and it smelled like maple syrup."

He hopes next to get his hands on the Ethiopian birr, which he has heard carries the scent of exotic spices.

Foreign-currency references are still small change compared with the nearly 700 times that Rap Genius counted mentions of the dollar in songs released last year. But name-checking foreign currencies has become a way for hip-hop musicians to show their financial sophistication, said Chris Smith, a professor at the Annenberg School for Communication at the University of Southern California who has done research on the role of money in rap music.

"Rappers know that the U.S. dollar is not the only game in town anymore," Mr. Smith said. "They know that China is rising, they know that there are other economic powers."

Overseas travel and shopping sprees have also made American rappers well aware of the dollar's recent slide in the foreign-exchange market. Willie Maxwell II, known as Fetty Wap, said he was bit un-

rently face that punishment, the analysis found.

An unusual coalition of state prosecutors and civil rights activists—groups frequently at odds on criminal justice issues—oppose the congressional bills, saying they are unnecessary and include provisions that would limit the filing of civil lawsuits in police brutality cases.

Any prosecutor who doesn't already pursue a police killer to the full extent of the law "wouldn't be a prosecutor for very long," said Bill Fitzpatrick, chairman of the National District Attorneys Association and the district attorney in

Onondaga County, N.Y. "There are lots of other things that state and local prosecutors need federal assistance on and this isn't one of them."

One of the bills, which the House passed last month, would make the murder of a police officer, firefighter or other first responder an "aggravating factor" in federal sentencing decisions.

Another bill, sponsored by the No. 2 Senate Republican, John Cornyn of Texas, would create a new federal crime for murdering a law enforcement officer; a convicted killer would be subject to the death penalty, while assaulting an of-

ficer would carry a mandatory minimum sentence.

Congress has broad power to enact criminal laws, even affecting behavior that isn't federal in nature.

Police unions have applauded these efforts, especially, they say, because the previous administration was too quick to criticize law enforcement.

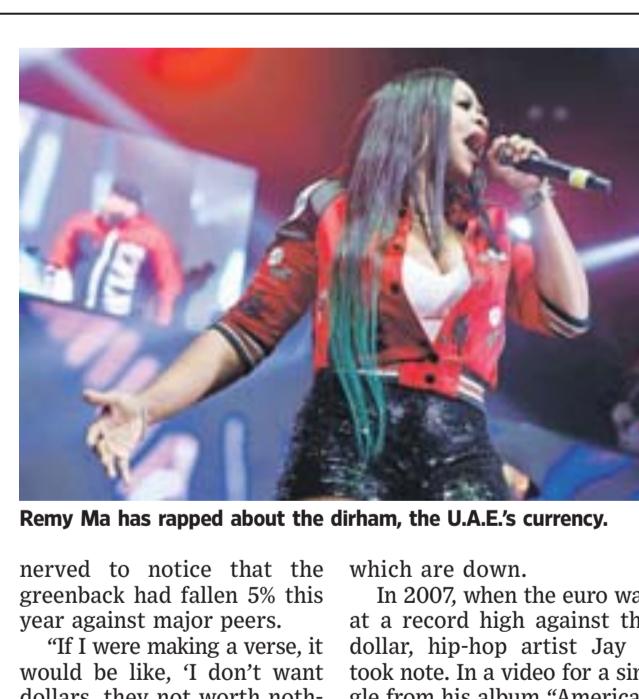
"When you're killing somebody whose main responsibility is to preserve life and happiness, you are showing a total disregard for humanity," said Chuck Canterbury, national president of the Fraternal Order of Police, which has 330,000 members.

Police murder cases rarely go unsolved. Nearly all—99%—were cleared over the past five years, meaning the suspect was either arrested, killed or identified. The national clearance rate for murders of all types is 62%.

A bit more than half of the 200 people suspected of fatally shooting a police officer in the five years from 2012 through 2016 lived to face the justice system. Ninety-two were killed by police, died while fleeing or committed suicide.

Under state laws, police killers automatically qualify for the harshest sentences.

In cases headed to trial where prosecutors have made up their minds whether to seek the death penalty, 30 out of 31 are currently seeking the capital punishment.



Remy Ma has rapped about the dirham, the U.A.E.'s currency.

nerved to notice that the greenback had fallen 5% this year against major peers.

"If I were making a verse, it would be like, 'I don't want dollars, they not worth nothing, we want euros,'" he freestyled during an interview with The Wall Street Journal. Mr. Maxwell, who has also rapped about the peso, says he wishes he could be paid in the euro—the best-performing major currency this year—because it would be worth more than his dollars.

Many hip-hop artists tour the world to perform, making them more attuned to which currencies are up and

which are down.

In 2007, when the euro was at a record high against the dollar, hip-hop artist Jay Z took note. In a video for a single from his album "American Gangster," he flashed stacks of pink euros while driving around the streets of New York. The Brooklyn native has also at times referred to himself as "Jay Peso" and "Euro Jay" in songs.

Rappers often brag about having piles of cash, and that is a frequent refrain in songs about foreign money, too.

In the song "Tokyo Drift," Yung Lean boasts about traveling to Japan, which he calls

"Yen Land" and "Rollin' green off a flat, spend a million yen, get it back." That's worth about \$9,000.

In most ways, however, the dollar still reigns supreme. Rappers have dozens of synonyms for the U.S. currency, from "lettuce" to allusions to "dead presidents" whose faces are on many U.S. bills. Stacks of green dollar bills are frequent props in music videos and album covers. Artists have incorporated the dollar symbol into their stage names, from the New Orleans-born rapper Curren\$y to Ty Dolla \$ign.

Rap historians are at a loss to name many widely used slang terms for foreign bills. The closest may be the one used by Ms. Ma, who keeps a Japanese yen from her first big overseas tour in a scrapbook. She refers to all cash besides U.S. dollars as "color money."

"It's a cool thing to have color money," she said. "It means you're traveling."

Despite the dollar's slide this year, Fetty Wap says the blue \$100 bill—the basis of his nickname "Papa Smurf"—remains his preferred currency.

"Being an American, the dollar is always going to be my favorite," he said.

—Zolan Kanno-Youngs and Jeanne Whalen

# BOOKS

'Older men declare war. But it is the youth that must fight and die.' —Herbert Hoover

## The Bloody Pivot

Twenty-four days of nonstop urban battle that turned the tables in Vietnam

### Hué 1968

By Mark Bowden  
Grove, 594 pages, £20

BY KARL MARLANTES

**MARK BOWDEN'S ACCOUNT** of the Battle of Hué—"the bloodiest of the Vietnam War, and a turning point not just in that conflict, but in American history"—is an extraordinary feat of journalism.

Like all battle histories, it concerns military units, their movements and casualties. Like the best of such histories, it makes brilliant use of contemporary records and of previously untapped archives. It tells the story from the points of view of American and Vietnamese politicians and generals as well as the battle's participants and civilian witnesses.

"Hué 1968" is expertly researched military history, but, as Mr. Bowden writes in his source notes, it is "mostly the work of a journalist," the result of four years of travel, investigation and, above all else, interviews with those who were there. In this last element—the first-person, human element—it's a battle history alone in its class.

"Hué 1968" doesn't expound either side's purported ideals or assumptions, nor does it deal in foreign-policy generalities like the domino theory. It deals instead with these generalities' consequences in a battle that can stand as an epitome of the entire war.

Those consequences were, and remain, myriad and complex. One reason I call this book an extraordinary feat of journalism is that Mr. Bowden makes events vivid and easy to understand for a reader with no military experience and only limited knowledge of the Vietnam War. The results are in every way worthy of the author of "Black Hawk Down" (1999), Mr. Bowden's meticulously reported account of the Battle of Mogadishu.

The Battle of Hué began during the predawn hours of Jan. 31, 1968, the first day of the Lunar New Year, known in Vietnam as Tet. Hué (pronounced "Hway") was Vietnam's capital from 1802 to 1945; in 1968, it was the South's third-largest city and the largest near the demilitarized zone dividing the communist North and the American-supported South.

By mid-1967, the government in Hanoi had begun planning its so-called Tet Offensive, a coordinated series of surprise attacks on the South by the National Liberation Front, a coalition force comprising members of the North Vietnamese Army and the Viet Cong, the South's antigovernment guerrilla group. The taking of Hué was the Tet Offensive's chief objective, a bold move that Hanoi hoped would win the war.



**FOG OF WAR** Two U.S. soldiers near the cloud from a yellow smoke grenade, Hué, February 1968.

When the battle ended, on Feb. 25, Hué lay in ruins. An estimated 5,800 civilians were killed by American and Front fire. An additional 300 to 2,800 were murdered by Front executioners. The lower number is the official figure from today's Socialist Republic of Vietnam; the higher is based on a count of mass gravesites made immediately after the battle by Douglas Pike, an American foreign-service officer.

Two hundred and fifty U.S. Marines and soldiers were killed at Hué and 1,554 wounded. Four hundred and fifty-eight South Vietnamese (ARVN) soldiers were killed and an estimated 2,700 wounded. Front losses are estimated from 2,400 to 5,000, depending on which side you ask. As Mr. Bowden writes, both sides were "known to lie about such numbers."

"When you add the numbers of combatants killed to estimates of civilian deaths," Mr. Bowden concludes, "the final toll of the Battle of Hué numbers well over ten thousand." After Hué, "debate concern-

times use like the antagonist in a novel to hold the reader's attention.

If there is an antagonist in "Hué 1968," it is arrogant leadership: generals and politicians blindly issuing orders from their offices in Hanoi, Saigon, Washington and other positions of safety. For me it brought back many memories, most of them angry, of my time as a Marine in Vietnam.

untenable positions; to help with the execution of civilians by political commissars; to fight for weeks after it was clear that nothing could be gained, except to keep a North Vietnamese flag flying over the Citadel, the 19th-century fort within the city. Hanoi used the image of this flag to mislead the world that the North Vietnamese had taken the city and defeated the Americans.

cruelty, self-sacrifice, bravery, cowardice and love. Mr. Bowden undertakes this task with the talent and sensibility of a master journalist who is also a humanist and an honest man.

To make sense of a complicated battle, a journalist must narrate from an omniscient point of view, which can lack emotion and color. Many journalists resort to varying degrees of dishonesty to help along their narratives: "General Smith awoke on the morning of battle to the smell of brewing coffee. Outside his tent, a nightingale sang."

Mr. Bowden never slips into fiction. He records only what has been reported to him. He doesn't imagine what someone might have seen. That's what novelists do. Still, the book is full of emotion and color.

Mr. Bowden also covers those who covered the battle. This is important, because journalists helped break down the blindness of the American high command to the facts on the ground, changing their tactics.

It was reporting by newsmen—including CBS's Walter Cronkite, who flew in to see the battle—that changed America's view of the entire war. Upon returning to New York, Cronkite made his famous televised remarks: "It is increasingly clear to this reporter that the only rational way out then will be to negotiate, not as victors, but as an honorable people." "Hué 1968" is about a turning point in American history.

I urged several friends as well as my wife's book club to read this book. I now recommend it to the readers of this newspaper. Governments and militaries are run by readers like you. Though stupidity and arrogance will always be with us, it is reasonable to hope that the more people who read and learn from books such as "Hué 1968," the more will lend their weight in the war against folly.

More generally, because you are part of humanity, you need to know the heights and depths that humanity can reach and that each of us can reach individually. To understand what it is to be human, you must understand war, which is unique to our species. In "Hué 1968," we read about humanity placed in a crucible, out of which comes both refined steel and slag. Here the best and worst of human behavior is exposed in glaring light.

You will find the reading gripping.



BRIDGEMAN IMAGES

**TET OFFENSIVE** Viet Cong troops storming the Hué Citadel.

The Front's infiltration of Hué began at 2:30 a.m., when 10,000 troops simultaneously descended from hidden camps to overrun the city of 140,000. By sunrise the Front "had achieved complete surprise," writes Mr. Bowden, "taking all of Hué save for two embattled compounds, one an Army of the Republic of Vietnam (ARVN) base in the city's north, and the other a small post for American military advisers in its south. Both had no more than a few hundred men, and were surrounded and in danger of being overrun."

"It would require twenty-four days of terrible fighting to take the city back," Mr. Bowden continues.

ing the war in the United States was never again about winning, only about how to leave. And never again would Americans fully trust their leaders."

Mr. Bowden conducted interviews with scores of survivors of Hué. According to his source notes, the American subjects numbered 112; the Vietnamese subjects, interviewed with the help of three native-speaking translators, numbered 42.

Mr. Bowden treats both sides with impeccable fairness and shows the bravery and cruelty of each. There is no "enemy side," no sinister force of the kind that lesser journalists and historians some-

times use like the antagonist in a novel to hold the reader's attention. If there is an antagonist in "Hué 1968," it is arrogant leadership: generals and politicians blindly issuing orders from their offices in Hanoi, Saigon, Washington and other positions of safety. For me it brought back many memories, most of them angry, of my time as a Marine in Vietnam.

Every reader of this book will likely experience similar flashes of anger. In the first days of the Battle of Hué, the U.S. high command wouldn't believe reports from the CIA, or from those already in contact, that a large force of North Vietnamese and Viet Cong had overwhelmed the city. Two companies, little more than 300 Marines, were ordered to attack 10,000 Front soldiers. These Marines took enormous casualties. When the grunts radioed that they couldn't achieve their objectives, they were disparaged for timidity and even cowardice. They were refused air, naval and artillery support for fear of the public-relations backlash should the U.S. damage any of Hué's historic buildings. The South and North Vietnamese had no such compunctions.

Day after day, the U.S. high command fed in small units against impossible odds, increasing the casualties and lengthening the battle. Finally, inundated by evidence from grunts and reporters, they changed their views. They brought in the entire 1st Marine Regiment part of the 1st Air Cavalry Division, along with aircraft and supporting arms. Going in hard at the start would have avoided the much worse end result. Hué was flattened. Eighty percent of its buildings were destroyed or damaged.

Mr. Bowden describes how North Vietnamese and Viet Cong soldiers were likewise abused by their superiors. They were ordered to hold

Among those who told their stories to Mr. Bowden are Nguyen Dac Xuan, a Buddhist poet who in 1968 was a propagandist for the Front; Che Thi Mung and Hoang Thi No, teenage girls and charismatic leaders of the Viet Cong; Marine Capt. Chuck Meadows, commander of Golf Company 2/5, who was ordered to lead a futile, undermanned attack on the Citadel; Maj. Bob Thompson, the Marine who with his battalion, 1/5, at last retook the Citadel; and the dedicatee of this book, Gene Roberts of the New York Times, whose reports from Hué were the first and among the best.

Through the words and actions of hundreds of such people, and through his scrupulous day-by-day reconstruction of this battle, Mr. Bowden encapsulates the essential lessons of the Vietnam War, lessons the U.S. seemingly forgot when conducting its wars in Afghanistan and Iraq, lessons it needs to go over now so that America never forgets them again.

I, like many Vietnam veterans, have a skeptical view of foreign military interventions. I'm not antiwar; after all, I'm a Marine. I'm just against stupid wars.

In recent years, the prudence we learned from our involvement in Indochina has been widely derided as "Vietnam syndrome." If by Vietnam syndrome we mean the belief that the U.S. should never again engage in (a) military interventions in foreign civil wars without clear objectives and a clear exit strategy, (b)

"nation building" in countries about whose history and culture we are ignorant, and (c) sacrificing our children when our lives, way of life, or "government of, by, and for the people" are not directly threatened, then we should never get over Vietnam syndrome.

It's not an illness; it's a vaccination. And Mr. Bowden's book is a powerful booster shot.

"Hué 1968" is also an exploration of what is common to all wars: humankind's capacity for violence,

Mr. Marlantes, a recipient of the Navy Cross, is the author of "Matterhorn: A Novel of the Vietnam War" and "What It Is Like to Go to War."

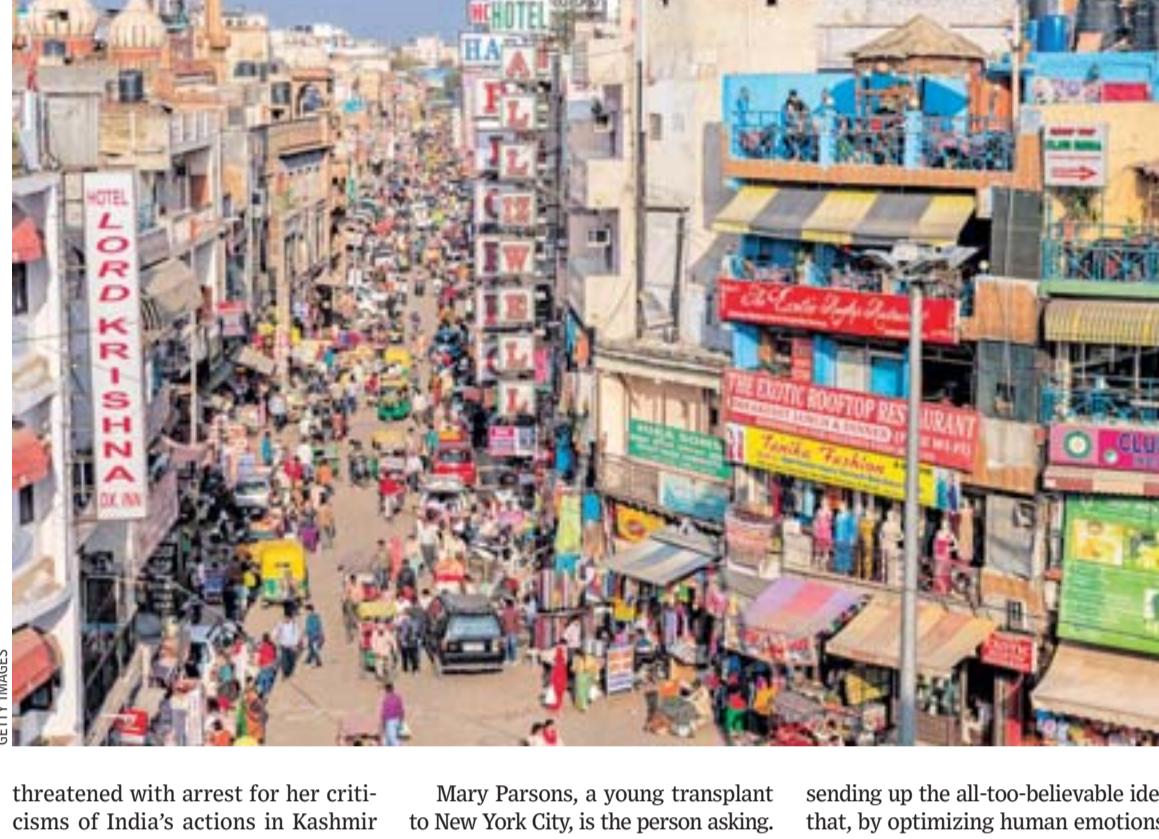
## BOOKS

'How to tell a shattered story? By slowly becoming everybody. No. By slowly becoming everything.' —Arundhati Roy

### FICTION CHRONICLE: SAM SACKS

# Occupy Delhi

GETTY IMAGES



SOMETIMES lengthy intermissions are what novelists need to reinvent themselves. William Gaddis waited 20 years to write a follow-up to "The Recognitions," and that novel, "J.R." won the National Book Award. Marilynne Robinson's "Gilead" came 24 years after her first novel, "Housekeeping." It took the Pulitzer Prize.

Now, 20 years after the worldwide hullabaloo that greeted her award-winning debut, "The God of Small Things," Arundhati Roy returns to fiction with "**The Ministry of Utmost Happiness**" (Hamish Hamilton, 449 pages, £18.99). The book is loosely organized around the central character Anjum, a hermaphrodite who flees her home in Delhi to share a house with other *hijras*, or transgendered women.

Hijras, though persecuted, have a longstanding role in Indian society—they often perform at weddings and festivals—and the glamorous Anjum rises to national celebrity. But after witnessing the riots against minority Muslims in Gujarat in 2002, Anjum moves in protest to an abandoned cemetery and constructs a makeshift settlement, attracting a motley group of fellow-outsiders and antigovernment activists.

The novel then shifts to explore the lives of some of these comrades. One is a *chamar*, or untouchable, who witnessed his father's murder by a mob of Hindu nationalists and, in a show of toughness, adopted the name "Saddam Hussain."

"I want to be this kind of a bastard," he says when Anjum denounces his near-namesake's ugly legacy. "I want to do what I have to do and then, if I have to pay a price, I want to pay it like that." A long section turns back to the "blood-dimmed years" of the Kashmir insurgency, following an independence fighter named Tilo, whose lover, a freedom fighter named Musa, has disappeared underground to escape the Indian military.

Aspects of this fragmentary novel echo "The God of Small Things," a lushly written melodrama that took on caste inequalities and taboo love affairs. Others draw from Ms. Roy's numerous nonfiction polemics against government abuses and the costs of rapid modernization.

The author is often in the news for her activism: In 2010 she was

threatened with arrest for her criticisms of India's actions in Kashmir and in 2015 she received a criminal contempt notice for an article denouncing the police. The continuities make it apparent that "The Ministry of Utmost Happiness" isn't a work of literary re-creation so much as an extension of Ms. Roy's undertakings as a political dissident.

This explains her eagerness to cram her protest novel with as many subjects as possible, at the expense of a coherent story. Ms. Roy has a habit of taking up grievance—industrial pollution, say, or eminent domain—worrying it for a few paragraphs and then rushing off to something else.

One chapter reproduces news clippings and diary entries from a scrapbook Tilo made about the fighting in Kashmir. It reads more like the raw material of a novel that has yet to be written. The 20-year hiatus from fiction has given Ms. Roy a stockpile of rich stories and characters; synthesizing it all into a powerful novel would seem to have needed more time.

Political novels like Ms. Roy's are built from moral convictions. Spiritual novels, like Catherine Lacey's "**The Answers**" (Granta, 294 pages, £12.99), grow from a host of insoluble questions. First among equals in Ms. Lacey's book is this classic: What do we mean by the word "love"?

Mary Parsons, a young transplant to New York City, is the person asking. In order to pay for an expensive New Age health treatment that has given her relief from an arsenal of mysterious chronic ailments, Mary applies for an "income-generating experience" she finds listed online. This turns out to be a highly confidential project called the Girlfriend Experiment—GX

**A Booker Prize-winner returns to fiction to protest the way that India lives now.**

for short—in which a handful of women, each carefully selected by a research team, address the compartmentalized relationship needs of a world-famous actor named Kurt Sky. The Maternal Girlfriend does his shopping and housekeeping. The Intimacy Girlfriend provides sex. The Anger Girlfriend is "responsible for fighting, nagging, and manipulation." As Emotional Girlfriend, Mary's job is to listen to Kurt talk, offer him unconditional support and, after a suitable interim, tell him that she loves him.

"The Answers" is in part a sparkling satire of our era of big data,

sending up the all-too-believable idea that, by optimizing human emotions, technology can be put to use "solving love." But the novel is also a poignant spiritual lament, deepening the themes of Ms. Lacey's excellent debut, "Nobody Is Ever Missing" (2014), about a woman who flees her marriage for an aimless and increasingly desperate trip across New Zealand.

Flashbacks return to Mary's upbringing in a militantly religious household in rural Tennessee. Having escaped it, she is bereft not only of family but also of a reliable compass for meaning. "I keep wondering what, in me, might be constant," she thinks. "I catch myself looking for that remainder, retracing my steps as if in search of lost keys. I am always wondering if there's something holy between people, a formless thing, something that can't be bruised."

The specter of holiness haunts Ms. Lacey's book like a phantom limb. "I came close to praying a few times," Mary says during a period of acute suffering, "but everything felt unanswered enough and I didn't want another frame for the silence." These searching, religious dimensions add to the fresh commentary on present-day godheads to make "The Answers" not just one of the most ingenious novels of 2017 but also one of the most moving.

### MYSTERIES: TOM NOLAN

## Pastiche As Prologue

  
**'AS FAR AS I'M concerned, you can't beat a good whodunit'** states fiction editor Susan Ryeland in "Magpie Murders,"

(Orion, 236 pages, £18.99), London author Anthony Horowitz's very clever and greatly enjoyable new mystery. "[T]he twists and turns, the clues and the red herrings and then, finally, the satisfaction of having everything explained to you in a way that makes you kick yourself because you hadn't seen it from the start." Ryeland, who works at Cloverleaf Books, a small "throwback" independent publisher, is about to experience a few twists and turns of her own.

Her first big surprise is the fictional book called "Magpie Murders"—number nine in the much-loved and world-bestselling Atticus Pünd series—which editor Ryeland settles down to read in prepublication typescript on a wet August weekend in her Crouch End flat. The manuscript that Ryeland looks forward to reading is written by one Alan Conway ("by far our biggest name") and upon its success rests his publisher's "entire business plan."

**An ingenious funhouse mirror of a novel sets a vintage 'cozy' mystery inside a modern frame.**

Thus, with us reading over Ryeland's shoulder, begins Conway's "Magpie Murders," which continues for some 219 pages: a smoothly written murder mystery (somewhat in the manner of P.D. James) that challenges the talents of 65-year-old Pünd, a German-born private detective working in England (often assisting the police). Pünd looks bland enough to be mistaken for an accountant, yet "his eyes . . . were endlessly watchful" and he carries a rosewood walking stick that "on more than one occasion . . . had proved to be a useful weapon."

The reader first meets Pünd in a doctor's office, where he receives news that an inoperable tumor will incapacitate and then kill him in a very few months. "Magpie Murders" will be Pünd's last case. It proves a worthy test of his powers: The linked deaths of a gossip-gathering housekeeper and her aristocratic employer, Sir Magnus Pye. In the "classic" Golden Age manner, there are plenty of plausible suspects: the embittered groundsman, just fired by Sir Magnus; the vaguely anxious vicar; Sir Magnus's twin sister, cheated of her inheritance at birth, and so on.

Pünd is an agreeable series hero, with his exotic background, his ascetic habits, and his propensity for making statements at once sententious and meaningless. ("One can think of the truth as . . . a sort of deep valley. . . . There are no wasted journeys in the detection of a crime.") But the reader finds (along with editor Ryeland) that author Conway's manuscript does not include an ending. The text concludes as Pünd is on the brink of explaining all. In the wake of that surprise comes the news that Alan Conway himself has died. Pünd's last case will also be Conway's swan song.

So what's become of the book's final pages? And what's the explanation for Conway's sudden death? First reports say he accidentally fell from his country house's roof, but his publisher receives a handwritten Conway message that seems to be a suicide note. Why, though, would Conway kill himself? Ryeland thinks it makes no sense; she assumes the mantle of an independent investigator, determined to solve the mystery of what she's sure is the author's murder.

Mr. Horowitz has written "official" pastiches of Sherlock Holmes and James Bond stories, and is himself an internationally bestselling novelist and creator of the popular English TV series "Midsomer Murders" and "Foyle's War." Here he has, like a magpie, taken themes, devices, techniques and shtick from the styles of at least half a dozen other writers (Agatha Christie to Sophie Hannah, E.C. Bentley to Robert Harris) in order to concoct an entertaining hall-of-mirrors work in which art imitates life and vice versa. As parody, pastiche or a whole new sort of puzzle, "Magpie Murders" holds one's attention from first to last. Its echoes and allusions continue to tease the brain even after the book is closed.

# Maupassant's Eternal Feminine

### Like Death

By Guy de Maupassant

NYRB, 218 pages, £12.42

BY MARTIN RIKER

**WE KNOW** Guy de Maupassant (1850-93) as France's greatest practitioner of the short story. He is as widely anthologized as O. Henry and is known, in the U.S. at least, for much the same thing: the carefully contrived tale-like plot with a surprise ending.

But while O. Henry made a career of such light-hearted "twist" tales, for Maupassant they were only a small part of a diverse literary output. The best of his writing can call to mind the meticulous realism of his mentor Flaubert, the socially conscious "naturalism" of his friend Zola, the ghostly sensationalism of Poe or the psychological complexity of Henry James. In one explosively prolific decade (1880-90) he wrote six novels, more than 300 stories, and numerous plays, poems and travel memoirs, a streak that petered out a few years before his death, from syphilis and psychosis, at 42.

We've been slow to recognize the many facets of Maupassant's excellence in part because much of his work never made its way into English or is available only in dated or substandard versions. Over the past decade, New York Review Books has taken steps to remedy this situation with fresh translations of his later works.

In 2008 came "Afloat," Douglas Parmée's magnificent rendering of "Sur l'eau" (1888), a work of travel writing that expands lyrically into historical and personal anecdotes, polemics and dreams. In 2009, the venerable Richard Howard gave us

"Alien Hearts," a translation of Maupassant's final novel, "Notre Coeur" (1890). Now Mr. Howard has followed with "Like Death," his version of the 1889 psychological novel "Fort comme la mort."

A story of love's destructive irrational power—think Proust's "Swann in Love"—"Like Death" centers on Olivier Bertin, a famous painter who in his youth began an affair with Anne, Comtesse de Guilleroy. Now entering their 40s, the lovers remain as devoted as ever, though Anne, still married, lately worries that Olivier will tire of bachelorhood and seek a wife.

Two lovers, sharing a midlife crisis, struggle to understand each other's feelings, and their own.

He assures her otherwise, yet both have grown anxious, she about losing him, he about his art, "the fear of being depleted, of having reached the end of his inspiration." At the height of their powers, they find themselves teetering on decline, "like one of those rosebushes that begin blooming all season until, in an hour, they fall to pieces."

The falling-to-pieces starts when Anne's daughter Annette returns from her schooling, grown-up and bearing a striking resemblance to her mother. Faced with a younger, more beautiful version of his lover, Olivier grows increasingly obsessed with Annette, though he refuses to admit to himself the power her youth holds over him.

Meanwhile, Anne suffers not only the loss of her lover's attention but the revelation, when compared to her daughter, of her own fleeting beauty:

"This face suddenly seemed to her that of another woman, a new face that was distorted, decomposed, irreparably diseased." In the simplest terms, "Like Death" is the story of two lovers sharing a midlife crisis, each struggling to understand the other's feelings and to reason through their own.

  
Like other great psychological novelists (Henry James was an admirer, as was Tolstoy), Maupassant proves a master at capturing the slow sea change of human emotions, and even more their complexity. There is plenty of despair in "Like Death," but in place of the anger or resentment we might expect between two characters destroying themselves, there's remarkable sympathy. Anne realizes early her daughter's effect on Olivier and warns him of the impending catastrophe: "When you're reflected you'll understand that I pointed out a great danger to you when there was still time to escape from it."

When, much later, Olivier finally does admit how deeply he's fallen, they discuss it as friends, both terrified by the destruction to their own love this new passion has wrought. They commiserate that it is not really Annette he loves but rather her likeness to her mother; the true source of their self-destruction is not a new love but the ghost of their old one.

"From this natural and willed resemblance," says Maupassant's narrator, "was born in the painter's mind and heart the whimsical impression of a double being, old and new, intimately known and almost unknown . . . of the same woman perpetuated, rejuvenated, having become once more what she had been."

Maupassant's tragedy is built upon such sophisticated ironies and complicated sympathies. Passion is not idealized but fraught with self-consciousness, while lust looks more like a desperate form of adulthood. The sources of anxiety are never simple but always multiple, such as when a performance of Gounod's "Faust" sends Olivier immediately from thoughts of art to age and love: "He felt old, done for, lost! Ah! To expect no more of life, to have no hope, no further expectations, to be waiting for nothing more, to be hoping for nothing more, no longer to have even the right to desire."

The result is a wonderfully mundane tragedy, albeit with a dramatic end. Maupassant does not plumb the depths of the psyche as voraciously as Dostoevsky or Henry James, but he turns an impassioned chronicle of destructive love into a very modern-seeming portrait of aging, friendship and loss.

*Mr. Riker teaches English at Washington University in St. Louis. His novel, "Samuel Johnson's Eternal Return," will be published next year.*

## BOOKS

'Peace is an armistice in a war that is continuously going on.' —Thucydides

# Collision Course

### Destined for War

By Graham Allison

Scribe, 364 pages, £18.99

BY ROBERT D. KAPLAN

**THUCYDIDES, WHO CHRONICLED** the Peloponnesian War that shook the classical world, believed that behind the specific events that lead to war lie deeper, structural stresses. It is fear, honor and self-interest, mixed with domestic hysteria and years of building tensions, that can overwhelm sound analysis during a crisis. In "Destined for War," a brief but far-reaching book in which potted history is incisively deployed, Graham Allison explores how America and China may be on a collision course because of what he calls "Thucydides's trap."

As he reminds us, the ancient Greek historian wrote: "It was the rise of Athens and the fear that this instilled in Sparta that made war inevitable." As we revisit this passage, Mr. Allison says, "alarm bells should sound," because of the rise of China and the fear it has instilled in the United States.

Mr. Allison, a professor at Harvard's Kennedy School, has found 16 cases in the past 500 years "in which a major nation's rise has disrupted the position of a dominant state," most notably a rapidly industrializing Germany threatening Britain's domination in the late 19th and early 20th centuries. The result of that rivalry, he writes, was a "new category of violent conflict: world war." In 12 of the 16 cases he surveys, the result was war of some kind.

In the case of Japan in the late 1930s and early 1940s, war was driven, in significant measure, by a trade conflict. In other cases, domestic politics played a role, prompting leaders to appease local factions by undertaking aggression for the sake of a perceived sense of honor. In many instances, a rising state's actual intentions were less crucial than its growing military capabilities and how they were interpreted abroad. That's why in 1907 Britain demanded that Germany stop its naval expansion—it thought standing up to a "bully" was the best strategy. The German response was to build warships faster.

Descending into war is lamentably easy, Mr. Allison suggests. He quotes the historian Paul Kennedy saying that both Britain and Germany considered their clash in 1914 as "but a continuation of what had been going on for at least fifteen or twenty



MARCH OF HISTORY Soldiers during a military parade in Beijing.

XINHUA NEWS AGENCY/GETTY IMAGES

years." Miscalculations and small incidents intensify existing strains between nations.

The America-China rivalry fits many of these scenarios, Mr. Allison believes. In both countries populist upheavals have roiled domestic politics and challenged the "historic mission" of the rival state, leading to a kind of doubling down among members of the establishment in Beijing and Washington regarding issues such as trade and the South China Sea. Chinese President Xi Jinping's anticorruption drive and intensifying nationalism, as well as President Donald Trump's America First dogmatism, fits this historical pattern.

As Mr. Allison notes bluntly: "The United States and China are alike in at least one respect: both have extreme superiority complexes." America thinks its accumulation of world power is benign. Well, so did ancient Athens, and it led only to a cataclysmic war with Sparta.

One of the many strengths of "Destined for War" is the restoration of Samuel Huntington's "Clash of Civilizations" theory, disparaged in the mid-1990s but subliminally gaining force by the day. Mr. Allison approvingly paraphrases Huntington's notion that "the Western myth

of universal values" is "not just native but inimical to other civilizations, particularly the Confucian one with China at its center." The march toward war builds with such seemingly lofty but in fact self-centered concepts.

Aggravating the possible march toward war, according to Mr. Allison, is China's economic growth. In 1980 America's share of the global economic market was 22%, while China's was 2%. Now America's share is 16%, and China's is 18%. Mr. Allison con-

tinues that growth in China has come down by a third since the recession of 2008 but notes that global economic growth during this period has been cut in half.

Indeed, the U.S. economy has been averaging just 2.1% annual growth, several points behind China. Meanwhile, China's "One Belt, One Road" initiative—aimed at joining an array of nations in a transportation infrastructure network—amounts to nothing less than several Marshall Plans for Asia.

Mr. Xi is remaking China's sense of itself with an appeal to national greatness, and he is playing the U.S. perfectly in the South China Sea. Chinese strategists see war as

### A U.S. war with China would be judged by history as perfectly normal: How to deal with a rising power is a classic problem for a dominant state.

To the Chinese, the mere presence of U.S. warships in the South and East China seas, coming from half a world away, is blatantly hegemonic, while the presence of their own warships in those seas is altogether natural, little different from America's Navy and Coast Guard in the greater Caribbean. For America's leaders, far-flung U.S. power is, in general, a check on regional bullies whose actions would threaten the interests and autonomy of American allies.

Faced with such differences in perspective, a descent into war by way of some instigating incident—at sea, in the air, amid a North Korean crisis—would be judged by history as perfectly normal.

cedes that growth in China has come down by a third since the recession of 2008 but notes that global economic growth during this period has been cut in half.

Whether the result will be external aggression—making war a likely destination—or a partial political breakdown that makes China less able to wage war is unknown. One thing is clear: The next few decades in China will be far harder for us to interpret than the past few.

*Mr. Kaplan, a senior fellow at the Center for a New American Security and a senior adviser at Eurasia Group, is the author of "Asia's Cauldron: The South China Sea and the End of a Stable Pacific."*

# As the End Approaches

### The Bright Hour

By Nina Riggs

Text, 310 pages, £12.99

BY LAURA LANDRO

**FOR ALL THE RECENT** strides in treatment and the inspiring tales of patients who beat the odds, cancer can still be a relentless killer. At age 38, the poet Nina Riggs learned that a spot on her breast, at first thought to be a manageable problem, was in fact triple-negative breast cancer, an aggressive form of the disease often unresponsive to hormonal therapies and drugs and more likely than other forms of breast cancer to spread or recur after treatment. The prognosis for Riggs was, in a word, grim.

Yet "The Bright Hour," her posthumously published memoir, is the antithesis of grim: an irreverent and poignant Baedeker through the country of illness. With two young sons as an extra incentive to survive, Riggs found a top doctor and entered the ring prepared for a fight; but as each new round of treatment failed and the cancer spread, she also began preparing for the worst.

As end-of-life challenges become a growing part of the conversation, authors are exploring how to have a good death as well as a good life. Atul Gawande's "Being Mortal" (2014) reflected on end-of-life care, and Paul Kalanithi's memoir of his terminal lung cancer, "When Breath Becomes Air" (2016), described the experience of the doctor as patient as well as his search for life's meaning.

Riggs—whose husband, John Duberstein, shepherded her manuscript to publication following her death in February—adds the perspective of a

mother facing the unfathomable: that she will no longer be there to guide her children through to adulthood; that her beloved husband won't be able to teach them all that she can; that someone else will take her place in their lives.

For comfort and inspiration, Riggs turns to literature and poetry, including the work of one writer to whom she has a special connection: her great-great-great-grandfather Ralph Waldo Emerson. His musings help her keep her thoughts from spinning into darkness and chaos.

As her cancer persists, the author turns to literature, poetry and her own dark sense of humor for comfort and inspiration.

Escaping from chemo one day, she walks into the woods, the taste of the drugs in her mouth and the steroids making her nearly manic. She is reminded of the drawing of a giant eyeball on long legs—dressed in top hat and waistcoat—that a 19th-century artist created to illustrate a passage in the essay "Nature." As Emerson wrote: "Standing on the bare ground—my head bathed by the blithe air, and uplifted into infinite spaces—all mean egotism vanishes. I become a transparent eye-ball; I am nothing; I see all; the currents of the Universal Being circulate through me; I am part or particle of God."

The image is exactly how the drugs make Riggs feel: a ludicrous transparent eyeball taking in all the currents

around her. "Emerson felt that nature was the closest we can get to experiencing God, and he believed that in order to truly appreciate nature you must not only look at it and admire it but also be able to feel it taking over the senses," she explains, noting the irony of how her senses are being heightened. "Emerson rolling in his grave: Steroids and chemo are the

closest I get to God." She also draws succor from one of Emerson's heroes, the French essayist Montaigne, especially his words about the approach of death: "Let us make good use of our time. We still have so much of it that remains idle and ill-used."

But her mind is occupied by less philosophical thoughts as well. When her breast is removed, she and her husband joke about its whereabouts; she gets a breast-shaped cushion to fill her bra, but the dog finds it and devours it. In a terrible coincidence, her friend Ginny is also diagnosed with triple-negative breast cancer. The texting between them includes ideas for a morbid line of thank-you

cards aimed at well-meaning but annoying "casserole bitches" who come bearing covered dishes and bat their eyelashes at the nearby husband. (Ginny catches one of them canoodling with her own spouse and adds divorce to her bucket list.) Among the suggestions: "Xanax is white, Zofran is blue, steroids make me feel like throttling you."

It is clear where Riggs gets her dark sense of humor: At the time she is diagnosed, her mother is fighting a long and ultimately losing battle against another malignancy, multiple myeloma, but keeps on with her life of book clubs, family dinners and wisecracking until the bitter end. Her reply to any text intended to cheer her up is a personal emoji with a hand coming out of the grave that says: "literally dying."

The mother-daughter relationship, fraught in the past, becomes a source of strength for both. They read Dr. Gawande's "Being Mortal" together and find that it defines a goal. As Riggs puts it: "how to distill what

matters most to each of us in life in order to navigate our way toward the edge of it in a meaningful and satisfying way."

Riggs decides to love the days she has left as she would love any other stretch of days, keeping her children on course and her husband from falling to pieces. When the boys are annoyed that she is going back into chemo because she won't be there to pick them up from school or schlep them to piano lessons, she notes appreciatively that "their enormous self-centeredness is still intact."

But they are not unscathed; one son makes a birthday wish that mommy's breast will grow back without cancer. When she decides that it will be educational to show them the linear accelerator that delivers her radiation, they admit later that they hated it and wish they hadn't seen it. "Whoops," she quips with regret, "I guess I just damaged everyone for life a little."

During a respite when the tumors stop growing, Riggs is able to take a trip to Paris with her husband and a family vacation at a theme park. She wants to say to those she loves most: I am sorry for what I am about to do to you. She panics over both the mundane and the momentous, worrying about unreturned library books and "the universe coming undone at the seams."

But as she embraces her children in the early morning, she turns to Emerson's words about the start of a new day and the feeling it can bring: "to cease for a bright hour to be a prisoner of this sickly body and to become as large as the World."

*Ms. Landro is the author of "Survivor: Taking Control of Your Fight Against Cancer."*



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## OPINION

### REVIEW & OUTLOOK

#### The 'Independent' Mr. Comey

The U.S. Senate Intelligence Committee finally heard from James Comey on Thursday. Far from documenting an abuse of power by President Trump, the former FBI Director revealed his own misunderstanding of law enforcement in a democracy.

In his prepared statement, Mr. Comey recounted his nine encounters with the President-elect and then President, including an appearance at Trump Tower, a one-on-one White House dinner and phone calls. He describes how he briefed Mr. Trump on the Russia counterintelligence investigation and what he calls multiple attempts to "create some sort of patronage relationship."

But at worst Mr. Comey's account of Mr. Trump reveals a willful and naive narcissist who believes he can charm or subtly intimidate the FBI director but has no idea how Washington works. This isn't new information.

When you're dining alone in the Green Room with an operator like Mr. Comey—calculating, self-protective, one of the more skilled political knife-fighters of modern times—there are better approaches than asserting "I need loyalty, I expect loyalty." Of course the righteous director was going to "memorialize" (his word) these conversations as political insurance.

Mr. Trump's ham-handed demand for loyalty doesn't seem to extend beyond the events of 2016, however. In Mr. Comey's telling, the President is preoccupied with getting credit for the election results and resentful that the political class is delegitimizing his victory with "the cloud" of Russian interference when he believes he did nothing wrong.

Mr. Comey also confirms that on at least three occasions he told Mr. Trump that he was not a personal target of the Russia probe. But Mr. Comey wouldn't make a public statement to the same effect, "most importantly because it would create a duty to correct" if Mr. Trump were implicated. This is odd because the real obligation is to keep quiet until an investigation is complete.

More interesting is that Mr. Trump's frustration at Mr. Comey's refusal raises the possibility that the source of Mr. Trump's self-destructive behavior isn't a coverup or a bid to obstruct the investigation. The source could simply be Mr. Trump's wounded pride.

The most troubling part of Mr. Comey's statement is his belief in what he calls "the FBI's traditionally independent status in the executive branch," which he invokes more than once. Independent? This is a false and dangerous view of

law enforcement in the American system.

Mr. Comey is describing an FBI director who essentially answers to no one. But the police powers of the government are awesome and often abused, and the only way to prevent or correct abuses is to report to elected officials who are accountable to voters. A director must resist intervention to obstruct an investigation, but he and the agency must be politically accountable or risk becoming the FBI of J. Edgar Hoover.

Mr. Comey says Mr. Trump strongly suggested in February that he close the Mike Flynn file, but after conferring with his "FBI senior leadership" he decided not to relay the conversation to Attorney General Jeff Sessions or any other Justice Department superior. If he thought he was being unduly pressured he had a legal obligation to report, and in our view to resign, but he says he didn't because "we expected" that Mr. Sessions would recuse himself from Russia involvement.

Well, how did he know? Mr. Sessions didn't recuse himself until two weeks later. Mr. Comey also didn't tell the acting Deputy AG, who at the time was a U.S. attorney whom Mr. Comey dismisses as someone "who would also not be long in the role."

This remarkable presumptuousness is the Comey mindset that was on display last year. He broke Justice Department protocol to absolve Hillary Clinton's mishandling of classified material, without the involvement of Justice prosecutors or even telling then Attorney General Loretta Lynch. Mr. Comey's disregard for the chain of legal command is why Mr. Trump was right to fire him, whatever his reasons.

On Wednesday two leaders of the intelligence community told the Senate that they hadn't been pressured to cover up anything. "I have never been pressured—I have never felt pressured—to intervene or interfere in any way with shaping intelligence in a political way or in relation to an ongoing investigation," said Director of National Intelligence Dan Coats.

National Security Agency Director Mike Rogers added that he never been asked "to do anything I believe to be illegal, immoral, unethical or inappropriate."

Meanwhile, Mr. Trump announced that he is nominating respected Justice Department veteran Christopher Wray as the next FBI director. Let's hope Mr. Wray has a better understanding of the FBI's role under the Constitution than Mr. Comey does.

#### The Death of Obama's Slush Funds

Despite the tweets and Comey maelstrom, some good things are happening in the executive branch. An important example is Attorney General Jeff Sessions's Monday order ending a program to treat legal settlements like political appropriations.

The misuse of settlement slush funds was one of the Obama Administration's worst practices, which it used to end run Congress's constitutional spending power. After the GOP took the House and tried to cut spending for liberal interest groups, the Obama Justice Department began to force corporate defendants to allocate a chunk of their financial penalties to those same groups.

Banks were made to fund left-wing activists such as NeighborWorks—though these groups were neither victims nor parties to lawsuits. In 2015 JP Morgan was required to pay \$7.5 million to the American Bankruptcy Institute's endowment for financial education. In 2016 Volkswagen was required to invest \$2 billion in zero-emis-

sions technology and promote zero-emissions cars. Government enforcement became an income redistribution mechanism without having to go through Congress.

Mr. Sessions's brief memo instructs Justice's 94 U.S. Attorneys to immediately halt the practice. It correctly notes that financial penalties are designed to punish and provide relief to victims—not to generate political payola. Save for limited exceptions—such as payments expressly authorized by statute—the memo instructs that future settlement money will go directly to victims or to the U.S. Treasury.

Credit in particular goes to Virginia Republican Bob Goodlatte, who introduced legislation in 2016 to stop the practice. Mr. Goodlatte has more recently called on Justice to claw back an estimated \$380 million the Agriculture Department paid to special interests to settle a discrimination class action—which is worth investigating. But at least this abuse of enforcement power is over for now.

#### Americans Cleared for a Faster Landing

An evening stranded on an O'Hare airport runway is enough to make anyone mad. And on Monday Donald Trump responded with a plan for improving American air travel. The President endorsed spinning off air-traffic control from the U.S. Federal Aviation Administration, a decades-old idea that would improve passenger experience and safety.

Mr. Trump announced principles for converting air-traffic control into a nonprofit. The new entity would be governed by a board of directors, including representatives for airlines, unions, airports and others. Instead of taxes, the outfit would be funded by user fees, which is how Canada has financed air-traffic services since 1996. The outline makes small tweaks to House Transportation Chairman Bill Shuster's proposal that stalled last year.

The proposal is being dismissed as one of Mr. Trump's eccentric obsessions, though Al Gore supported a version in the 1990s. Mr. Trump is right that while "every passenger has GPS technology in their pockets, our air-traffic control system still runs on radar," circa 1945. The FAA's modernization program, known as NextGen, is expected to crash through its 2025 deadline by as much as a decade.

One illustration is electronic flight strips. U.S. towers use pieces of paper to monitor a flight's progress, even as FAA has promised to transition to digital slips, among other technology updates. How's that going? The product will be rolled out somewhere between 2020 and 2028—to only 89 of the busiest towers, as the Reason Foundation's Robert Poole has detailed. Canada's air-traffic system, NavCanada, deployed electronic strips a dozen years ago.

In May the Transportation Department In-

spector General offered some reasons why the FAA so routinely fails to deliver new technology: "overambitious plans, unreliable cost and schedule estimates, unstable requirements, software development problems, poorly defined benefits, and ineffective contract and program management." Is that all?

FAA regulates itself, so a separation would end this conflict-of-interest and allow the agency to focus on safety and certification. This reform is endorsed by the International Civil Aviation Organization, and only the most cynical on the left could claim a spinoff threatens passenger safety. Democrats will say Mr. Trump is auctioning off air traffic to big business, but the principles are explicit that the entity must be a nonprofit. The outline gives airlines only two seats on the 13-member board.

Some on the right may also torpedo the plan. Among the complaints: The nonprofit would be given the air-traffic control assets at no cost, though no company would buy the equipment in this scrapyard. Another is the suspicion that anything supported by the air-traffic-controllers union must be unacceptable. Both the Shuster plan and the Trump principles say that current union contracts would be honored, which is hardly a major victory for labor.

Still, the more remarkable feat is how many in the industry agree on the basics: The airline trade group supports a spinoff, and last year so did the air-traffic-controllers union, which said it will evaluate the specifics of any bill. Former FAA chief officers and Transportation Secretaries also signed on. That's a testament to how inefficient the current system is. And perhaps the traveling public can relate to Mr. Trump's venting on Monday about having "to circle for hours and hours" over an airport.

**Trump's air-traffic spinoff would be a great flight forward.**

#### Britain's Seven Impossible Things



POLITICAL ECONOMICS  
By Joseph C. Sternberg

Lewis Carroll's White Queen bragged to Alice that she'd been capable in her youth of believing six impossible things before breakfast. British voters have gone one better. They believed seven impossible things before Thursday's election.

These myths will dominate politics for the next five years and beyond, whoever has won and by whatever margin:

*Low immigration is compatible with high growth.* The propagators of this—the biggest impossibility of all, and a prime motivator of the Brexit vote—don't phrase it like this. Instead, before and after last year's Brexit referendum they implied that Britain's economy can continue as strongly as it is now but with fewer people. It can't.

The clue is that net immigration soared in recent years at the same time unemployment fell and labor-force participation boomed. Clearly Britain needs more human beings than it is capable of producing domestically to power a 2% economic growth rate, let alone more. Britain faces chronic skills shortages in health care and engineering, among other fields.

*Lower immigration also is necessary to make entitlements work.* This is a corollary of the first impossibility. Net migrants allegedly strain the National Health Service and the education system, and the various crises in those services would be easier to manage with fewer foreigners moseying up to the trough.

Instead, these public services quickly become impossible to fund without a steady inflow of younger foreign workers. Human-resources consultancy Mercer calculates that if the government reduces net annual migration to below 100,000, the percentage of the population in work will rise by 3% by 2030 while the overall population will increase by 7%. This implies a growing burden on workers to support a larger number of nonworking young and retirees. At that rate, the pay-as-you-go model of entitlement financing will collapse faster than you can say "strain on public services."

*The public finances are fixed and Westminster can loosen the purse strings.* Are you kidding? Six years of Tory "austerity," one round of welfare reforms, and economic growth above 2% with a revenue boom to match, and Britain still is running a budget deficit of nearly 1% of GDP. This is an argument not for tax hikes (see below) but for realism about voters' willingness to reconsider the spending priorities they have foisted on their politicians, and about the potential for global markets to make up the difference indefinitely.

*Even if the public finances aren't fixed, there's still plenty of money if only Britain taxes more like a European country.* Labour is the worst of

fender here. Jeremy Corbyn's party claimed it could pour billions of pounds into health care and education by increasing the top personal-income tax rate to 50% from 45%, and the top tax rate on corporations to 26% from a planned 17% under the Tories. The Conservatives were more subtly wrong, only hinting at income-tax hikes before reversing.

Globalization says otherwise. You can't tax your economy more than your neighbors do when your economy can up and leave, building factories or settling high-earning bankers in lower-tax jurisdictions.

*Trade deals will determine Britain's post-Brexit future.* Nice try, but productivity will. Most of the world's economies thrive outside the EU, and without special trade pacts with each other. Very few economies of Britain's size,

**This election let crippling fallacies go unchallenged. The next government can't.**

composition and trading relations thrive from outside the European Union while muddling along with a sub-French level of per-worker productivity to make up for the lack of trade advantages with its most important partners.

While everyone obsesses over "no deal" versus "bad deal," what's London's plan for liberalizing the economy to encourage the investment and entrepreneurship to boost productivity?

*Britain is fundamentally different from the rest of Europe.* It could be, given its Anglo-Saxon regulatory approach and tradition of outward engagement with the world. But when you consider the political hostility to its labor-market flexibility (in the form of hated "zero-hours contracts") or a single-payer health behemoth more statist than anything in Germany or France, maybe Britain isn't so different from Europe after all.

*The European Union is a millstone around Britain's neck.* Quite the opposite. EU membership has allowed Britain to muddle through a lot longer than it otherwise could have without confronting any of these problems. The efficiency gains of unfettered access to the single market make up for Britain's low productivity, while the EU's free movement of people provides fiscal cover for unsustainable British entitlements.

\* \* \*

Believing impossible things is a characteristic of most democratic electorates. Surgically removing scales from eyes is the chief mark of genuine political leadership, which lies somewhere between the poles of ineffective wonkery or rank demagoguery. We leave it to you, dear reader, to decide where on the spectrum Britain landed when the election results were announced after this column went to press Thursday night.

#### LETTERS TO THE EDITOR

#### Nationalism Won't Defang Islamic Radicals

Regarding Sohrab Ahmari's "How Nationalism Can Solve the Crisis of Islam" (May 30): A word of caution when using the term nationalism as a solution for the more strident forms of radical Islam. If we look to Sayyid Qutb (1906-1966) in Egypt, we see a radical whose idealism was baptized in nationalistic resentment of colonialism and its lingering effects. Fertile minds can be easily stirred with nationalist thinking and, throw in a dash of Salafism, and we're right back where we started.

#### Now Is the Time to Keep Lebanon From Exploding

Barring dramatic, highly unlikely intervention, the international community will soon enough rue ignoring Ron Prosor's pressing warning in "Averting War in Lebanon" (op-ed, May 31). Among the United Nations' greatest failures, Resolution 1701 stands out. The opposite of its intended demilitarization of southern Lebanon has occurred. An emboldened Hezbollah now holds Lebanon captive and possesses a number of rockets an order of magnitude larger than before the 2006 war, with far greater reach, lethality and precision, and spread throughout Lebanon.

When it comes to fulfilling its mandate, the U.N. Interim Force in Lebanon has been blind, deaf and dumb, providing more assistance than deterrence to Hezbollah.

It's now not a question of if, but when, total war will break out. Unless the U.N. Security Council can strengthen its mandate, and UNIFIL is empowered and willing to do its job, it ought be removed. That would provide welcome relief to American taxpayers who now largely foot the bill for this boondoggle. It would obviate the need for a rescue operation for UNIFIL itself, once an absolutely horrific conflict erupts.

RICHARD D. WILKINS

Syracuse, N.Y.

Pierre Manent's attempt to reduce the complications of Islamic fundamentalism—nonseparation of church and state, nonfreedom of speech or conscience, nonequality of religions or sexes, such as treatment of women and non-Muslims in courts of law, etc.—isn't going to solve the basic conflicts.

The Islamist resolution may take centuries or mere decades at the present speed where immigration is speedily overrunning non-Muslim populations. Many Muslims live peacefully in Western nations. However, even in the most hospitable societies, this doesn't necessarily accelerate the lessening of attachments to the fundamentals of Islam which contradict Western Enlightenment ideals.

The core tenets of the ideology, and not the manner in which the superficial aspects are accepted, leave the West with its grave dilemma. The declared agenda of the Muslim Brotherhood, which aims to take down the West and replace it with a caliphate, won't be satisfied with anything less.

JUDITH HERSHON

Oyster Bay, N.Y.

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## OPINION

# Trump as a Democracy Promoter

By Judy Shelton

**M**uch has been made of President Trump's supposed lack of interest in human rights and the promotion of American ideals. Stepping back from his rhetoric and looking at his actions suggests an alternative conclusion.

If it were an easy task to set up a flourishing democracy, the entire world would be experiencing peace and prosperity. But it has never been simple. Many people around the world understand that liberty,

determined not only to remain so but to help others gain their freedom as well."

The 40th president proposed countering totalitarianism and its terrible inhumanity by actively promoting freedom and democratic ideals throughout the world. He envisioned the creation of a bipartisan U.S. political foundation that would assist democratic development by openly providing support to those seeking equality and liberty for their countrymen. Building the infrastructure of democracy—free elections, free markets, free speech and rule of law—would empower people to choose their own way to reconcile their own differences through peaceful means. "Democracy is not a fragile flower," Reagan observed. "Still, it needs cultivating."

The National Endowment for Democracy, launched as a result of that speech, remains faithful to its founding mission: to help others achieve a system that protects the inalienable rights of individuals and guarantees the people's freedom to determine their own destiny. The endowment provides modest grants to democracy activists around the world, but its greater gift is the imprimatur of moral support from the American people. Brave individuals on the front lines of the struggle for democracy in their own countries draw strength from that connection.

The efforts of five endowment grantees battling government corruption were applauded during a Capitol Hill ceremony on Wednesday, with remarks delivered by House Speaker Paul Ryan and Minority Leader Nancy Pelosi. Yet some argue that endorsing the spread of the American idea beyond

opportunity and fairness flow from democratic institutions. But establishing such systems takes time, and progress is uneven. The growing pains of warring internal factions and harsh retributions meted out by ruthless authoritarians slow the march toward democracy.

President Reagan sought to address the issue in a speech before the British Parliament on June 8, 1982. He affirmed it was a mistake to ignore the rise of tyrants: Britain had paid a terrible price in World War II after allowing dictators to underestimate its resolve.

He further maintained that democratic nations needed to resist as a matter of self-expression. Reagan said we must think of ourselves as "free people, worthy of freedom and



BETTMANN ARCHIVE/GETTY IMAGES

President Reagan at the British Parliament on June 8, 1982.

the U.S. no longer aligns with the preferences of American voters. The most cynical voices claim Mr. Trump neither accepts nor comprehends the profound influence of America's moral authority in the world.

That simplistic narrative is wrong. Consider Secretary of State Rex Tillerson's remarks to his department's employees last month.

He adjured them to "remember that guiding all of our foreign-policy actions are our fundamental values," which include "freedom, human dignity, the way people are treated." As Mr. Tillerson explained, the objectives of the administration's America First approach—encouraging economic prosperity and maintaining military readiness—are crucial if the U.S. is to promote its values abroad.

Mr. Trump's decisions ultimately make the difference. "I see in the president somebody who said a lot of things in the campaign," former Secretary of State Condoleezza Rice noted in a recent Journal interview. "But when he was sitting in that chair and watched Syrian babies choking on chemical gas said, 'I can't let that stand.'"

What Mr. Trump apparently felt at a gut level is entirely in keeping with that uniquely American quality of being unable to ignore injustice—that inability to stand idly by while the rights of others are cruelly violated by despots. Does he appreciate that America's own hard-fought path to democracy and equal rights means we never retreat from leadership or abstain from righteousness in a world prone to malevolence?

One notable event may provide a telling indication. In February, Mr. Trump met in the Oval Office with Lilian Tintori, wife of jailed Venezuelan opposition leader Leopoldo Lopez. Afterward the president tweeted a thumbs-up photo of himself, together with Vice President Mike Pence and Florida Sen. Marco Rubio, standing beside Ms. Tintori. "Venezuela should allow Leopoldo Lopez, a political prisoner & husband of @lilianintori (just met w/@marcorubio) out of prison immediately," read his accompanying message.

"Here in Venezuela, jaws dropped," wrote Emiliana Duarte, managing editor of the English-language blog Caracas Chronicles, in the Atlantic. "For Venezuelans accustomed to living in fear of their authoritarian government, the sight of the president of the United States siding publicly with the most fearless champion of Venezuelan democracy was powerful."

As someone who has thought deeply about democracy promotion, I take this as evidence that America's leader—an admirer of Reagan—has the head and the heart to act with fundamental decency. American decency is born of gratitude for what this nation's founders had the courage and vision to establish. It is what compels Americans to stand for the rights and liberties of those who can't stand for those rights and liberties themselves. It is what drives the aspiration to share the American values that have made the U.S. not only successful but honorable.

*Ms. Shelton is chairman of the National Endowment for Democracy. She served on the Trump transition team.*

## His responses to abuse in Syria and Venezuela suggest he cares about freedom and human rights.

opportunity and fairness flow from democratic institutions. But establishing such systems takes time, and progress is uneven. The growing pains of warring internal factions and harsh retributions meted out by ruthless authoritarians slow the march toward democracy.

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## Buying More Chevys Won't Fix Germany's Trade Imbalance

By Jason Furman

**P**resident Trump is right: Germany's trade balance is out of whack, and this ought to be called out. Although it's a fool's errand to condemn bilateral imbalances in specific industries—such as auto manufacturing—the important truth remains that Germany overall has the world's largest current-account surplus.

Unfortunately, a fix won't be found in the sort of bilateral trade negotiations Mr. Trump's comments seem intended to provoke. The solution is the sort of global cooperation Mr. Trump disdains: multilateral engagement on the macroeconomic drivers of the German surplus by European countries, the Group of Seven, the Group of 20 and—yes—even the North Atlantic Treaty Organization.

First, the facts. Last year Germany's current-account surplus was \$300 billion, or 8% of its gross domestic product. This largely reflected its trade surplus, but also some net investment income.

Germany's surplus was 50% higher even than China's, though the German economy is only one-third as big. It wasn't always this way. In 2000 Germany ran a slight

current-account deficit.

The German surplus doesn't come at American expense in a simplistic, zero-sum sense. The U.S. currently has an unemployment rate of 4.3%. The Federal Reserve appears not to want that figure to go much lower because it views this as close to full employment. So if the U.S. got a boost from increased exports to Germany, the Fed would offset it by raising interest rates faster and lowering domestic demand.

Other European countries could make a more legitimate zero-sum complaint about Germany, even if they rarely do these days. Trade partners inside the eurozone don't have access to independent monetary tools, and with a single currency there are no exchange rates to adjust. Countries such as France and Spain cannot fully offset Germany's surplus absent prolonged and painful declines in relative wages and prices.

What has created Germany's surpluses? Not its trade policies. German tariffs average 1%, slightly below the American average of 1.4%. This shouldn't be a surprise, since lower tariffs generally increase the volume of trade but don't systematically affect the trade balance.

Germany's massive and growing surpluses instead are rooted in macroeconomic forces. The current-account balance, as a simple accounting identity, is the gap between what an economy saves and what it invests.

### Berlin has a huge surplus in its current account, but the bilateral deals Trump has in mind won't help.

Say Germany's residents save \$100 and invest \$90 domestically. The difference, \$10, is exported as capital. That money is recycled when other nations purchase German exports.

The variable that has changed in recent decades is the rate of German savings. It used to be comparable with that of other advanced economies but has taken off, rising to 28% of GDP in 2015 from 22% in 2000.

Germans argue, with some merit, that an aging society like theirs should be saving more to prepare for the future. But at the same time, Germany's investment

has fallen further and faster than other advanced economies—dropping to 19% of GDP in 2015 from 24% in 2000.

Germany's capital outflows, then, are less an emblem of strength than an indication of the weakness of domestic investment opportunities (or the inability to capitalize on them).

One particularly worrisome consequence—and possibly a cause of tepid investment—is Germany's slow productivity growth. Americans have been disappointed to see their productivity growing at only 1.5% a year since 2000. Germans have had it much worse, posting productivity gains of 1% a year over the same period. That puts Germany in the bottom half of the Organization for Economic Cooperation and Development.

The solution to this problem, contra Mr. Trump, isn't for Germans to buy more Chevys and Fords or to sell Americans fewer Mercedes-Benzes and BMWs (many of which, by the way, were made in places like Alabama and South Carolina). Instead it is to increase Germany's domestic demand. Faster wage growth leading to stronger consumption would help, but the key is stronger public and private investment.

In addition to being a welcome source of demand in the short run, investment would help to expand the supply side of the economy as well. The case is clearest in the public sector, where the relative standing of Germany's infrastructure has fallen over time along with spending on it. Berlin also could do more to catalyze investment in critical sectors like energy and broadband.

Global markets act as a brake on countries with growing current-account deficits. But there's no comparable autocorrect for current-account surpluses. This asymmetry calls for multilateral engagement on the true macroeconomic drivers of Germany's rapidly expanding surplus.

Mr. Trump did make one concrete proposal that would materially help: He called on Germany to fulfill its commitment under NATO to spend 2% of its GDP on defense. Assuming Berlin obliged without cutting spending elsewhere, that would at least make a discernible difference.

*Mr. Furman, a senior fellow at the Peterson Institute for International Economics, was chairman of the White House Council of Economic Advisers from 2013 to 2017.*

## Can Donald Trump Govern?

**W**onder Land  
By Daniel Henninger

The answer to the question—can President Trump govern?—is yes, but the window is closing. In recent days, events outside and inside the White House have combined to produce an environment toxic to governing. The Comey circus, the internal tensions created by Mr. Trump's tweets on the travel ban and Qatar, and Attorney General Jeff Sessions's reported offer to resign: All this turbulence is pounding a ship of state that needs calmer waters if it's going to get home in one piece.

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This column raised the question in February of whether the Russia story was becoming Mr. Trump's Watergate. Forever Trumpers objected to the analogy, arguing correctly that the legal particulars of the two events weren't the same. The point, however, wasn't about the law or facts but about politics, which respects neither. A president's blood is in the water, and a feeding frenzy is on.

The idea that the Trump campaign colluded with Russia to defeat Hillary Clinton by now looks like a ghost story. On Sunday, Sen. Mark Warner, Democratic vice chairman of the intelligence committee, said, "There is a lot of smoke," but there is "no smoking gun at this point."

None of that diminishes the political threat evident in the appearance Thursday of former FBI Director James Comey before the Senate Intelligence Committee.

It is a familiar spectacle, in which a president is subjected to Washington's version of the ancient trials by ordeal. It did it to Richard Nixon—and Lyndon Johnson, who descended into political madness from watching the evening news report his troubles on three televisions in the Oval Office.

In the Trump trial, James Comey is playing the role of John Dean, the earnest lawyer who presented himself to the Watergate Committee as the last honest man in the Nixon White House. The media's dramatizers love to fashion political saints, thus the elevation of Jim Comey.

The dangers to the viability of the Trump presidency's agenda at this pivotal moment shouldn't be underestimated. Successful governing means putting multiple players in motion toward a common goal—White House staff, Congress and its staffs, and the administration's political appointees, whose job is to push presidential policy through the bureaucratic swamps. That effort goes forward on the shoulders of a skeleton crew.

We are into the sixth month of the Trump presidency, and of 558 key positions requiring Senate confirmation, 427 have no nominee, according to the tabulation by the Partnership for Public Service. The permanent bureaucracy is running much of State, Defense, Justice and Education.

At the State Department, virtually every position below Secretary Rex Tillerson and his deputy John Sullivan has no nominee, including assistant secretaries for every region of the world.

For why this matters, look to Asia, where North Korea's nuclear threat occupies everyone's waking

### The White House has arrived at a binary choice: Choose chaos or choose success.

hours. Mr. Trump has met with Japanese Prime Minister Shinzo Abe, and Mr. Tillerson and Defense Secretary Jim Mattis all have visited the region to address North Korea.

But if you ask Asian governments about the status of the follow-up, they will tell you they don't know what's next because the U.S. has no assistant secretary for East Asian and Pacific affairs and therefore no daily liaison executing Mr. Trump's policy goals. Much of the Trump government is close to becalmed.

The appointee holdup at State is due, in part, to the Trump White House's virtual ban on anyone in the foreign-policy community who publicly opposed Mr. Trump's candidacy. Presumably this is about loyalty. After this week, though, the White House's fastidiousness may be irrelevant.

Three things happened that bear on the administration's ability to

recruit or retain good people: Attorney General Sessions's reported offer to resign over the president's unhappiness with his recusal from the Russia investigation; Mr. Trump's tweet repudiating his Justice Department lawyers' handling of the travel-ban case; and his tweet taking personal credit for Saudi Arabia breaking relations with Qatar. That required a stabilizing intervention from Secretary Tillerson because the U.S. has 11,000 troops based in Qatar. Welcome to team Trump.

One relevant footnote is George Conway's unexpected decision to withdraw last week as Mr. Trump's nominee to lead the Justice Department's civil division, followed by his Twitter statement supporting the department's handling of the travel-ban litigation. Who needs "House of Cards"?

One simply cannot duck the corollary question to these events: What top lawyer or professional at this juncture will join an administration whose ability to calm the political storms, execute policy or support its own people is in doubt?

On Fox News Tuesday evening Sen. Lindsey Graham offered the president some wise counsel: "Mr. President: Your words matter now, you're no longer a candidate for office. You're the president of the United States and a lot of us want to help you. Help us help you."

Normalcy is the oxygen of good governance. The Trump White House has arrived at a binary choice: Choose chaos or choose success.

*Write henninger@wsj.com.*

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## LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

# 'Mummy': A Sand Trap for Cruise

**SOME QUESTIONS** about "The Mummy," a movie that goes beyond defying comprehension to being truly incomprehensible:

What is Tom Cruise doing here? He's had his ups and downs over a long career, but a Tom Cruise movie has come to mean a professional production that is, if nothing else, good to look at. This one, his worst ever, isn't worth a first look, let alone a second one, unless you thrill to a luridly silly villain—more about her in a bit—and an infestation of digital mummies munching everyone in sight. The plot is subprofessional chaos with vague aspirations to parody. Mr. Cruise, who plays a soldier of fortune named Nick Morton, looks like a baffled bystander when he isn't running, jumping, shooting and fighting his way through the subterranean reaches of contemporary London. (That's where much of the story is set, even though spasms of action take place in Iraq, and on sand dunes meant to evoke "Lawrence of Arabia.")

How could Nick have been made so nonlikable? Unlike Indiana Jones, an archaeologist with a buoyant spirit (or the perfectly pleasant Rick O'Connell in those mummy movies with Brendan Fraser), Nick is basically a robber of graves and antiquities. What's more, according to Jenny Halsey, a beautiful archaeologist played vervelessly by Annabelle Wallis, he's a lover who cannot simulate human feelings for more than a few seconds at a time. (We are mercifully spared any love scenes, or even suggestions of sexual chemistry.) Jenny does say at several points that there's a good man inside him. While that man is struggling to get out, though—struggling with an evil curse that threatens to turn "The Mummy" into "The Exorcist"—Nick says unheroic things like "I don't know who I am" and "I don't know what I'm doing." Neither do we, and we don't give a damn. (The director was Alex Kurtzman.)

What's going on? This question is less general than situational. The basic plot is perfectly comprehensible. An ancient, and particu-



Tom Cruise and Annabelle Wallis as Nick Morton and Jenny Halsey, above, and Sofia Boutella as Ahmanet, below



(2)

larly nasty, princess raises hell on earth after the inadvertent unearthing of her sarcophagus. More often than not, however, it's hard to know where we are, and exactly when. Nick is afflicted by music-video visions that take him here, there and everywhere in temporal spurts, while the script is afflicted

by serious continuity glitches. In one of them, a battle between good and evil is raging in a tunnel of the London Underground, but then Nick and Jenny are suddenly underwater, and not because they borrowed too much on their mortg-

age.

Why is the villain so intractably

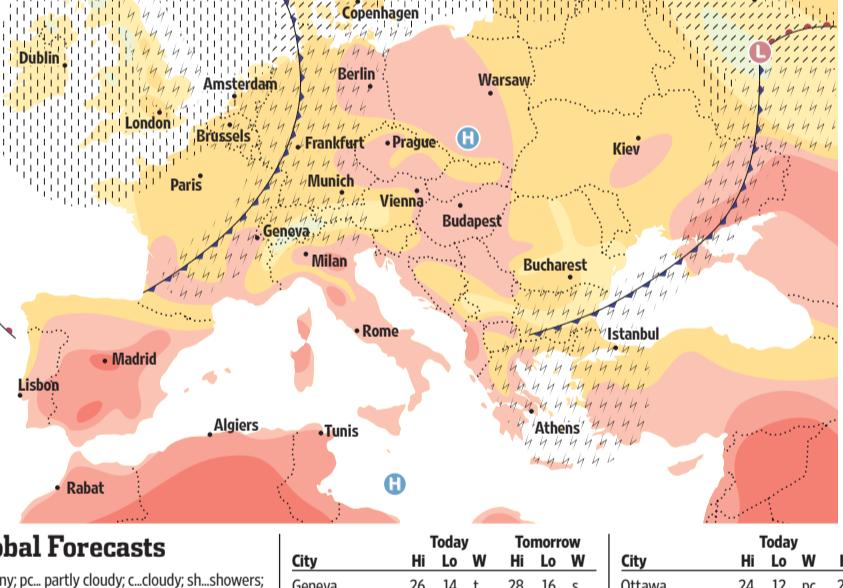
silly? No reason why the mummy shouldn't be female this time around; her name is Ahmanet, she's played by Sofia Boutella and she's formidably statuesque, with a fierce visage enhanced by hieroglyphic tats, though sometimes sullied by holes in her cheeks à la Tim Burton's "Corpse Bride." But

she roareth too much to little avail, whether she's summoning up a sand storm in London (as if London hadn't suffered enough lately) or straining against her chains in a Victorian-looking laboratory of the Prodigium. That's a shadowy organization presided over by Russell Crowe's Dr. Henry Jekyll, who, questioned about his outfit's mission, says only that "our business is evil."

Why has all human feeling been effaced from the film, if indeed feeling was ever present? This question is argumentative, but irresistible, in the wake of "Wonder Woman." Last week we were treated, lavishly, to a summer spectacular that proved the genre could still be thrilling, surprising and deeply affecting. This week, in a resumption of the downward spiral that has afflicted summer movies for many years, we have a dumb retro wheeler that not only damages the career of its star but diminishes the cause of big-screen entertainment. "Be careful," Jenny tells workmen lifting Ahmanet's sarcophagus. "That's 5,000 years old." The film doesn't feel much younger.

Why would we want to see more of the similar, if not quite the same? This question is prompted by the place "The Mummy" occupies as the kick-off attraction of The Dark Universe. These days universes are being discovered with increasing frequency by astronomers, and created, with interconnected characters, by Hollywood production and marketing executives. For them a universe is the core of a franchise, and creating franchises is considered the best way, or maybe the only way, to keep vast numbers of multiplex seats reliably filled. Thus we have DC Comics universes competing with Marvel Comics universes, and now the Dark Universe, a far-reaching Universal Pictures venture that will recycle such classic treasures as "The Bride of Frankenstein" and "The Invisible Man" into big-budget, new-fashioned oldies. (We have not seen the last of Dr. Jekyll.) In an industry cursed by a paucity of ideas, "The Mummy" points to the future by exhuming the past.

## Weather



## Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	19	14	sh	21	15	pc
Anchorage	18	11	sh	14	9	r
Athens	28	19	s	27	19	s
Atlanta	28	19	pc	29	20	s
Bahrain	45	27	s	46	27	s
Baltimore	27	15	pc	30	17	s
Bangkok	31	26	t	32	26	t
Beijing	38	16	s	31	14	c
Berlin	27	12	t	22	12	pc
Bogota	18	10	c	18	10	r
Boise	23	9	c	21	9	c
Boston	22	17	sh	25	18	pc
Brussels	21	12	t	24	15	s
Buenos Aires	14	8	pc	19	6	s
Cairo	37	22	s	35	21	s
Calgary	20	7	s	18	6	r
Caracas	32	27	pc	31	26	pc
Charlotte	28	17	pc	30	19	s
Chicago	29	17	pc	32	22	s
Dallas	32	23	pc	33	22	s
Denver	34	15	s	35	15	s
Detroit	26	16	c	31	21	pc
Dubai	40	29	s	28	s	new
Dublin	18	12	c	20	11	sh
Edinburgh	17	10	sh	18	12	r
Frankfurt	22	11	t	24	14	pc

AccuWeather.com

## The WSJ Daily Crossword | Edited by Mike Shenk



### THE SHOW-ME STATES | By Matt Gaffney

The answer to this week's contest crossword is a U.S. state.	20 Granny, in Germany	36 Trip around the track
Across	21 Zig instead of zag, say	38 Ill-mannered oaf
1 About	22 India's prime minister since 2014	39 Self-promoter's mention
5 Adams or Hamilton	23 Sign maker's instrument	43 Pole, e.g.
10 DNA kit tool	24 1950 noir classic	44 1950 noir classic
14 God associated with oak trees	25 With 56-Down, Uttar Pradesh wonder	45 Android rival
15 Text in a temple	26 Supporting clothing	46 Fit for any car
16 Video game in which players battle the Covenant	27 North Pole worker	50 "Comprende?"
20 Granny, in Germany	28 Flower welcome gift	54 Mimic
21 Zig instead of zag, say	29 Supporting clothing	55 "I'll second that!"
22 India's prime minister since 2014	30 Gay	58 Surrounding glow
23 Sign maker's instrument	31 Flower welcome gift	60 Glimpse
24 1950 noir classic	32 Wishy-washy answer	61 Spotify genre
25 With 56-Down, Uttar Pradesh wonder	33 North Pole worker	
26 Supporting clothing	34 With 56-Down, Uttar Pradesh wonder	
27 North Pole worker		

► Email your answer—in the subject line—to [crosswordcontest@wsj.com](mailto:crosswordcontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, June 11. A solver selected at random will win a WSJ mug. Last week's winner: Brian Kell, Pittsburgh, PA. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

62 Rightsizes one's staff

67 Surrounded by

68 Add some language to, say

69 Buffalo's county

70 "Toodles!"

71 Commits one of a sinful septet

72 Senator from 1959 to 2010

Down

1 Where many work

2 Faith healer

3 Caribbean island

that forms a country with Trinidad

4 Hosp. parts

5 ...und Drang

6 Capture

7 Dot follower

8 Small amount

9 Herbes de Provence component

53 Made weaker

56 See 27-Across

57 Figures out the intentions of

59 Cabinet pt.

62 Purring pet

63 Boston-born Thurman

64 Bird that runs very fast

18 "Don't panic"

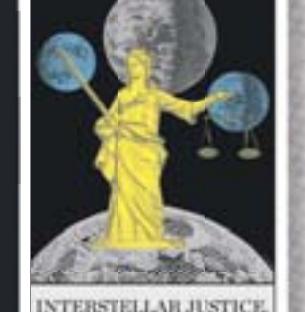
19 Societal standard

24 Testator's words

25 Go over again

66 Spider-Man creation

PUZZLE CONTEST



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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, June 9 - 11, 2017 | B1

Euro vs. Dollar 1.1210 ▼ 0.42%

FTSE 100 7449.98 ▼ 0.38%

Gold 1276.30 ▼ 1.07%

WTI crude 45.64 ▼ 0.17%

German Bund yield 0.257%

10-Year Treasury yield 2.195%

## Yahoo Deal Leads to 2,100 Layoffs

By RYAN KNUTSON  
AND DEEPA SEETHARAMAN

About 2,100 people will lose their jobs at **Yahoo** and **AOL** after **Verizon Communications** Inc. completes its acquisition of Yahoo and combines the two one-time internet rivals, a person familiar with the matter said.

Yahoo Inc. shareholders approved the \$4.5 billion transaction on Thursday. The deal, which was delayed for months by Yahoo's disclosure of two huge security breaches, is expected to close on June 13.

Shareholders also approved compensation packages for Chief Executive Marissa Mayer and other executives tied to the deal. Ms. Mayer could reap some \$187 million in connection with the sale. She is

widely expected to leave Yahoo after the deal closes but hasn't confirmed her plans. Ms. Mayer made no remarks during the special meeting of stockholders Thursday in Santa Clara, Calif., a spokeswoman said.

The layoffs, which affect roughly 15% of the roughly 14,000 people in the combined workforce, will occur evenly across AOL and Yahoo to reduce duplication and streamline the organization, the person said. Employees in product and engineering roles will be the least affected, the person said.

News of the layoffs was earlier reported by technology news site Recode.

Late last year, New York-based AOL laid off several hundred workers to prepare for the



Yahoo shareholders approved the \$4.5 billion sale to Verizon.

merger. Yahoo, which is based in Sunnyvale, Calif., had 8,500 employees as of Dec. 31.

The Yahoo purchase and the

pending layoffs will help wind up a drawn-out deal process that has damped morale at the internet pioneer.

LUCAS JACKSON/REUTERS

AOL CEO Tim Armstrong will lead the combined company under a new Verizon business unit overseen by Verizon executive Marni Walden. The digital-media operation will be known as Oath, but the Yahoo and AOL brands won't go away.

"Consistent with what we have said since the deal was announced, we will be aligning our global organization to the strategy," AOL wrote in a statement. "Oath's strategy is to lead the global brand space. With access to over one billion consumers upon close, we will be positioned to drive one of the most important platforms in the consumer brand space."

Mr. Armstrong chose his leadership team several weeks ago, and that group has helped determine where the layoffs will occur, the person said.

## China's New Web Focus Is Lifestyle

By LIZA LIN

SHANGHAI—In the search for new growth in the world's biggest internet market, China's three tech titans are spending billions of dollars on dozens of fronts to find the next big thing.

The latest battleground is China's lifestyle trends, with companies investing in apps that offer a variety of services including food, face-lifts, child care and bike sharing. E-commerce giant **Alibaba Group Holding** Ltd., social-media champion **Tencent Holdings** Ltd. and search engine **Baidu** Inc. are betting that one-stop shops that match merchants with consumers represent the next wave of consumption.

China's internet giants have been on a tear. Alibaba said Thursday that revenue in fiscal 2018 could grow as much as 49%, sending its shares higher. Both it and Tencent have notched stock-price gains of more than 40% this year.

Still, the country's market of 731 million internet users is peaking, with several times the number of people accessing the web and shopping on smartphones as in the U.S. As growth opportunities narrow, the big three internet companies are increasingly cutting across each others' businesses, including online video streaming, cloud computing and internet finance.

With deep pockets and a powerful influence on day-to-day Chinese life, the companies have amassed a tangled array of investments, becoming kingmakers for startups and contributing to a funding glut that has created more than 100 billion-dollar startups in China, surpassing the number in the U.S.

Tencent, China's most valuable company by market capitalization, is a global game giant and owns China's largest social network, WeChat. The app is prevalent in the lives of its more than 900 million monthly users. In recent years, Tencent has accelerated its push into mobile payments. According to research firm Analysys, it had 40% of China's mobile-payments market, snatching some of that from Alibaba, whose affiliate Ant Financial at one time monopolized the industry.

Alibaba—which runs China's most popular e-commerce websites, Taobao and Tmall, and has more sales than Amazon and eBay combined—chronicles the spending habits of more than 450 million customers through its payments affiliate. It competes with Baidu on internet mapping services in China.

Baidu, whose market capitalization has lagged behind that of its two rivals of late, dominates internet searching in China and is often referred to

Please see **TITANS** page B4

## STREETWISE

By James Mackintosh

### The Hunt For Yield Goes Bad At Popular

When billions of euros of the riskiest bank bonds vanish overnight at the whim of regulators, investors are entitled to wonder if the reams of detailed documentation for similar bonds at other banks are worth the paper they're written on.

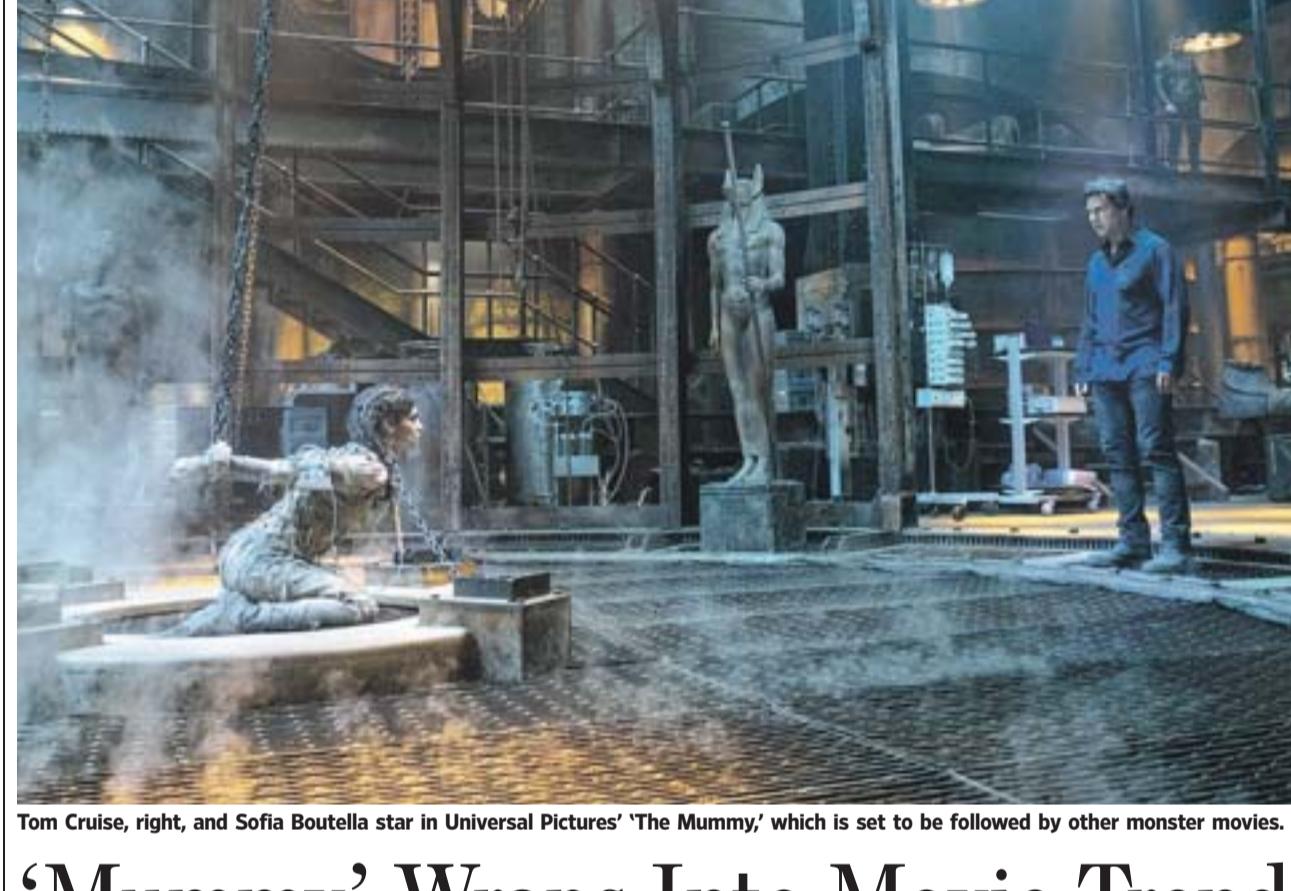
Banks no longer go bankrupt, as the process has been renamed "resolution." But the collapse of the contingent convertible bonds at Spain's **Banco Popular Español**, from 100 cents on the euro at the end of March to zero on Wednesday, summons to mind Ernest Hemingway.

Asked how he went bankrupt, one his characters responded: "Two ways. Gradually, and then suddenly."

In one way the swift execution of Popular was a successful first test of Europe's new bank-failure regime, and the risky bonds that underlie it. Taxpayers didn't pay a penny, there was no contagion to other banks and Spain's sixth-largest bank opened its doors as usual on Wednesday morning.

In another way it was a complete flop, showing the perils to investors of relying on overengineered financial products. Popular was the first failure of a bank with contingent convertible bonds, supposed to provide a private-sector rescue by converting into equity when capital falls below a specified level. (In Popular's case, one CoCo had a relatively

Please see **STREET** page B2



Tom Cruise, right, and Sofia Boutella star in Universal Pictures' 'The Mummy,' which is set to be followed by other monster movies.

## 'Mummy' Wraps Into Movie Trend

Action-adventure film is the latest to fit Hollywood stratagem of creating 'cinematic universe'

By BEN FRITZ

Most big budget summer movies are high-stakes bets for the studios backing them. But "The Mummy" has the weight of an entire universe on its shoulders.

Opening Friday, the \$125-million action-adventure movie from Comcast Corp.'s **Universal Pictures** stars Tom Cruise and is the latest Hollywood release intended to launch a "cinematic universe"—industry speak for a series of movies that aren't sequels but share characters and story elements.

**Walt Disney** Co.'s Marvel Studios, which has grossed \$11 billion over nine years with 15 movies including "Iron Man," "Thor" and "Avengers,"

is the blockbuster standard to which other cinematic universes aspire.

The success of each film has helped fuel follow-ups so that even adaptations of virtually unknown comic books like "Guardians of the Galaxy" have launched with the feel of major franchises.

"Cinematic universes are becoming more and more what studios are doing and audiences are wanting," said Alex Kurtzman, director of "The Mummy" and a producer on the monster movies set to follow it in what Universal is calling its "Dark Universe."

Most major studios now have cinematic universes on screen or in development. They have supplanted the franchise, in which one big

budget movie is followed by sequels or spin-offs, as the biggest scale and potentially most profitable type of product Hollywood can muster.

Launching a cinematic universe presents major challenges, however, because an early misstep can topple the movies intended to follow. That's what happened with

Sony Pictures' plans for "Ghostbusters" and "Spider-Man" universes.

Time Warner Inc.'s **Warner Bros.** has made big adjustments to its DC superhero universe since Chief Executive Kevin Tsujihara in 2014 announced plans for 10 interconnected movies over five years,

in part due to negative fan and critical reactions to its first two releases, "Batman v Superman" and "Suicide Squad."

With "The Mummy," Universal is attempting to generate fan excitement for a universe featuring creatures like Frankenstein's monster, the Wolfman and the Invisible Man, but without making overly grand pronouncements that could set it up for embarrassment later.

"We really want each movie to be able to stand on its own two feet," said Universal Chairman Donna Langley.

"The Mummy" appears headed for a so-so opening of about \$40 million in the U.S.

and Canada, said people who have seen prerelease survey results.

It may perform better overseas though, as evidenced by its \$6.6 million debut Tues-

Please see **MUMMY** page B2

Please see **TITANS** page B4

## INSIDE

## Boeing Says Shift Overseas Won't Dent U.S. Jobs

By DOUG CAMERON

Boeing Co. is moving some work completing aircraft to China and other overseas markets but doesn't expect this to affect its U.S. manufacturing workforce, said the chief executive of the world's largest aerospace company.

Dennis Muilenburg is trying to reshape the company by boosting the profitability of its core commercial-jetliner business and increasing defense exports while trimming costs with job cuts and more automation.

"My goal over time is to add manufacturing jobs, but these will be different kinds of jobs," Mr. Muilenburg said in a recent interview.

Mr. Muilenburg and other manufacturing CEOs are under pressure to help deliver on President Donald Trump's pledge to boost employment in the sector in return for tax and

regulatory changes. However, potential changes to trade policies sit uneasily with some big exporters such as Boeing.

Boeing has been cutting its U.S. workforce through a mix of buyouts and involuntary layoffs, with the aim of revamping its factories through increased automation and use of new technologies it says can lower the cost of jet and defense systems' production. Boeing's employee roll fell to around 145,000 at the end of May, down 30,000 from 2012, though it hired 11,000 new workers last year.

But Mr. Muilenburg said that overseas facilities such as the new plant it is building with a Chinese partner near Shanghai aren't directly harming U.S. jobs. He said the effort is an essential part of doing business in a China market that is expected to generate



CEO Dennis Muilenburg said moving large operations in the U.S. overseas isn't Boeing's intent.



COBALT IS SHOWING SOME PEP

MARKETS, B8

ANDREW HARRER/BLOOMBERG NEWS





## TECHNOLOGY

WSJ.com/Tech

# Alibaba Rides Surge in Revenue

BY LIZA LIN

**Alibaba Group Holding** Ltd. said its annual revenue is on course to grow as much as 49%, sending its shares higher Thursday.

The internet company's finance chief, Maggie Wu, said at an Alibaba investor conference that revenue growth is accelerating. She said the Hangzhou-based company's e-commerce unit is benefiting from offering consumers more-tailored shopping experiences, and noted benefits from its data-technology capabilities.

Alibaba posted revenue growth of 56% in its March-ended 2017 fiscal year, but Ms. Wu noted that results were boosted by the consolidations of acquisitions such as Southeast Asian e-commerce company Lazada and video-streaming site Youku Tudou. Revenue growth would have been about 45% absent those factors, she said.

Alibaba's revenue forecast for fiscal 2018 far exceeded the estimates of 37 analysts polled by S&P Global Market Intelligence. Analysts expected revenue to grow 36% to \$31.3 billion in the year, according to the survey.

Alibaba, the operator of China's largest e-commerce platforms, Taobao and Tmall, has seen its stock surge this year as more Chinese consumers move their shopping online. In May, the internet giant reported profit in the quarter ended March 31 nearly doubled from a year earlier to 10.65 billion yuan (\$1.56 billion) as rising incomes in China drove online consumption.

Alibaba's New York-traded shares were up 13% to \$142.30 Thursday afternoon. The stock's gain for the year of more than 40% outstrips those for U.S. peers.

**CHINA CIRCUIT** | By Li Yuan

# A Glimpse Behind the Great Firewall



When I asked a Beijing-based venture capitalist who travels to the U.S. frequently what foreigners need to know to understand the Chinese internet, he sent me a stream of comments he hears all the time:

"I thought without freedom of expression you can't innovate. I thought with censorship you'd always be confused what product you can do. I thought American companies would be successful if it weren't for Chinese protectionism," ran his list. "I thought Chinese people would really want to see American websites if they could."

While censorship, protectionism and copying are often the first things that many foreigners associate with Chinese tech—and they're undoubtedly important factors—thinking beyond them is vital to understanding the Chinese internet.

China leads the world in many ways: It is the world's largest e-commerce and mobile-payment market. Of China's 700 million mobile-internet users last year, half paid with their smartphones in stores and restaurants, 28% ordered meal delivery and 44% read online fiction, according to a government report.

Here's what you need to know about the Chinese internet and how it is influencing the rest of the world.

1. Chinese aren't clamoring to bypass government internet filters to visit websites such as Google, YouTube and Facebook.

Yes, China heavily censors the internet. Many people are frustrated by the limits on life and work imposed by what's collectively called the Great Firewall.

Still, the majority of Chinese aren't focused on what they can't reach because domestic websites more than



Subway rider uses WeChat in Chongqing. The social-messaging app has over 900 million accounts.

fill the void.

When a 13-year-old relative from the mainland came to visit me in Hong Kong earlier this year, I asked her if she wanted to watch videos on YouTube. No, she said, she prefers Chinese video sites. It isn't about the language barrier; her English is excellent.

It's about familiarity. She grew up watching Chinese TV dramas and variety shows online.

2. Even when foreign apps aren't blocked, Chinese competitors win because so many people are using their products that they become indispensable.

Internet calling and messaging apps Skype, WhatsApp and Slack are accessible, but they're just no substitute for Chinese products that locals are using in droves.

Take WeChat, the social-messaging app from Tencent

Holdings Ltd. that has more than 900 million accounts.

"China runs on WeChat. So do our startups," says Ji Ke, program director at HAX Accelerator. The venture firm brings mostly North American and European hardware startups to Shenzhen to take advantage of the city's proximity to manufacturing facilities and supply chains. One of the first things HAX does with those foreign transplants, Mr. Ke says, is put them on WeChat so that they can communicate with locals, make payments and organize events.

They tried to use Slack several times, he says, but reverted to WeChat after a few days because many of the people they were talking to didn't have Slack.

3. Once a technology or a business model is out there, Chinese nimbly adapt it to

the local market—which in China is known as "micro-innovation."

Oppo and Vivo, the No. 1 and No. 3 smartphone brands by market share in 2016, appeal to young people and residents in smaller, less-wealthy cities. Their phones look like iPhones and pack many of the same features, but with China's lower cost base for manufacturing, they cost less than half the price of an iPhone.

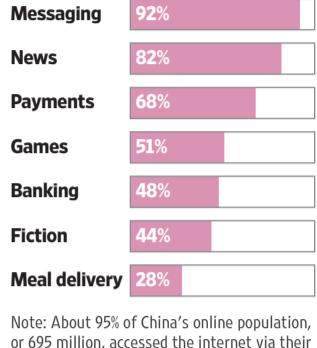
That has helped Oppo and Vivo double their market share, while Apple's has fallen by 13% to the fourth position.

Meituan Dianping started as a copycat of Groupon, the daily-deals site. Now, Meituan delivers meals, books hotels, sells movie tickets and offers a Yelp-like rating service. Groupon remains, well, a daily-deals site.

4. Rapid adoption is creat-

## Going Mobile

China's mobile-app usage in 2016 as a percentage of total mobile-internet population



Note: About 95% of China's online population, or 695 million, accessed the internet via their phone in 2016.

Source: China Internet Network Information Center

THE WALL STREET JOURNAL.

ing demand for new products and business models.

China's mobile-payment volume rose by almost four-fold in 2016 to 58.5 trillion yuan (\$8.6 trillion), according to iResearch. Some \$800 billion of that went to ride services, games and shopping. By comparison, mobile payments in the U.S. rose 39% to \$112 billion in 2016, according to Forrester Research.

5. Now the copying has reversed—in some ways.

Facebook followed WeChat's footsteps in adding e-commerce, friend-to-friend money transfers and ticket buying—which the website Tech in Asia called "Facebook's WeChat-ification." Apple announced this past week that its iMessage service will also support a friend-to-friend payment transfer feature.

When my Wall Street Journal colleagues reported last week that fast-food chains and high-end restaurants in the U.S. are expanding lunch-delivery services, my first thought was, "This is so China in 2015."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

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# Trump, Brexit and the Rise of the Unprotected

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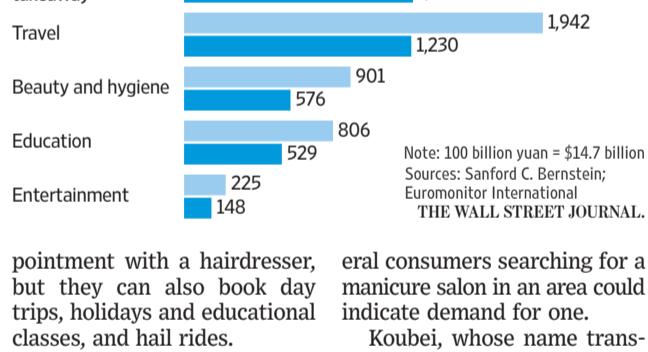
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## TITANS

### Mobile-Driven Consumption

China's consumer spending online is expected to increase sharply by 2020.



General consumers searching for a manicure salon in an area could indicate demand for one.

Koubei, whose name translates to "word-of-mouth" said it can sell services to businesses that want to better manage their customer base and customize promotions.

"Restaurants know very little about their customers," said Koubei CEO Samuel Fan, whose app leverages Ant Financial's customer database. "They don't know if he lives nearby, or is he a student or a professional? How does he shop online? We offer them our database of information to give them this insight."

Meituan-Dianping, the \$18 billion industry leader, uses order and browsing history to send targeted ads. It has added ride-hailing and homestay bookings to the app.

The company has five million merchants on its platform, the most among the three. Nuomi has two million, while Koubei has 1.5 million.

—Lillian Lin contributed to this article.

# Uber Fires a Top Executive in India

BY GREG BENINGER

**Uber Technologies** Inc. has fired a top executive who obtained medical records of a woman raped by her Uber driver in India, and then shared the documents with Chief Executive Travis Kalanick, according to a person briefed on the matter.

Eric Alexander, Uber's president in Asia, sought the medical report in 2014 in pursuit of a theory that local rival Ola pushed the story to damage Uber's reputation in India, this person said. Uber fired

Mr. Alexander on Tuesday after reporters inquired about the matter, this person said.

Mr. Alexander didn't respond to a request for comment. A spokesman for San Francisco-based Uber confirmed Mr. Alexander was fired Tuesday but declined to provide details. Representatives of Ola, whose parent is ANI Technologies Pvt. Ltd., didn't immediately respond to a request for comment.

The matter stems from an incident in December 2014, when a New Delhi woman claimed she was taken by her

Uber driver to a secluded area and raped.

Mr. Alexander obtained the medical records soon after the incident and showed it to several high-ranking Uber officials, including Mr. Kalanick, this person said.

The Uber spokesman said Wednesday the company worked with law enforcement and provided witnesses to the prosecution for the crime. Mr. Alexander was among those who testified at the trial.

The driver was convicted in late 2015 and sentenced to life in prison.

## FINANCE & MARKETS

# Wells Attempts a Pivot to Growth

After months of focus on scandal, bank faces challenges in trying to expand business again

By EMILY GLAZER

Wells Fargo & Co. has spent roughly nine months working to reform the sales culture that led to a \$185 million fine, public humiliation and the departure of its chief executive. Now, the bank is confronting a new challenge: growing again.

So far, the San Francisco-based lender has focused on cutting costs and urging investors to be patient, though shareholders, analysts and some employees question how the bank will match its past performance without the sales tactics that got it in trouble.

Complicating the bank's challenge are broader factors including low interest rates and a sluggish U.S. economy. "If you turn the clock back 10 years ago, we were in an environment where the economy was growing more quickly and revenues, candidly, were a little bit easier to come by," Chief Executive Timothy Sloan said during an investor conference last week.

Wells Fargo was fined \$185 million in September by regulators for opening as many as 2.1 million accounts that used fictitious or unauthorized customer information. The bank and regulators disclosed then that the bank had fired 5,300 employees over five years for improper behavior including opening up accounts for customers without their knowledge.

Since the fall, the bank's revenue growth has slipped for the first time in years. Its shares are the worst-performing of the four biggest U.S. banks both year to date and since the November election.



SMITH COLLECTION/GADO/GETTY IMAGES

Wells Fargo shares are the worst-performing of the four biggest U.S. banks this year.

Asked about growth, a Wells Fargo spokeswoman noted the bank's diversified business model and strong, steady results as well as opportunities in its wholesale, wealth and investment management, and consumer busi-

nesses.

Getting the retail division right is crucial for Mr. Sloan and other Wells Fargo executives. It sits in the bank's community banking unit, which last year accounted for more than 50% of Wells Fargo's overall net income.

Wells Fargo's return on equity, a key measure of profitability, was down to 11.5% last quarter from its recent high above 14% in 2014.

Even as it contends with broader economic trends affecting all banks, Wells Fargo must address lingering and potentially distracting impacts of the scandal.

Agreements with regulators have put the bank in a less likely position to ask for approval on certain deals it

would have pursued in the past.

In December, the bank was sanctioned by U.S. regulators over its "living will" contingency plan, required of all banks, on how it would avoid a taxpayer bailout if it were about to go bankrupt. In March, it was downgraded on its ability and willingness to serve lower-income populations. The bank later passed the living-will test, and it is cooperating with other investigations.

As it moves ahead, Wells Fargo has many among its 75,000 retail-bank employees who feel hamstrung by the company's new way of doing business. The bank eliminated product sales goals, concluding they had been emphasized too much and led employees to use questionable tactics to meet their numbers.

A new incentive-compensation system this year seeks to change the orientation of the retail division from lofty product-sales goals to a focus on

customers' overall satisfaction. Employees are measured on customer service, customer usage and deposit growth, among other factors.

Questions, however, persisted about the new strategy and growth during the bank's investor day last month.

"It seems like a lot of what

you're saying over retail strategy is pretty ambitious, and it

seems like there's a fundamental tension between a lot of what you're trying to do," UBS Securities LLC analyst Saul Martinez said during the investor day.

Mary Mack, the executive in charge of Wells Fargo's retail branches, responded to Mr. Martinez that there is "alignment" between the business changes she has enacted and the bank's growth plans.

She also told analysts Wells Fargo was increasing its "loans, de-

posits and investments."

Speaking at last week's industry conference, Mr. Sloan said it would take time for the company's postscandal approach to bear fruit. "You don't just roll out a plan to 75,000 people and say, 'good luck,' right?" he said. "There is a lot of management that is required to make sure that that plan is in place."

in her unit.

"We have to help people continue to get comfortable with the change and create clarity" for employees, she said in a recent interview.

In preparing for certain reviews recently, a bank finance manager advised some regional executives they should be prepared for conversations with Ms. Mack to shift from seeking stability post-scandal "to growth and strategies around spurring growth," according to an April email reviewed by The Wall Street Journal.

Yet some employees have expressed concern it isn't clear how to drive new business absent the bank's prior emphasis on product sales. One executive said questions among employees include: "How am I going to grow the business...with these constraints? How do I do it in a way that doesn't appear to be sales pressure?"

Meanwhile, Wells Fargo's numbers are falling. In March, the most recent data available, consumer checking-account openings at Wells Fargo fell 35% and credit-card applications dropped 42% from a year earlier.

While the decline is less severe than seen soon after the September announcement, bank executives said last week that they don't expect the credit-card business to bounce back for a few quarters. A spokeswoman noted that internal customer-loyalty scores had increased since the scandal.

Mary Mack, the executive in charge of Wells Fargo's retail branches, responded to Mr. Martinez that there is "alignment" between the business changes she has enacted and the bank's growth plans. She also told analysts Wells Fargo was increasing its "loans, de-

posits and investments."

She is also focused on shifting the bank's culture through manager training this summer and recent executive shuffling

## JPM Chief Operating Officer Is Leaving

By EMILY GLAZER

J.P. Morgan Chase & Co. said Matthew Zames, its chief operating officer, once seen as a possible successor to Chief Executive James Dimon, is leaving the bank.

Mr. Dimon sent a memo to employees detailing Mr. Zames's decision to leave the bank after 13 years, which was reviewed by The Wall Street Journal.

Mr. Zames oversaw a number of groups across the bank including cybersecurity, technology, real estate and other functions.

Mr. Zames's departure came after he sought to lead a business unit within the bank, according to a person familiar with the matter. His effort was unsuccessful because there wasn't expected movement among top J.P. Morgan executives, the person added.

According to Mr. Dimon's memo, the chief investment office and treasury division, led by John Horner, will report to Chief Financial Officer Marianne Lake. The global technology group, led by Dana Deasy, will report to corporate and investment bank head Daniel Pinto and consumer banking head Gordon Smith. The COO's global operations unit, as well as global investigations, military affairs and other general services, overseen by David Owen, will report to asset management chief Mary Callahan Erdoes and commercial banking chief Doug Petno.

Corporate strategy, led by Patrik Ringstroem, and private investments, led by Rick Smith, will both report to Mr. Dimon.

## U.S. Lawmakers Target Finance Rules

WASHINGTON—The House was poised to pass sweeping legislation Thursday that would rewrite the rules governing Wall Street, an opening

By Andrew Ackerman,  
Ryan Tracy  
and Rachel Witkowsky

Republican bid to encourage economic growth by loosening regulation of the financial sector.

The GOP-led bill, called the Financial Choice Act, is unlikely to become law as it isn't expected to earn enough support in the Senate. Aspects of the legislation could be implemented by the Trump administration, but officials there have laid out a more modest agenda. The administration is expected to release a report next week outlining its financial regulatory goals.

The Choice Act, which was expected to advance through the House along party lines, would mark the first time Republicans have successfully passed broad legislation aimed at replacing the 2010 Dodd-Frank financial-overhaul law, the Obama-era response to the financial crisis.

Senators are working on their own regulatory rollback, which they hope to pass with support from at least some Democrats. But the Senate is preoccupied with other priorities, such as health-care and tax overhauls, and it is unclear if it will even take up a broad financial-overhaul package.

The House's Financial Choice Act would unwind major parts of Dodd-Frank by relieving healthy banks of some regulatory requirements and forcing failing firms through bankruptcy rather than a liquidation process spearheaded by the regulators.

It would also repeal the Volcker rule, which restricts banks from speculative trading. Supporters of the Choice Act say scrapping what they view as onerous regulatory requirements will ultimately help smaller businesses, allowing them to grow and create jobs.

"Dodd-Frank represents the greatest regulatory burden on our economy," Rep. Jeb Hensarling (R., Texas), the author of the Choice Act, told reporters Wednesday.

To garner sufficient votes



Republican Rep. Jeb Hensarling of Texas is the author of the Financial Choice Act.

to pass the measure, Mr. Hensarling agreed last month to remove a controversial provision that capped the fees banks charge merchants for debit-card transactions. The provision pitted retailers and banks against one another and had divided GOP lawmakers.

The main trade-off embedded in the Choice Act: Banks can win significant regulatory relief if they maintain a so-called leverage ratio of 10%, meaning they must fund every \$100 of loans or investments with at least \$10 of equity raised from investors, as opposed to borrowed money like deposits.

Supporters say relying less on borrowed money makes banks more stable. Most big banks oppose the idea because they don't meet that standard today. The current requirement is about 5% for the biggest banks.

Another target of the bill is the Consumer Financial Protection Bureau, a federal agency created by Dodd-Frank to write rules and examine financial-services firms for compliance with consumer protection policies. Mr. Hensarling's bill would eliminate the CFPB's supervisory and rule-writing functions, reducing it to an enforcement agency.

Democrats generally support higher bank-capital requirements, but they say Mr. Hensarling's bill puts Americans at risk by cutting many other regulations. They oppose most changes to the consumer bureau, among other provisions in the bill, which some have dubbed "The Wrong

Choice Act."

"It's a deeply misguided measure that would bring harm to consumers, investors and our whole economy," said Rep. Maxine Waters of California, the top Democrat on the House Financial Services Committee, in a statement. "The bill is rotten to the core."

In a move symbolic of their opposition, House Democrats weren't expected to offer amendments to the GOP measure on the floor. In the lead-up to the vote, they withdrew proposed amendments that could have divided the Democratic caucus, such as whether to support Wall Street efforts to repeal an Obama-era regulation related to retirement advice.

A spokeswoman for the House Democratic leader, Rep. Nancy Pelosi of California, said the decision reflects Democrats' belief the House bill is "fatally flawed."

The Trump administration, which has been supportive of Mr. Hensarling's efforts, can make only limited changes to Dodd-Frank without congressional action. It has signaled it is taking a less aggressive tack on key issues than the House.

For instance, on the Volcker rule, only Congress can repeal it altogether. Treasury Secretary Steven Mnuchin, unlike Mr. Hensarling, has said he supports keeping the rule in effect, though he is pushing financial regulators to make complying with it easier.

White House National Economic Council Director Gary Cohn, a former top executive at Goldman Sachs Group Inc.,

has criticized a stricter leverage ratio by pointing out that it can curb the loans that banks make.

While the Choice Act is unlikely to advance in the Senate, Idaho Sen. Mike Crapo, chairman of the Senate Banking Committee, has said he would advance bills through his committee that have Democratic support. He is working with Ohio Sen. Sherrod Brown, the committee's top Democrat, on separate legislation addressing parts of Dodd-Frank.

The pair haven't announced any deal. Republicans and Democrats in the Senate so far have been able to agree only on relatively minor changes to Dodd-Frank.

That means the Senate is unlikely to take up some of the more controversial provisions in the Choice Act, according to a GOP Senate aide, such as requiring the 10% leverage ratio for regulatory relief, stripping some of the powers of the consumer bureau, and repealing the so-called orderly liquidation authority in Dodd-Frank for the government to unwind a failing financial firm.

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## FINANCE & MARKETS

# Private Equity Takes Aim at Asia

BY JULIE STEINBERG  
AND LIZA LIN

Two big private-equity players are planning to raise billions of dollars to invest in Asian companies, in a sign of how the region is becoming a hotter draw for global money after a slowdown during the past few years.

**Morgan Stanley** is talking to investors to gauge interest in a new \$2 billion Asia-focused private-equity fund it plans to launch during the next few months, according to people familiar with the matter.

Separately, Hong Kong-based **All-Stars Investment Ltd.**, an early investor in China's Uber equivalent, **Didi Chuxing Technology Co.**, is seeking to raise \$800 million for a new private-equity fund aimed at late-stage Chinese technology startups, said All-Stars' Chief Investment Officer Richard Ji.

The two firms join a rush of other private-equity funds raising money for investments in Asia during recent months, as yield-hungry investors are drawn by the region's continuing promise of growth. Private-equity giant **KKR & Co.** last week closed a \$9.3 billion fund dedicated to investments



Morgan Stanley plans a \$2 billion Asia-focused fund.

so far this year, ahead of the roughly \$20 billion raised in the first half of last year, Preqin said.

Morgan Stanley's new fund will be the fifth from its Asian private-equity arm, and is expected to be slightly larger than the previous one, which raised \$1.7 billion in 2014. The funds are weighted heavily toward investments in China and in industrial- and consumer-product companies.

They have had successes including a return of nearly five times the \$26 million investment in Hong Kong financial services firm **AMTD Financial Planning Ltd.**, when Morgan Stanley sold the majority of its stake in 2015, according to an internal marketing document viewed by The Wall Street Journal. The funds netted investors an annual return of 19.4% after fees as of September 2016.

Morgan Stanley Private Equity Asia has had one significant black eye, however: Chinese chemicals firm **Tianhe Chemicals Group**, in which it invested a few years before the company went public on the Hong Kong exchange in 2014. Hong Kong regulators recently suspended Tianhe from trading over concerns that the company's initial public offer-

ing prospectus and other statements had "materially false, incomplete or misleading information," Tianhe said in a securities filing. Tianhe said it is seeking legal advice on how to address the regulator's concerns and resume trading.

All-Stars, which has more than \$1 billion under management, was also an early investor in smartphone maker **Xiaomi Corp.** and **Airbnb Inc.** rival **Tujia**. It is looking to put money in domestic internet startups again, now that the skyrocketing valuations that many Chinese tech firms had a few years ago have come down, said Mr. Ji, a former Morgan Stanley analyst.

Mr. Ji said part of the pressure on valuations has come from a scarcity in dollar funding for Chinese startups due to the tightening in China's capital controls during the past year. That tightening has made it harder for the Chinese investors who provided some of that funding to convert their yuan into dollars. Investors are also skeptical about the outlook for China's economic growth, he said.

Still, All-Stars bets that Chinese internet companies and other tech firms will continue to grow fast even if traditional industries falter, he said.

## Stocks Get Lift From Financials

BY AKANE OTANI  
AND RIVA GOLD

Rising financial shares helped U.S. stocks eke out slight gains Thursday.

Major U.S. indexes drifted between modest gains and losses during

**THURSDAY'S MARKETS** the session, extending a pattern of quiet trading that has left stocks little changed for the week.

The strength in corporate earnings has kept stocks buoyant this year despite political uncertainty in the U.S. and elsewhere, investors and analysts say.

"The market's just shrugging off all this swirling noise around it," said JJ Kinahan, chief market strategist at TD Ameritrade. "If you're of the belief that earnings drive the market, well, earnings have been pretty good. And that's supporting stocks."

The Dow Jones Industrial Average rose 8.84 points, or less than 0.1%, to 21182.53. The S&P 500 also rose less than 0.1%, and the Nasdaq Composite gained 0.4% to a record.

Financial stocks in the S&P 500 gained 1.2% by late afternoon in New York. Dow components **J.P. Morgan Chase** rose 1.2% and **Goldman Sachs Group** added 1.4%.

In Europe, the Stoxx Europe 600 fell less than 0.1% to 389.15 after the ECB left its interest rates and bond-purchase program unchanged, as expected, but tweaked its policy statement to remove a reference to possibly cutting rates further in the future.

The central bank also lowered its inflation forecasts at its meeting Thursday.

The euro was trading 0.4% lower against the U.S. dollar.

The yield on the 10-year U.S. Treasury note rose to 2.195%, from 2.180% Wednesday. Yields rise as prices fall.

## Elliott Advisors Adds Investing Firepower

BY LAURENCE FLETCHER

Hedge fund **Elliott Advisors** has recruited a head for its European private-equity operations to give it greater fire-power beyond the activism in stocks and bonds for which it is known, according to a person familiar with the matter.

The firm, the European affiliate of Paul Singer's Elliott Management Corp., hired Paul Best, who was previously managing director at Warburg Pincus, in the newly created role, said the person.

The move comes amid an

increased appetite among investors to access private markets. Hedge-fund returns from actively trading public stock markets in recent years have often been poor, while concerns have grown that strong gains from passively tracking equity markets could quickly reverse.

Private-equity returns, in contrast, have been buoyant of late. Funds produced an annualized 15.3% over the three years to September, according to a blended return from funds compiled by data group Preqin. Hedge funds' annual-

ized return was 5.6%.

Elliott, which runs \$32.7 billion and is known for activist campaigns in stocks such as **Akzo Nobel** and Arconic Inc. and a successful battle over payouts to holders of Argentine debt, has invested in private equity for years. Investments have included Charter Court Financial Services and **Ark Data Centers**.

The latest hire marks a step up in its private-equity ambitions. The aim is to give Elliott more expertise in purchasing companies amid what it sees as a growing opportu-

nity in private equity, the person said.

Mr. Best, a Cambridge University graduate who started on Monday and reports to Gordon Singer, the head of the London office, is the first employee in Europe to focus solely on private equity. He has sat on the boards of companies including U.K. budget retailer **Poundland** and Dutch cable company Zigggo.

Last month Mr. Singer wrote to investors warning about equity prices.

"Eight-plus years of radical monetary easing in the devel-

oped countries has created a world of manipulated (by governments) and false prices," he said in the letter, which was reviewed by The Wall Street Journal. There has "never been a larger (and more undeserved) spirit of financial market complacency in our experience."

The firm, which also invests in commodities and real estate, has made money in its **Elliott Associates** LP fund almost every year since its launch in 1977, last losing money in 2008.

—Laurence Fletcher

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## MARKETS

# 'Boring' Cobalt Market Shows Some Pep

Electric cars put the metal in the spotlight as some investors amass all they can get

By STEPHANIE YANG

Every few months, Robert Mitchell travels from his office near Portland, Ore., to a Connecticut warehouse and checks in on his biggest investment.

Mr. Mitchell's fund owns millions of dollars worth of cobalt. He is so confident that its use in electric-car batteries will cause demand to surge that he has been buying and storing more than a thousand metric tons of the stuff—worth more than \$56 million at current prices.

He feels he has little choice but to hold physical metal, because acquiring a cobalt position in financial markets is so hard.

"There's a lot of money looking for a home in cobalt," Mr. Mitchell said. "They really don't have a great way to play it."

Cobalt has long been a component in tires, magnets and smartphones. Now, it is the latest material, along with lithium and copper, to benefit from its use in the lithium ion-batteries that power electric vehicles.

Slightly more than half of all cobalt bought or sold last year went toward rechargeable batteries, up from 20% in 2006, according to Benchmark Mineral Intelligence.

Battery manufacturers' soaring demand for the hard, silvery metal has propelled cobalt's value to its highest level since 2008. Prices are up 70% this year through Wednesday at \$56,500 a metric ton, making it the top-performing commodity traded on a major futures exchange.

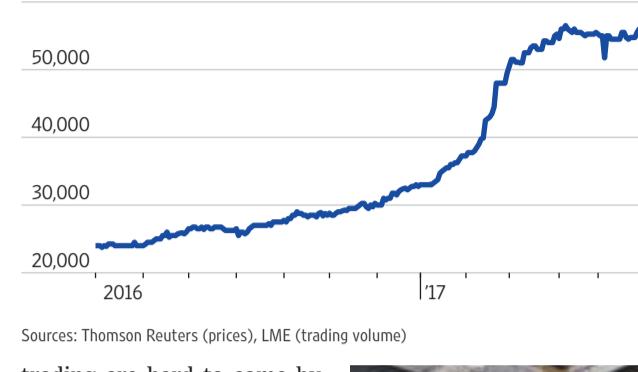
Yet there is a problem for many investors eager to add a position: How do you get it?

Reliable data on cobalt

### A Charged-Up Trade

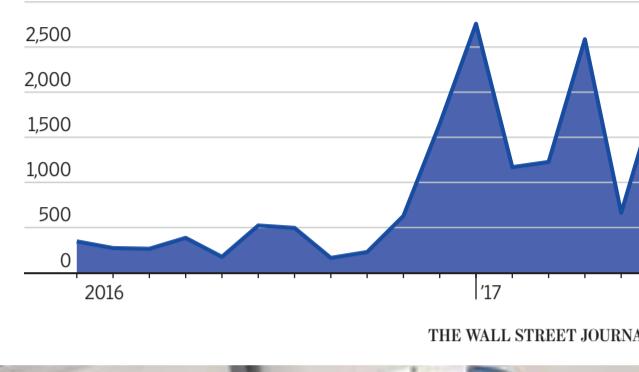
Cobalt prices are skyrocketing as investors and battery manufacturers stock up, predicting a shortfall in the next few years.

#### London Metal Exchange cobalt price



Sources: Thomson Reuters (prices), LME (trading volume)

#### LME cobalt trading volume, monthly



THE WALL STREET JOURNAL.

trading are hard to come by, since the majority of transactions occur directly between the handful of specialized trading houses, producers and consumers of the metal. The ranks of traders shrank after the financial crisis and subsequent collapse in commodity prices drove many firms that deal in cobalt out of the business, traders said.

Physical trading activity still exceeds that of the seven-year-old futures market. While volume in cobalt futures on the London Metal Exchange quintupled during the first five months of 2017 over the same period last year, the lack of participants keeps prices vulnerable to sudden swings. On May 4, for instance, prices dropped by more than \$3,000 a ton in one day, driven down by one seller before recovering, traders said.

Instead, some money managers have purchased shares of companies that produce cobalt.

But since cobalt is a by-product of copper and nickel mines, the big producers come with a lot of exposure to other metals. Copper is up 1.6% so far this year, but nickel has dropped by nearly 12%.

The dearth of options has prompted investors like Mr. Mitchell, the general partner of Portal Capital LLC, to buy



Robert Mitchell's fund has more than a thousand metric tons of cobalt in Connecticut warehouses.

STEPHANIE YANG/THE WALL STREET JOURNAL

the mineral instead. Mr. Mitchell began buying cobalt in April of last year, when it was trading at nearly \$24,000 a metric ton. He also has taken positions in a number of minor metals, like uranium and germanium, that he felt were mispriced. Last year he began focusing on cobalt and lithium in a bid to play the rise of electric cars.

About 20% of his portfolio is in shares of companies that produce battery materials. The

rest is in physical cobalt, which he stockpiles in two warehouses in 250-kilogram drums.

He even stores cobalt for other investors who aren't invested in his fund but want to own the metal. He chose to keep his haul in Connecticut because the East Coast receives big cobalt deliveries.

Mr. Mitchell said whenever he is in New York for business meetings, he stops by the warehouse to talk with the

warehouse managers about what they are "seeing and hearing" about the metal.

Lithium surged early last year as Tesla Inc. started to expand the market for battery-powered cars. Many investors seek to participate in lithium gains by owning shares of producers like Albemarle Corp. and Galaxy Resources Ltd.

Metals including copper, aluminum and nickel are also beginning to generate more demand related to electric

cars. Electric vehicles use copper as a conduit for electricity, and aluminum is expected to increasingly replace steel as manufacturers seek to lighten automobiles.

But no other commodity has been moving as rapidly as cobalt. Matthew Langford, portfolio manager at Terra Capital, has about 35% of the fund's \$100 million in assets invested in cobalt and lithium stocks.

Mr. Langford considered buying physical cobalt but was worried that unloading a big pile of cobalt might be difficult if he needed to sell quickly. Instead he purchased shares of cobalt miners such as eCobalt Solutions Inc. and Equator Resources Ltd. last June.

A Toronto-based firm called Cobalt 27 is hoping to capitalize on the booming demand for cobalt and its lack of investability by creating a publicly traded vehicle that buys the material and royalties on mining assets. The firm said it is in the process of raising money and is seeking a stock-market listing.

Battery makers are also purchasing more cobalt themselves, analysts and traders said, to stock up on cobalt before prices rise further.

Cobalt faces other issues that threaten to make it scarcer: A lack of mine investment due to years of low nickel and copper prices could spark a shortage in cobalt supply in the next few years, analysts said.

But some suggest the opposite is more likely: Morgan Stanley analysts warn that the material's prospects may dim as battery makers buy cheaper metals instead of cobalt, and the restart of major copper mines adds to market supply.

"It's been a rather boring, tedious market," said Guy Darby, owner of U.K.-based cobalt trading firm Darton Commodities. "Now is the fun time."

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

### For ECB, Slow Is the Way to Go

The European Central Bank is shifting policy by fractions of a degree by removing the suggestion of further cuts to already deeply negative rates. Markets shouldn't confuse the move however. The message remains very dovish.

Importantly, ECB staff, despite raising their growth outlook, cut forecasts for inflation to 1.5% in 2017, 1.3% in 2018 and 1.6% in 2019—still some distance from the target of "below, but close to" 2%. ECB President Mario Draghi continued to warn that there was still no sign of a convincing pickup in underlying inflation, despite saying risks to the growth outlook are now "broadly balanced."

He is clearly reluctant to close down his options. So while the ECB ended its easing bias on interest rates—a cheap concession, since no one expected a further rate cut—it officially remains ready to extend or expand its bond-purchase program. That makes it hard to see Thursday's tweak as a real step toward the exit from ultraloose monetary policy.

But further bond buying may yet prove tricky. In the past two months, purchases of German bonds have fallen short of the amount indicated by the "capital key" that divides up buying across eurozone members by size. That has raised some concerns about scarcity of paper to buy.

Investors, judging by the calm in the euro and European interest rates, seem willing for now to be patient. At Mr. Draghi's snail's pace, substantive talk about the exit from either negative rates or bond buying may only come toward the end of the year. —Richard Barley

### Power Play Squeezes Auto Parts

#### Peer Pressure



Sources: FactSet; Bloomberg News (photos)  
THE WALL STREET JOURNAL.



An employee at a battery factory in Germany

cathodes as they did in 2015. Brokerage Liberum Capital forecasts growth here will more than offset the decline of Umicore's catalyst business.

Meanwhile, Johnson Matthey's battery-materials revenues fell 2% over the year through March. There is plenty of life left in Johnson Matthey's catalyst business: Total catalyst sales rose 4% over the year through March. This legacy business should generate substantial cash for some time.

A major gap has emerged between the companies' valuations: Johnson Matthey's stock is cheap for the chemicals sector, at 13 times earnings, while Umicore's is expensive at 23 times. But with mounting evidence that car makers are turning to batteries to solve their emissions problems, Johnson Matthey shares could become a value trap. Umicore's growth looks the less risky bet. —Stephen Wilmot

### OVERHEARD

Someday investors might fall in love with stock pickers again. But rebranding active fund managers won't bring the cash flooding back.

On Tuesday, retirement giant TIAA launched a new robo-investing service. When using TIAA's new products, investors will be able to choose from three buckets: active, passive or socially responsible. The catch is that passive isn't passive; it is "basic." Active is now "insight," which assumes fund managers actually offer some.

Their record doesn't back that claim. The majority of active managers have beaten their benchmarks just twice in the past decade, and last year just 19% had enough insight to do so, according to Goldman.

TIAA's timing might be good. So far this year, just over half of large-cap mutual-fund managers are beating their benchmarks, but mainly by loading up on hot tech stocks. Not so much insight there.

### Citigroup: Cheap for Now, but Turnaround Is in the Works

Citigroup, the last truly cheap major bank in the U.S., is approaching two key turning points that should help its shares close in on a better valuation.

The major overhang for the bank is excess capital. Its common-equity Tier 1 capital ratio of 12.8% is significantly higher than the three other largest U.S. banks. A ratio of around 11.5% would be sufficient to keep it comfortably above regulatory minimums.

These high levels of capital in turn drag down its return on equity, which at 7.4% in the first quarter remains decidedly subpar. This helps explain why the bank trades at just 0.8 times book value, compared with an average 1.2 times for its three closest peers.

The Federal Reserve holds the key to solving this problem through the annual stress tests, which determine how much capital banks can return to shareholders. Following last year's test, Citigroup announced that it would return \$10.4 billion to shareholders over four quarters starting in the third quarter of 2016. It later raised this amount to \$12.2 billion. That still falls well short of the roughly \$15 billion of net profits that Citigroup earned over the period, meaning excess capital is still accruing.

The results of the latest stress tests will be announced in late June, and investors are expecting to see a significant increase in Citigroup's dividends and share buybacks. If the company can start paying out more than it earns, as appears likely, it will start the process of reducing the excess capital.

Coincidentally, Citigroup's aggressive expansion of credit-card lending is expected to start paying off around the same time, in the second half of this year. The bank began rolling out new cards in the middle of 2015 and said at the time that it would take around two years for them to become profitable as borrowers start to build up balances and pay interest.

Separately, Citigroup acquired American Express's Costco credit-card business in June 2016. It initially had

earlier to \$126 billion in the first quarter. The high rates on these loans should help Citigroup boost its overall returns.

The risk, of course, is that defaults could be higher than expected, especially on its \$44 billion portfolio of cards issued in partnership with retailers, which target less-creditworthy borrowers. Given recent signs that consumers are getting overstretched on auto and student loans, this risk bears watching in the quarters ahead.

Nonetheless, the overall picture at Citigroup is of a bank finally turning the page on lingering issues. America's cheapest major bank looks like a good bet.

—Aaron Back

#### Capital Buildup

Citigroup's common-equity Tier 1 capital ratio



Source: the company  
THE WALL STREET JOURNAL.

to book provisions for losses on existing loans, but gave guidance indicating that the portfolio would start contributing to the bottom line in the second half of 2017. The bank's total credit-card loans in North America were up 17.7% from a year

As elite restaurants grow cost-prohibitive, the 'fast-fine' category is born **W3**



# OFF DUTY



Concoct a classic Salade Niçoise for four in a mere 20 minutes **W4**

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Friday - Sunday, June 9 - 11, 2017 | **W1**

M

IS FOR METALLIC

## WALLPAPER: An A-to-Z GUIDE

Overwhelmed by choice? Hang two wall coverings in the same room. Here, 26 to mix and match, plus pro advice on seamless combinations

F

IS FOR FLORAL

Z

IS FOR ZOOLOGY

BY DEBRA JO IMMERGUT

**F**OR MANY HOMEOWNERS, walls papered in even one pattern are the stuff of nightmares. Haunted by memories of the blaring flower-power prints of the 1970s or the chintz-and-stripes overload of the '80s—and especially by the money and tedious hours spent remediating such fashionable forays—even design pros have shied away from wallpaper.

"I used to fear it," said New York interior designer Phillip Thomas. But water-soluble adhesives have supplanted oil-based pastes, he noted, making for easier paper removal that's kinder to drywall. Now that you can strip a room in only a few hours, he no longer shrinks from committing his clients to wallpaper.

Upping the ante, Mr. Thomas and his professional peers have taken to hanging more than one pattern in a single room—a bravado move in keeping with the eclectic exuberance of maximalism that has replaced the

Please turn to page W6

## OFF DUTY

# Wilder Dreams

Hoping to avoid coddling and control-freak guides, a family heads to a lodge deep in Alaska where nature is served up raw



ARTURO POLO ENA (PARK, LODGE); DIANA KAPP (BEAR, KAYAKS); MAP BY JASON LEE

BY DIANA KAPP

**IN OUR WANDERINGS** over the years, from Japan to Italy, we have arrived travel-worn at lodges to be handed a flute of fresh-squeezed juice, or a frosty bottle of water. At a mountain hideaway in India, the proprietor received us by pressing a red-powder dot onto our foreheads. But at Tebay Lodge, nestled deep in Alaska's Wrangell-St. Elias National Park and Preserve, about two hours from Anchorage by amphibious prop plane, the welcoming gesture was an introduction to the air horn. "You will find an air horn in every room. Don't go anywhere without it," Jay Claus boomed to my family of five—myself, my husband, my two teens and a tween. "Blow it and I'll know there is a bear in camp. I'll come running with my gun," he said matter-of-factly. "Even to the bathroom in the middle of the night. Especially then."

Tebay Lodge, which opened last June on the banks of sapphire-blue Tebay Lake, sits in a major bear thoroughfare, midway to the animals' all-you-can-eat buffet that is the summer spawning ground of the Copper River salmon just up lake. Jay, a 28-year-old native, built his lodge by hand, first clearing a gravel runway so he could get there, then felling and debarking trees and shaping them into sturdy pillars and posts. It sleeps only about ten guests and in summer, you need to rent the property in full, which is what we did, meaning that we had Jay, another guide and the lodge chef, who also happens to be Jay's girlfriend—to ourselves. Over our weeklong stay, Jay rarely made a move without his guns, a rifle slung casually across his chest and a discreet handgun at his waist. I learned to gauge grizzly danger by noting the trigger readiness of his calloused hands.

Nearing the end of our third day's outing, I saw Jay's fingers clench in high alert. Returning from a day-long trek several thousand feet up to a mountain pass, we were still a mile from our clanky motorboat, our trans-

port back to home base. Though we'd spent a half-day climbing up to the pass, our descent had whizzed by in 90 minutes, as we glissaded down the snowfields in our hiking boots, slipsliding along like penguins. In my many guided hikes on snow, I had never been allowed, let alone encouraged, to glide—“too dangerous, you can lose control!” the guides had warned. But Jay's core philosophy decreed that wilderness jaunts are meant to be a little wild. “When was the last time you experienced any unpredictability?” he queried my 16-year-old son, without waiting for a response before spouting his view that outdoor experiences have become overly controlled, almost hermetically sealed. I thought about the coddling we received on our other outdoorsy trips—like the time we trekked up Mount Whitney and our guide kept us on a tight leash, even insisting on a strict schedule of rest stops. I can't imagine Jay would have approved.

Once the snowfields, then scree gave way to meadows lush with wild iris and columbine in a deep valley, we spied the pond ringed with dense vegetation where we had begun our hike. Our mo-

A black bear streaks through the foliage 30 feet in front of us.

torboat was moored in Lake Tebay, on the other side of the pond, but before we could reach it, Jay stopped cold. “Bear,” he muttered. He spotted it across the valley heading toward the water, right in our direction. “We're going to meet,” he announced. “There's no other way out.”

“Ho bear. Hellooo,” Jay called out, as we cowered behind him. “We're just passing through. We're not planning to invade your territory.” “Hooooo bear,” my husband echoed merrily. Seconds later, 30 feet away, the bushes shook and a smallish black bear streaked through the foliage, then bounded away. On seeing its small stature, we



BROUGHT TO BEAR Clockwise from top: Flying through Wrangell-St. Elias National Park toward Tebay Lodge; guests returning to Tebay Lodge; a grizzly sighted by the author; kayaking on Tebay Lake.

sighed with relief, but Jay immediately disabused us of our naivety. “These little guys are actually meaner,” he said. Two days earlier we'd encountered a much larger bear: We had just pushed off shore in the boat when we saw a gargantuan grizzly the color of cinnamon toast standing on his back feet at the water's edge. He was in Smokey stance. “He's scared of us,” Jay reassured us. “These bears don't stand like that unless they're threatened.” My daughter, clearly projecting, asked, “Did you worry a lot about bears as a little kid?” Grinning, Jay replied, “Nah. I started packing a rifle when I was five.”

Jay's grandfather staked a land claim to 5 acres on the nearby Chitina River in the 1950s under the Homestead Act, and Jay's father raised his family 100 miles from the nearest road. Jay's forebears were among the first humans to inhabit their valley deep in a 13.2-million-acre backyard, which, in 1980, became the Wrangell-St. Elias National Park (now America's largest). In the 1960s, the family opened the rustic-chic Ultima Thule Lodge, now hosting Hollywood starlets and tech titans for unique flight saf-

aris. In 2014, looking for independence, Jay struck out to develop Tebay.

Friends flew in to assist with roof alignment, the installation of solar panels and counters (using flat stones found nearby) and the building of a wood-fired sauna and the two most enjoyable outhouses I have ever used (stocked with incense and climbing magazines). Jay also refurbished an old trapper's cabin, where my husband and I bunked. It was quite deluxe, with a cowhide rug, a fur throw draped on the big bed and a mosquito net hung like a princess canopy, yet still felt plenty rugged with no heat or toilet.

Our final day began with great anticipation: All week Jay had talked up a day of water play on Tebay Lake, which seemed preposterous—the water was 55 degrees and we'd awoken to a sky full of mean, spitting clouds after two sun-bright days. But because we had lugged along wetsuits from California (as instructed), and because we had come to trust Jay's definition of fun, we were game.

A few of us hiked halfway around the lake to an agreed-upon meeting spot while the others boated over with fishing gear, stand-up paddleboards, kayaks and



shot, which was fine since he leapt seven more times.

Midday, Jay lit a driftwood bonfire on shore. We huddled close, our wetsuits still on. Lunch arrived via boat delivery. As we bit into warm empanadas and sipped hot tea, we watched rainbow trout leap out of the water.

On our return to the lodge we raced to the sauna, peeled off our clothes and sprawled across the built-in benches. As the warmth from the wood fire enveloped us, its logs chopped from trees on the property, I couldn't help but appreciate the power of hardscrabble ingenuity, and the very human instinct to make something from nothing. “Wouldn't it be awesome to build one of these in San Francisco?” I asked my husband. He fully agreed.

### THE LOWDOWN // THRILL-SEEKING IN ALASKA

**Getting There** The fastest way to reach Tebay Lodge from Anchorage is to charter a float plane through Regal Air, which leaves from Lakewood Airport, about a 10-minute cab ride from Ted Stevens Anchorage International Airport. The flight is about two hours, and costs about \$2,700 each way for up to seven people. Alternatively, fly commercial on Alaska Airlines to Cordova, and then charter a float plane through Cordova Air for the final 50 minutes to Tebay Lodge. The cost is \$925 one-way for the charter, which holds up to four people (Cordova Air: 907-424-3289; Regal Air: 907-243-8535).

**Staying There** In summer, Tebay Lodge is open for exclu-

sive-use bookings only, for up to 10 people, from June to September (from \$5,000 a night for the entire lodge, including meals; [ultimathulelodge.com](http://ultimathulelodge.com)). The short winter season runs mid-March through April. You can rent the lodge in full or by the room (from \$4,200 a person for a six-night stay, including guided ski excursions, some ski-plane flights, meals and transfers from Anchorage, [pacificpineguides.com](http://pacificpineguides.com)).

## OFF DUTY

# A Grown-Up Guide to Fast-Fine

Two non-millennials navigate a dawning dining trend: dialed-back service with haute expectations

BY JANE BLACK

**M**Y DAD does not have bad taste in restaurants—far from it. But even he will admit he's a little old fashioned. He likes his dining rooms quiet and the service leisurely. The response to his order of a gimlet should be, "Yes, of course," not a series of follow-up questions about newfangled brands of gin. For Dad, the food matters, but dining out is more about the occasion, the experience of sitting down and enjoying the meal.

Which makes my father both the best and the worst person I could have invited to Made Nice, in Manhattan, the new "fast-fine" restaurant from Will Guidara and Daniel Humm. The pair has pedigree: Their flagship, Eleven Madison Park, widely celebrated for cosseting its customers, won the number one spot on this year's World's 50 Best Restaurants list, the influential annual ranking published by UK-based William Reed Media Group. In contrast, the service at Made Nice is purposefully quick, and the ambience is decidedly casual (read: noisy). The food is on trend, though thankfully not "vegetable-forward," a buzzword that would send Dad's eyes rolling dangerously far into the back of his head.

This is not just a tale of a pushy food writer and her father. It is a story that plays out over and over as long-held notions of what it means to dine out are challenged by a new breed of restaurants. Called "fast-fine" or "fine-casual"—no one in the industry can even agree on the jargon—these places are a hybrid of the assembly-line fast-casual format pioneered by Chipotle and the traditional fine-dining restaurant, where waiters deliver artfully arranged plates to your table.

Service models vary, but at most fast-fine restaurants you order at a counter, then waiters bring the food to your table and let you order more drinks or dessert without queuing up again. So it goes at Souvla, Barzotto and Corridor in San Francisco; Destroyer and burgeoning franchise MidiCi in Los Angeles; and Chop Shop in Denver.

The concept is shaped by mighty cultural and economic winds. Millennials crave value but demand sophisticated flavors, too, while restaurants seek to balance labor costs driven up by rising minimum wages and health-care costs.

Dad and I arrived at Made Nice at 1:10 p.m., soon after its April 24 opening, and saw a line stretching out the door. The customers in front of us were hunched over their cellphones checking the menu; at a table nearby, another was eagerly photographing a dish of a daffodil-colored cauliflower curry. "I'm the oldest person here by 40 years," Dad shouted over the din. Then, looking at me, he conceded: "Well, at least 27 years."

As we approached the front of the line, an open kitchen showcasing the restaurant's main selling point—the top-level culinary talent and technique behind its dishes—came into view. An affable young woman with an iPad took our order. Five minutes later, they called our name, and we carried our dishes from the counter to a table. Our food came chickily presented on what looked like slate trays (they

are actually made out of old skateboards); our servings of New York state-made Cabernet Franc came in rather elegant but plastic tumblers. Dad tried the confit pork (\$14), surrounded by a wreath of salad greens and orange and purple carrots, followed by that emphatically Instagrammable cauliflower curry (\$11). "This food is too good for a place like this," Dad said. "It deserves to be appreciated."

The same features that cause my father to raise an eyebrow appeal to 20- and 30-somethings, who eat out, research shows, once, sometimes twice a day. At fast-fine restaurants, you get a proper meal, made to order, that allows you to sit down, briefly, then get back to work. The menus are modern and generally healthy-ish.

Will Guidara, who is 37, said Made Nice represents his attempt to create the restaurant he would want to go to every day: "My life is not one where I can sit down [for long], especially during the day. What that means is that a few times a week I eat well and the rest of the time it's salads or burgers or tacos. This is our way of saying you can have restaurant-quality food without having to linger."

The goal's the same at Barzotto in San Francisco's Mission. Diners order big bowls of pasta ranging from \$10 (paccheri with pecorino and black pepper) to \$17 (pappardelle with braised beef, mushrooms and Parmesan). Compare that to much-lauded full-service SPQR over in Pacific Heights, where a plate of bucatini with blue cheese, walnut, kale and brown butter goes for an eye-popping \$31.

At L.A.'s Destroyer, a \$13 plate of rice porridge, caramelized broccoli and puffed rice looks like a work of art, but the set-up and no-reservations policy require guests to jockey for the rickety tables. Service, comfort and—especially important to Angelinos—parking are all sacrificed to offer extraordinary food for the price of a takeout salad.

To date, millennials have favored fast-casual restaurants; 67% of them eat at them at least once a week compared to 59% of Gen-Xers and 45% of baby boomers, according to research firm Technomic. But fast-fine is "going to hit an all-new sweet spot," said Eve Turow, author of "A Taste of Generation Yum: How the Millennial Generation's Love for Organic Fare, Celebrity Chefs and Microbrews Will Make or Break the Future of Food." To this younger demographic, she added, "it feels like an attainable, rational indulgence."

Meanwhile, major cities have seen a recent spate of high-profile, fine-dining closings: Annisa and Da Silvano in New York; Bon Marché and Volta in San Francisco. The economics, restaurateurs say, no longer work. Rents are astronomical and minimum wages are gradually edging up to \$15 an hour. This means that the lowest-paid employee will get \$15 while managers are paid as much as \$30 per hour. To cover those costs, restaurants will have to raise prices. And there are only so many people who are willing to shell out \$18 for a green salad and \$6 for an after-dinner cup of coffee.

For Charles Bililis, CEO of San Francisco fast-fine chainlet Souvla, the question was, "How do we operate a profitable business in a very challenging environment?" The number-one way: Reduce



### HAVE IT YOUR WAY // A TAXONOMY OF CONTEMPORARY DINING



#### FAST FOOD

The original grab-and-go; emphasis on crowd-pleasing fare (burgers, fried chicken) at low prices.

**Think** Taco Bell, McDonald's, KFC.

**Your Server** Disembodied voice at the drive-through.

#### FAST-CASUAL

Food made to order,

usually on an assembly line, at the customer's direction.

**Think** Chipotle, Sweetgreen, Chop't.

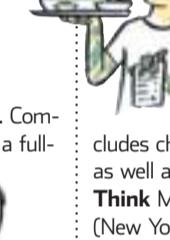
**Your Server** Cashier.

**FAST-FINE** or fine-casual. Composed dishes like those in a full-service setting,

picked up at a counter. Booze usually offered.

**Think** Made Nice, Barzotto, Souvla.

**Your Server** Greeter with an iPad.



#### CASUAL DINING

Full-service restaurants with little pretension but the full slate of hosts, servers, cooks and bar staff. Includes chic independent eateries as well as national chains.

**Think** Momofuku Noodle Bar (New York), Delphina (San Francisco), Applebees and TGI Fridays (nationwide).

**Your Server** Waiter who takes order, brings food and bill to table; may or may not be waiting tables to support

an incipient screenwriting career.

**FINE DINING** Special-occasion destinations with scrupulous service—waiters, sommeliers, captains—and gourmet food served in high style. There is generally an unwritten but formal dress code.

**Think** Eleven Madison Park (New York), French Laundry (Yountville, Calif.), Alinea (Chicago).

**Your Server** Career professional trained in the arts of hospitality and wine service.

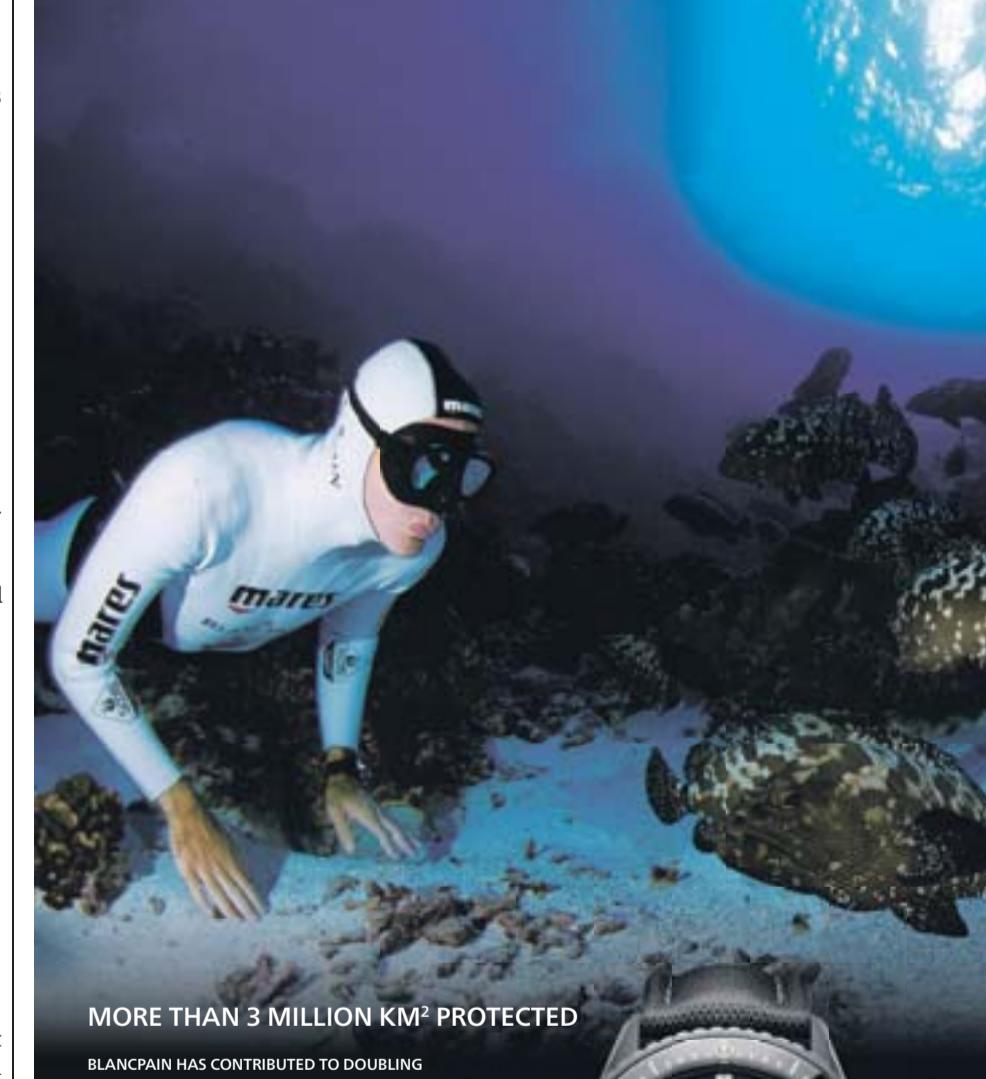
staff. From outside, Souvla looks a lot like a standard sit-down restaurant. There is no oversize menu board, no line of trash cans where guests bus their own plates. The food, a mix of rotisserie meats and vegetables, is served on sleek white-and-blue enamel trays, while the all-Greek wines are poured into elegant stemware. Each evening candles are lit on every table.

But Souvla has no hostess, no sommelier and fewer servers than even a casual-dining restaurant. Its first location, a 42-seat space in Hayes Valley, serves, on average, 400 meals per service between sit-down, takeout and delivery, and has only two food runners delivering meals to tables. (A full-service restaurant of comparable size might be able to sell 100 meals in the same period, with a staff of about eight.) Mr. Bililis estimates his labor costs are as much as 15% lower than a traditional restaurant's, even though he provides medical benefits, paid vacation and a 401(k) plan to his 125 employees.

"You'll see more and more of this out of need in expensive cities, and it will proliferate across the country," said Mr. Bililis. "I firmly believe this is how people want to eat in 2017. They want quality, but they don't want to pay an arm and a leg for it."

At Made Nice, my father grasped this argument, though I could tell it challenged everything he believes about dining out. An artful bowl of porridge like those at Destroyer was not something he'd want for breakfast, or maybe ever. But he couldn't deny the appeal of paying just a few bucks more than you would for a sandwich for a chef-worthy meal.

In some quarters, change comes slowly. For my birthday last month, Dad took me to one of his favorite restaurants, La Chaumière, in Washington, D.C. At his urging, I ordered the Grand Marnier soufflé, tall and golden brown. The solicitous waiter presented it with a flourish. It isn't how I want to eat most of the time. But more than ever, it felt like a special occasion.



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Photograph: Aaron Wong

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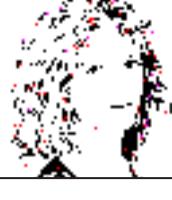


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## OFF DUTY

ON WINE LETTIE TEAGUE



# You Say Rosé—But Why Not Rosado?

**THE WINES OF SPAIN** are unquestionably popular, but while the reds and whites sell very well, the rosés, well-made and affordable, often sit on the shelves. In fact, when I went searching for Spanish rosés, aka rosados, in recent weeks, I found the latest bottles from 2016 alongside quite a few left over from the previous vintage. Why had these wines failed to find buyers? The answer could be summed up in a single word: "Provence."

The pale, dry rosés from this region of southern France, ubiquitous in wine stores in this season, are the standard by which other rosés are judged. Whether made in Italy or Spain or the U.S., a rosé must look Provençal to sell. "It's the label, it's the packaging, it's the color," said Jon Visser, who was until recently the rosé wine buyer of Gary's Wine & Marketplace in Wayne, N.J.

I met Mr. Visser and the stores' proprietor, Gary Fisch, in front of a sizable rosé display. At each of the four Gary's stores in suburban New Jersey there are around 100 different rosés—the vast majority from France, and the vast majority of those from Provence. On the shelf in front of us, only six hailed from Spain. "We really have to listen to the customer," said Mr. Visser. "If they want Provence, that's what we have to give them."

Mr. Visser brought Spanish and French rosés to the store's tasting desk. The Spanish rosés that were pale and packaged with simple, tasteful labels like the Provençal wines did well, he said. The French know how to turn out bestsellers, as in the Château d'Esclans Whispering Angel from Côtes de Provence, whose pale hue and flagon-shape bottle helped make it a hit.

The 2016 Vega Sindoia rosé from Navarra, Spain, looked downright lurid by comparison, with its neon-bright label and dark red color. Such a wine has to be actively promoted by the staff, said Mr. Visser. It was, in retail parlance, a "hand sell."

Eric Solomon of European Cellars in Charlotte, N.C., has imported wines from France and Spain for several decades and often advises producers on what will



GWENDA KACZOR; F. MARTIN RAMÍN/THE WALL STREET JOURNAL (BOTTLES)

sell stateside. For example, he counseled the winemakers behind Bodegas Izadi in Rioja on their 2016 Larrosa rosé, from production to packaging. The result—a pale-peach-colored wine—looks a lot like Whispering Angel, is quite refreshing and lively and, at \$12 a bottle, is a very good deal.

Mr. Solomon acknowledged that achieving the Provençal style was a driving force behind the design, but he also believes the paler Spanish rosés reflect a general retreat from big, dark Spanish wines. "It's a trend that mirrors the move away from extraction and the 'big is better' approach that defined much of the emerging Spanish wine landscape for red wines in the late 1990s and early 2000s," he wrote in an email.

**The Spanish rosés that were pale and packaged with simple, tasteful labels like the Provençal wines did well.**

The portfolio of Polaner Selections, an importer based in Mount Kisco, N.Y., includes several pale rosés from various parts of Spain. "It's Provençal or Provençal-looking wines and then everything else," said Adam Rieger, Polaner's Spanish-wine portfolio director. One of my favorites among Polaner's offerings came about almost accidentally,

when an Australian importer asked the winemaker at Bodegas Exopto in Rioja—a Frenchman named Tom Puyaubert—to produce a rosé for Australia. Mr. Puyaubert had a vineyard, planted to Garnacha, that was a bit too cool to produce a fully ripe red but ideal for making a rosé. The result, the 2016 Bozeto de Exopto Rosado, was such a hit that Mr. Puyaubert began bottling more and selling it abroad.

According to Ana Fabiano, the North American trade director of the Denominación de Origen Rioja (DOCa) and the author of "The Wine Region of Rioja," her group counsels Rioja's rosado producers to label their wines rosés, as that is "the universal market term," said Ms. Fabiano. (Spanish producers can use

either or both words on labels; in Rioja, they can also use "clarete" to indicate a particular kind of pale wine with an orange tinge.)

"Probably about 90% of the rosés from Spain are made in Rioja," Ms. Fabiano said. Other rosé-producing regions include neighboring Navarra, whose rosés tend to be more deeply colored—much like Basque Txakolina rosés, which range from light-red to frothy and pink.

I found a few attractive Txakolines, including a delicious if rather expensive sparkling Ameztoi "Hijo de Rubentis" Txakolina rosé (\$28) and a lively still one from the same producer (\$18), as well as a couple of rosé cavas. The Jaume Serra Cristalino rosé, a fun, fruity, dark-red sparkler, goes for a mere \$10.

Still, the majority of the wines I bought were from Rioja, in the requisite pale-salmon color. Some were made entirely from Garnacha or a blend of Tempranillo, Garnacha and the white grape Viura. One of my favorites, a wine I buy year after year, the soft and beguiling 2016 Muga Rioja Rosé (\$12), has the prescribed pale color—though it was not made in response to the market, said Muga's export director, David de la Fuente. Muga has been making this style "since the foundation of the winery in 1932."

The pale Rioja rosés were refreshing and bright, apart from a few rather simple, dilute ones. The more substantial Rioja rosés paired well with food. The cherry-colored 2016 Bodegas Ilurce Rio Madre Rioja Rosé (\$8), for instance, had a richer, fruitier profile that proved a boon to sausage cooked on the grill.

Those unsold bottles on the shelves notwithstanding, the larger picture is bright for Spanish rosés. More than 40 Rioja producers are selling rosés in this country today, compared to just 15 in 2014. At Gary's Wine, sales are up 100% over last year, said Mr. Visser. Is it thanks to their pale color, better packaging and low prices, or is it simply because they're a real pleasure to drink?

► Email Lettie at [wine@wsj.com](mailto:wine@wsj.com).

## OENOFILM // SPANISH ROSADOS, THE PALE AND BEYOND



### 2016 Izadi Larrosa Rioja Rosé (\$12)

This all-Garnacha rosé is produced from a high-elevation old-vine vineyard in Rioja Álavesa. It's a delightfully floral and quite elegant rosé made in a "Provençal" style.



### 2016 Bodegas Ilurce Rio Madre Rioja Rosé (\$8)

This full-bodied wine fairly bursts with aromas of red fruit—think cherries and strawberries. It looks almost like a red, and it drinks like one too. Made from the Graciano grape, it's the perfect rosé for grilled meat.



### 2016 Muga Rioja Rosé (\$12)

This rosé debuted in 1932 and has been a mainstay in the American market since 1992. Made from a blend of Tempranillo, Garnacha and Viura, it's a soft, elegant, marvelously versatile wine—and a very good deal.



### 2016 Bozeto de Exopto Rosado (\$18)

Made from equal parts Tempranillo and Garnacha, this pale-salmon-colored rosé is a compulsively drinkable wine marked by wild-berry aromas and a crisp, mineral finish.



### 2016 Antxiola Rosado (\$18)

This is only the third vintage of a rosé from Txakoli producer Bodegas Zudugarai in the Basque region of Spain. Made from the native Hondarribia Beltza grape, it's soft and joyously juicy with a touch of effervescence.

## SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

# The Simplest Salade Niçoise



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Günter Seeger

**His Restaurant**  
Günter Seeger in  
New York City

**What He's Known For**  
Precisely executed,  
elegant cooking  
that favors excellent  
ingredients and  
attention to detail  
over flourishes

**GROWING UP** in rural Germany, Günter Seeger learned the value of good ingredients. "My family owned a large produce business," he said. "Knowing the seasons and smells was our business." It clearly shaped the way he cooks.

Take this salade Niçoise, Mr. Seeger's third Slow Food Fast contribution, a plateful of seasonal bounty. The tomatoes, snappy green beans and hunks of potato become a substantial meal with the addition of soft-boiled eggs and flaky tuna.

Juicy, truly ripe tomatoes are a must here. If you can't find them this early in the season, swap in good cherry tomatoes.

TOTAL TIME: 20 minutes SERVES: 4

#### 8 new potatoes

2 ripe tomatoes, diced

Salt and freshly ground black pepper

1/4 cup olive oil, plus more

#### for seasoning

1 pound French green beans, cut into bite-size pieces

1/2 cup pitted Niçoise olives

#### 4 eggs

8 ounces olive-oil-packed tuna, drained and flaked into large pieces

Juice of 1/2 lemon

1. Bring a medium pot of salted water to a boil over high heat. Add potatoes and boil until fork-tender, about 15 minutes. Meanwhile, place tomatoes in a large bowl and season with a generous pinch of salt.

2. Once potatoes are cooked, use a slotted spoon to remove them from pot, keeping water on the boil. Pat potatoes dry, then cut into bite-size pieces and season with salt. Stir oil into tomatoes. Gently fold in potatoes to coat in tomato juices.

3. Add beans to boiling water and blanch until bright green and crisp-tender, about 2 min-

utes. Use a slotted spoon to transfer beans to a colander, keeping water on the boil. Rinse beans under cold water, then toss dry. Fold beans and olives into potato-tomato mixture.

4. Lower eggs into boiling water and boil until yolks are just fudgy at center, 8 minutes. Remove eggs and run under cold water to halt cooking. Peel eggs.

5. Gently toss vegetables with lemon juice to taste. Add more oil or salt, as needed.

6. To serve, top vegetables with tuna. Halve eggs and sprinkle with salt. Nestle eggs into salad. Drizzle with oil and serve.



**CHILL OUT** Remove the boiled eggs from the pot after exactly 8 minutes and immediately run under cold water. You want that bright-yellow, fudgy yolk.



She's a fan.



## OFF DUTY

# OVER THE PAPER MOON



**ASIA MAJOR**  
An oriental theme unifies the wallcoverings in the hallway of London designer Solange Azagury-Partridge's country home.

*Continued from page W1*  
measured neutrality of recent decades. "Mixing wallpapers, especially motifs with different patterns and scales, creates a chic 'jewelry box' look," said Kirill Istomin, based in Moscow and New York.

With this grand gesture, you can update a room. "You have to bring visual texture to a space," said Mr. Thomas, and a maximalist duet of wallpapers is one way. "Then you can keep the palette of fabrics simple and create a successful space."

The new, vast selection of papers is energizing designers, said industry veteran Dennis Shah, president of Studio Printworks in Hoboken, N.J. His company creates handmade papers via centuries-old processes such as block and screen printing, but he has also invested in digital printers, which can produce giant seamless panels, scale designs up and down to fit any wall and achieve effects not possible with analog methods, such as subtle watercolor-esque gradations and razor-sharp photorealism. With this flexibility, "designers are excited, unusual ideas are coming to fruition and rules are being broken," said Mr. Shah.

Indeed, powered in part by the ease of browsing and purchasing online, the wallcoverings industry is bouncing back after decades in the doldrums, said P.J. Delaye, president of York Wallcoverings in York, Penn., the largest U.S. manufacturer. His firm has seen wallcovering sales increase 6% over each of the past five years.

Over the same five years, a 27% jump in wallpaper sales to the hospitality and commercial realms (where trends that spread to homes typically surface) "speaks to where the residential market is going," said Matt Bruno, head of the Wallcoverings Association.

The cautiously curious might mix papers by sticking to one print in two colorways, said Farrow & Ball head of creative Charlotte Crosby: "You maintain the pattern but flex a bit with color." In the London living room shown here, she paired the coral and gray versions of her firm's Hornbeam print. Papered entirely in coral, the room might have overwhelmed, she said, but restricting the coral to underneath the chair rail "grounds the space."

Braver souls can choose two or more patterns that share a color scheme. In his small TV room, also shown here, Martyn Lawrence Bullard of Los Angeles stuck to gray palettes, covering the walls with a Moorish geometric print and the ceiling with a striped pattern that



**PATTERN PLAY** Martyn Lawrence Bullard adhered to black and gray on the walls of his Los Angeles den, above, while two colorways of a Farrow & Ball paper enliven a London living room.



mimics the look of Bedouin tents (both options come from his eponymous to-the-trade line). As a finishing touch, he bordered the two papers with black gift wrap. "It's like a Moroccan womb," he said.

The truly intrepid can take a third tack: outfitting a room with two or more disparate wallcoverings in a wide range of patterns and hues that hang together thematically. Designer Solange Azagury-

Partridge nailed this approach in her polychrome English country home. The key to working with seemingly chaotic mixes, she noted, lies in choosing papers with similar stylistic influences (all 1960s modern, for example). In her bedecked bedroom and its adjoining hallway, shown here, the walls all speak with an Asian inflection; she combined a wallpaper printed with a bamboo-trellis design and ornate chinoiserie fabrics found on eBay. Repeated notes of orange-red and citron also help the surfaces feel unified—and entrancing. "Sometimes when I'm supposed to be watching television, I'll just be looking at the wallpaper," Ms. Azagury-Partridge said.

So how does the design fan who's barely warmed to the idea of pattern on the wall navigate the options? Draw on this field guide to the flora, fauna and wild cards of the wallcovering world, with tips on how to master mixing.



## A IS FOR ART DECO

You can get this jazzy design—based on a 1930s French pattern—scaled up or down, or color customized, then printed on matte paper or vinyl. Geometric Art Deco, from \$15 per square foot, [rollout.ca](http://rollout.ca)



## F IS FOR FLORAL

New York designer Anne Maxwell Foster recommends using bold florals—like this charming, hand-screened example by 20th-century Swedish designer Josef Frank—"as a starting point for the color scheme for a whole house." Exotic Butterfly in Multi, from \$588 per 4.5-yard roll, [fschumacher.com](http://fschumacher.com)



## G IS FOR GEOMETRIC

Brooklyn's Callidus Guild builds layers of marble-dust plaster on a paper ground to create a bas-relief, then waxes, compresses and burnishes it. At once opulent and quiet, the resulting wall covering suits minimalists contemplating a move away from stark walls. Folded Origami, \$304 per yard, [callidusguild.com](http://callidusguild.com)



## L IS FOR LINEAR

Ultrabold graphics pair well with organically shaped furnishings and natural surfaces, said Denver designer Andrea Schumacher. This blur of wiry chairs is achieved via a traditional gravure method, in which a metal cylinder engraved with a design is rolled onto paper. Cadires 1991-1 by Tres Tintas Barcelona, \$100 per 11-yard roll, [newwall.com](http://newwall.com)



## Q IS FOR QUIRKY

For a tongue-in-cheek statement in a tiny urban kitchen, consider New York artist Sparrow King's reimagining of traditional Dutch Delft tile. Appropriately titled "New Amsterdam," it features quintessential sights of New York City, from dog walkers to straphangers. \$250 per 5-yard roll, [studioprintworks.com](http://studioprintworks.com)



## V IS FOR VESSEL

For decades, Manhattan's Clarence House has produced this print, a riot of Chinese vases, but now offers it in 26 colorways. The original pattern came from influential British designer David Hicks, a 1960s-era maestro known for statement-making graphics and audacious color combos. The Vase, \$221 per 5-yard roll, [clarenceshouse.com](http://clarenceshouse.com)



## W IS FOR WILLIAM MORRIS

House of Hackney's dynamic reinterpretation of a floral pattern by William Morris, the pioneer of the English Arts and Crafts movement, is digitally printed on paper or, for an extra Anglo touch, on 100% British velvet. Artemis Wallpaper, \$187 per 4 square meters, [houseofhackney.com](http://houseofhackney.com)



## WINNING COMBINATIONS // HOW TO CREATE AN

### K + N



### CAPITALIZE ON A COMMON THEME

The Satori kintsugi wallpaper and the National Gallery's portrait print speak to each other in hushed tones about the hand of the artist, and the woman's skin picks up the Satori's peachy hues. "I would install the portrait paper at the end of a long hallway with the side walls washed in the softness and shimmer of the kintsugi," said Boston designer Melissa Hammond.

## OFF DUTY

### B

#### IS FOR BLOCK PRINT

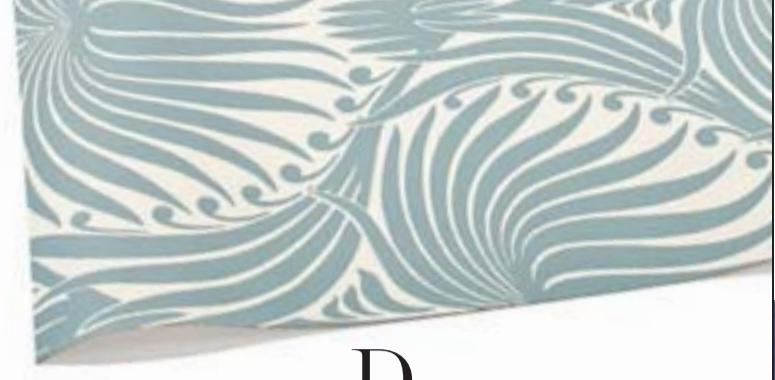
Painstakingly hand-blocked in Connecticut, this spiral motif is derived from Japanese Neolithic pottery circa 2000 BC. The design is monochromatic but interesting, in deep colors such as ink blue and eggplant. Renju, from \$120 per yard, [adrienneneff.com](http://adrienneneff.com)



### C

#### IS FOR CHINOISERIE

Sumptuous Asian-themed nature scenes have a distinct elegance, said Los Angeles designer Mark Sikes. This restrained mural features hand-painting and -embroidery on paper-backed silk. Paradiso Chinoserie, \$885 per yard, [fromental.co.uk](http://fromental.co.uk)



### D

#### IS FOR DAMASK

A textile with woven-in patterns, damask was first loomed in medieval France and Italy, then later used to upholster walls. Charleston designer Betsy Berry recently papered a room in light and dark violet versions of Farrow & Ball's damask-informed Lotus print for "a youthful twist on that classic pattern," she said.

Lotus, \$265 per 10-meter roll, [us.farrow-ball.com](http://us.farrow-ball.com)

### E

#### IS FOR EMBROIDERED

In a screen-swiping society, 3-D materials appeal, said Jonsara Ruth, professor of interior design at Parsons School of Design. For her, the semicircles in Custom's digitally embroidered Arc paper hark back to "something more connected to history and physicality." \$249 per 5.5-meter roll, [custom.co.uk](http://custom.co.uk)



### H

#### IS FOR HAND-PAINTED

Usually carried out in much more traditional modes (see "C is for Chinoiserie"), hand-painting loosens up on this drippy, non-repeating wallpaper from Porter Teleo, a partnership between artist Kelly Porter and interior designer Bridgett Turner. Brushing highly pigmented inks onto handmade Japanese paper, the makers turn out eye-popping large-scale abstract florals—perfect for homeowners with nonexistent art collections.

Floral Graffiti from \$190 per yard, [porterteleo.com](http://porterteleo.com)



### I

#### IS FOR IMPERFECT

Flavor Paper's Galapagos Wall mural offers a slice of hipster history.

The non-repeating image of a wall-sooty concrete and all—from renowned Brooklyn performance hall and nightclub Galapagos Art Space (1995–2014), can be scaled and cropped to fit any area. From \$9 per square foot, [flavorpaper.com](http://flavorpaper.com)



### J

#### IS FOR JUTE

Jute, often seen in rug form, climbs the walls in Arte International's Align pattern. This patchwork of jute rectangles on a foil base is available in five color schemes. "A fabric paper gives you a look of an upholstered wall, but the cost isn't too great," said Boston designer Melissa Hammond. "And it adds depth and texture that paint can't mimic." \$95 per yard, [arte-international.com](http://arte-international.com)

### K

#### IS FOR KINTSUGI

Inspired by kintsugi, a 500-year-old Japanese technique in which broken pottery is repaired with metallic lacquer, the Satori non-repeating paper is quietly marbled. "Muted tones are amenable to a space you would actually want to inhabit," said Rhode Island School of Design's Martin Smick, who teaches wallpaper as art. \$54 per square foot, [calicowallpaper.com](http://calicowallpaper.com)



### M

#### IS FOR METALLIC

Glitz kicks up controversy in the design world. Some pros find it cheesy, others love the light it adds. This chinoiserie-inspired paper—a sophisticated, non-repeating mural of three panels—may satisfy both camps. Beaujeu Metallic Paper by Aerin, \$1,990 per 108-inch-square mural, [leejofa.com](http://leejofa.com)

**N**  
**IS FOR NATIONAL GALLERY**  
From misty Dutch landscapes to muscular Michelangelo nudes, any painting in the collection of London's National Gallery can be scaled to any size and digitally printed on vinyl—as a mural or a repeating pattern—by the British décor firm Andrew Martin. Selected and hung with care, and paired with furnishings that take their cues from the artist's palette, this daring decorating move meshes technology and tradition. Andrew Martin x Kravet National Gallery Collection, \$260 per square yard, NY Design Center, 212-679-9500x19



### O

#### IS FOR ORIGAMI

The work of British artist and designer Tracey Tubb revels in wrinkles—usually anathema in the world of wallpaper. In her Folded Origami series, she crimps, pleats and stitches coated paper to form intricate textured panels. From \$500 per square meter, [traceytubb.co.uk](http://traceytubb.co.uk)

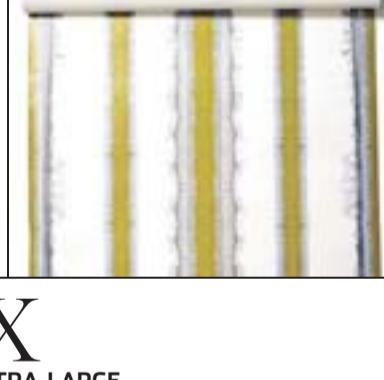


### R

#### IS FOR REMOVABLE

Evoking the irregularities and intricacy of hand stitching, Cross-hatch removable peel-and-stick fabric could dress up an entire room or line drawers where, said Ms. Berry, "small-scale prints add a custom touch and an element of surprise." \$40 per 2-by-4-foot panel, [chasingpaper.com](http://chasingpaper.com)

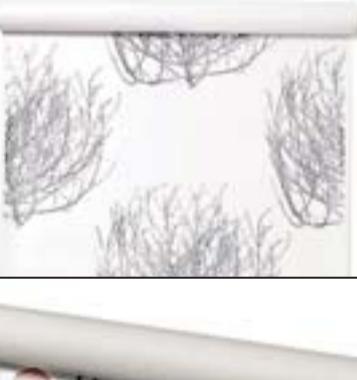
**S**  
**IS FOR STRIPED**  
Per its designers at innovative U.K. firm Timorous Beasties, digitally printed Blotch Stripe paper "recontextualizes the blunder" with its witty faux water-staining. \$232 per 10-meter roll, [timorous-beasties.com](http://timorous-beasties.com)



### T

#### IS FOR TACTILE

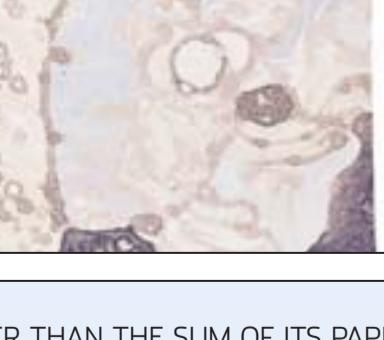
An eye-pleasing twist on prosaic wood paneling, this wallcovering gains its compelling texture from extremely thin strips of Pauwlonia, a fast-growing, sustainably harvested Asian tree. The wood-veneer strips are applied in starburst patterns on a flexible paper backing, then stained one of 15 different colors, including Natural, shown here. Sunburst from the Ajiro Collection, \$123 per yard, [mayaromanoff.com](http://mayaromanoff.com)



### X

#### IS FOR XTRA-LARGE

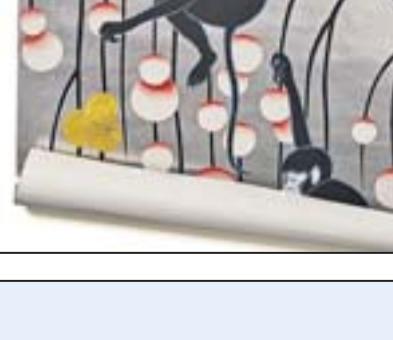
Struck by the universe-like complexity of soap bubbles viewed under a microscope, Boaz Cohen and Sayaka Yamamoto, the founders of design concern BCXSY, handmade prints using bubbles and pigments, then digitally colored and scaled them to Gulliver-size murals. The frothy images, rendered in subdued palettes of pastels, grays and blacks, would be easy to live with in a bedroom and thematically appropriate in a bath. Microcosmos Wallpaper by BCXSY, \$32 per square foot, [calicowallpaper.com](http://calicowallpaper.com)



### Z

#### IS FOR ZOOLOGY

"In a smaller room, don't be afraid to be very bold," suggested Ms. Hammond. A playful choice for such a space would be this almost-manic monkey print, inspired by a textile scrap from the 1920s and created by revered London wallcoverings firm de Gournay. Hand-painted on sterling-silver-gilded paper, it could turn a blah bathroom into the glammest show on earth. Deco Monkeys, \$328 per yard, [degournay.com](http://degournay.com)



INTERIOR THAT'S GREATER THAN THE SUM OF ITS PAPERS

### M + J

#### LIMIT YOUR PALETTE

An easy path to a pleasing match: Hew to a single color scheme. For Charleston designer Betsy Berry, the warm whites and creams in Aerin's Beaujeu Metallic Paper (far left) and the palest colorway of Arte International's Align pattern blend comfortably, the overall effect being "elegance with an organic touch."



### G + Z

#### TURN UP THE CONTRAST

Dark versus bright, serene versus energetic: The right angles of Callidus Guild's geometric paper (far left) contrast with the curves and droops of the de Gournay print (here, in Terracotta), but the two designs share warm tones. They "feed off each other beautifully," said Mitchell Hill, a Charleston designer, who pictures the combo in a library or breakfast room.



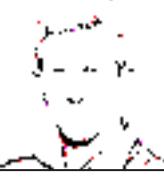
### S + S

#### CUT AND PASTE

Get the lively mixmaster effect with a single wallpaper by hanging it both horizontally and vertically. This works best with lines (such as Timorous Beasties's Blotch Stripe), noted New York designer Richard Misrahi, who called the look "a DIY Sol LeWitt," referring to the 20th- and 21st-century American artist who famously juxtaposed graphic patterns.

## OFF DUTY

RUMBLE SEAT DAN NEIL



# Le Mans: A Race for the Future of the Automobile

**IN MY OPINION**, 99% of motor-sports competition is a pointless, brainless waste of time and gasoline. Drag racing is for morons and children, with a lot of Venn overlap between. Formula One is so numbing you could pierce my ears during the simulcast and I'd never know.

Le Mans is the 1%. The 24 Hours of Le Mans (this year, June 17-18) is the world's oldest endurance road-racing event, first staged in 1923 by the Automobile Club de l'Ouest (ACO) in the Sarthe department of central France. The modernized, 8.47-mile circuit combines sections of public roads—running through the villages of Arnage and Mulsanne—with geologically scaled features such as the mighty Indianapolis curves, through which the elite prototype cars stream at 180 mph, even at night, headlights slashing the darkness, apparitions cloaked in Doppler-warped roar. This is a landscape of giants.

Unlike Nascar—a lame and noisy ruse to sell chicken wings—the 24 Hours of Le Mans still means something. Using the world's most prestigious race as leverage, the ACO has required competing auto makers to lower consumption and invest in propulsion technology that might benefit a wider world. For example, some top-class Le Mans hybrid prototypes (LMP1's) have used lithium-ion batteries to store energy, while others have experimented with flywheels and supercapacitors.

Consider the anatomy of last year's winner, the Porsche 919 Hybrid: a 2.0-liter, turbocharged V4 gas engine (500 hp) combined with huge electric power in front (400 hp) and two separate systems to recuperate energy: regenerative braking and exhaust gas turbines, both charging the lithium-ion battery. The LMP1 cars are allowed 8 megajoules (2.2 kWh) of energy-recovery per lap.

However imperfect an instrument, the ACO's rules have gotten results. Last year's winning 919 Hybrid delivered about double the efficiency of Porsche's own Le Mans-winning GT1 of 1998; and the 919 covered hundreds of more miles in the process.

Beneath my romantic exterior, I



GETTY IMAGES

am a bitter cynic. I know international endurance racing is a business proposition, driven by global auto makers' money and marketing needs. Toyota, Porsche, Chevrolet Corvette come to Le Mans to sell cars. The ACO isn't exactly Unicef, either.

But once the *tricolore* flag drops at 15h00 local time, nothing of the mercantile and pecuniary matters. Over the next 24 hours, the good and the wicked are betrayed equally. That is Le Mans' teachable moment. As French philosopher Michel Foucault observed, human reality is teased out only in the fraying of extreme experience. Or as I like to say, racing proves there is no God.

Just ask Toyota. On a brilliant Sunday afternoon just one year ago, the #5 Toyota prototype sports car,

driven by Kazuki Nakajima, was leading the race with six minutes to go, comfortably ahead of the pursuing Porsche 919, which had made a late stop for tires. Scripts had been loaded into the teleprompters; champagne was chilling in the garage; victory hats waited in boxes. The Japanese flag had already been moved to the winner's rostrum.

It's fair to say that everyone—friend and foe, even team members of Porsche—would have been happy to see the Japanese giant win, finally—a mood of *Please, put us out of your misery*. In 18 appearances on motorsports' biggest stage, and after spending the hundreds of millions of dollars required to develop spaceshiplike prototypes, Toyota had placed second on four previous occasions, each an abyss of regret for team and company. Now victory was at hand.

The last few minutes of a 24-hour endurance race are surreal anyway, as a whole day and night of heroic effort and purpose, armies of men and machines, all the genius and folly that is global motorsports become consecrated in just a few telling minutes.

It's at this point that the Zen of Le Mans emerges. All the wheel-to-wheel combat you see, the dicing and out-braking, the brake rotors glowing like jack-o'-lantern? It's an illusion. To win, a car must cover the most distance in the elapsed 24 hours. Period. For example, last year's 919 Hybrid completed 384 laps while putting 3,252 miles under its carbon keel. As far as timing and

scoring goes, cars might as well be alone on the track.

The #5 Toyota was about this solitary mission when, at 14:54 local time, Mr. Nakajima radioed that the car had lost engine power (investigators later determined a failure in the turbocharger plumbing). The hybrid streamliner suddenly slowed, limping around the vast track until, pitilessly, it stopped at the start/finish line, between the packed grandstands and Toyota's own garages, which were even then swelling with dignitaries and guests.

Unlike Nascar—a loud and noisy ruse to sell chicken wings—the 24 Hours of Le Mans still means something.

In the grandstands, flags stopped waving and horns grew quiet, as a couple-hundred thousand fans fell into a groan of bemused awe. Perhaps Kaz thought the race was over? Moments later the #2 Porsche 919 Hybrid that had chased the Toyota for six hours blasted past in a ruthless blur, on its way to Porsche's record 18th overall win.

As millions joined the broadcast, race commentators groped for words: *cruel, unimaginable, gutting*. Somehow, Toyota had managed to lose at Le Mans again from a position of dominating speed and limit-

**HEAT LIGHTNING** The Toyota No. 5 TS050 Hybrid at last year's 24 Hours of Le Mans endurance race. The 2017 race will take place June 17 to 18.



Toyota driver Kazuki Nakajima (wearing helmet, at right) after losing the lead in the Le Mans race last year.



### TECH ESSENTIALS

## BRIAN FEE

The director of Pixar's 'Cars 3,' out next week, on the decline of Prius design and why a BIC is still his go-to pen

I draw with whatever I'm holding, and most of the time I'm holding a **BIC Cristal** ballpoint pen. There's not a person in the world who would say this is the best tool to create art with, but as a kid I was always drawing, and most of my drawings were done with a ballpoint pen borrowed from my mom's purse. Throughout my life, I've created most of my art with it.

I spent a lot of time auditioning artists and [considering] songs for "Cars 3" using **Spotify** and **Pandora**. I have an hour's drive between Pixar and my home, and I'll listen to songs and imagine the movie in my head. It led to a cover of a Tom Petty song that's in the movie.



I don't like stale air. I don't like stagnant air. There's something about moving air—it makes me happy on a cave-man level. At home, I use a retro-looking **metal fan** that's not actually retro [similar model from Hunter shown].



I am not what you would call a gamer by any stretch, but I purchased an **Xbox** years ago. Sometimes, problems come up during the workday that won't leave you alone when you get home; they're like voices in your head. The Xbox helps very well when I need to quiet those voices. After everyone's in bed, I can visit a different world and exercise a different part of my brain.



I've got a reissued **Fender Japan '62 Custom Telecaster** [similar model shown] that I put through a **Fender Hot Rod Deluxe Lacquered Tweed amp**. I played it in the rockabilly band we used to have here at Pixar. When you set the amp so you get a clean note with a little bit of grit on the edges and add some Fender reverb, it's just heaven.

My first car was a used **1982 Oldsmobile Cutlass Supreme**. It was not in good shape, the dashboard was cracked and it had a funny smell. But to me, it was freedom.

Today I drive a **2009 Toyota Prius**. I prefer it visually to the new Priuses—I'm not a fan of where the design is going on these cars. They were never beautiful to start with and I think they're getting worse. It's been a good car. It has well over 150,000 miles on it. It's gotta last me until the Tesla Model 3 comes out. —Edited from an interview by Chris Kornelis

# MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

*'For outward show is a wonderful  
perverter of the reason.'*

—Marcus Aurelius

Friday - Sunday, June 9 - 11, 2017 | W9



## Austin's Weird and Crazy, Mixed-Up Architecture

In the Texas capital, rapid growth and evolving tastes have led to a hodgepodge of luxury home styles; some locals fear a loss of historical identity.



**STYLE GUIDE** Blake and Jamie Chandlee put a \$300,000 addition on their Italianate-style home, top left, in the Tarrytown neighborhood. John and Lisa Weinberger built a modern home, top right, for about \$1 million in Bouldin Creek. Scott and Cindy Trainer spent more than \$1 million to build their Zilker Park home, above, described as a combination of Midcentury Modern and classic James Bond.

BY NANCY KEATES

**JAMES BOND MEETS** Midcentury Modern. Italianate villa—with a sky bridge. A white stucco and steel home primarily designed for cars.

These are some of the luxury home styles you'll find in Austin, Texas, where the transformation of the city from laid-back college town to high-tech magnet is rapidly reshaping the architectural landscape.

New homes are going up fast. Single-family home permits are up 138% over the past five years, according to census data. The median price for single-family homes has increased 48.2% from \$250,000 in April 2012 to \$370,600 in April 2017, according to the Austin Board of Realtors.

Meanwhile, city ordinances designed to limit the size and density of new homes have had some unintended consequences. To get around size restrictions, homeowners are adding more carports and screened-in porches, which qualify

for a larger exemption than garages. The result: some odd workarounds and construction quirks that add to the eclectic look of many new or renovated homes.

Right now, the landscape is "fluid," says Matt Fajkus, principal of Austin firm Matt Fajkus Architecture. "Sometimes, while we are working on a house, the entire neighborhood will change," he says. "It's an interesting challenge. Are you designing something for the way the

*Please turn to page W14*

## A SIMPLER AND MORE SEDUCTIVE SPAIN

More well-heeled expats are moving to Valencia, drawn to the city's sunny weather, beaches, culture and good schools. One downside: an abundance of outdoor cafes can make for noisy streets.

BY KATY MC LAUGHLIN

**BRENDON CRAIGIE** was searching for a city somewhere in the world with great weather, British schools and "undervalued real estate." A Google search suggested Valencia.

So last summer, Mr. Craigie—originally from London but living in Manhattan at the time—flew with his wife for the first time to Valencia, which lies on the eastern coast of Spain, about a 3½-hour drive south of Barcelona. They returned at the end of the year with their three children, enrolled them in a British school and rented, for about \$5,600-a-month, a 10,000-square-foot modern mansion with views of the sea and mountains in Los Monasterios, a country-club community about 25 minutes north of Valencia.

"We didn't want another London or New York, which is why we didn't want Madrid or Barcelona," Spain's first- and second-largest cities, said Mr. Craigie, who left his post as chief executive officer of Hotwire PR, a public-relations firm headquar-



**A NEW LIFE** Ellen Raphael in her family's 10,000-square-foot modern mansion in Los Monasterios, a country-club community.

tered in London. He is now collaborating with his wife, Ellen Raphael, who works as a consultant, on a book about the future of the industry, and working on

building a new public-relations firm, he said.

Spain's third-largest city has a population of just under 800,000. It is attracting a growing number of expats

who move to the region purely for lifestyle reasons as opposed to corporate relocation, real-estate agents say.

The area is known for some of Spain's best

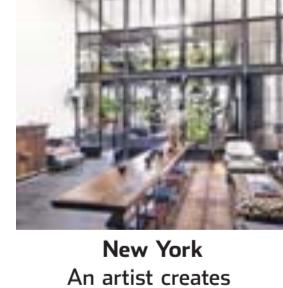
weather, with nearly year-round sunshine. There are orange tree-lined streets, beaches, bike paths, good restaurants and the City of

*Please turn to page W10*

**HOUSE OF THE DAY**  
[wsj.com/houseoftheday](http://wsj.com/houseoftheday)



**New York**  
A summer camp in the Adirondacks



**New York**  
An artist creates a Manhattan triplex



**Washington**  
A Tudor-style Seattle home on the water

CLOCKWISE FROM TOP LEFT: WYNN MYERS FOR THE WALL STREET JOURNAL; CASEY WOODS FOR THE WALL STREET JOURNAL; ANY MIKLER FOR THE WALL STREET JOURNAL; CLARITY NW PHOTOGRAPHERS FOR THE WALL STREET JOURNAL; SCOTT WEINSTEIN/FOTO

## MANSION

# SIMPLER SPAIN

Continued from page W9

Arts and Sciences, a collection of futurist museums and cultural buildings designed in large part by native-son architect Santiago Calatrava. The Jardín del Turia, a lush urban park that snakes through the city like the river it used to be, offers ample space for sports, picnicking and cultural events. Valencia is also the birthplace of paella. Luxury apartments sell for about half as much in Valencia as in Barcelona, said Alejandro Aznar, an agent with Engel & Völkers Valencia.

Real-estate transactions in the first two months of this year were up 9.4% compared with the same year-earlier period, said Juan Luis Herrero, Valencian partner of Lucas Fox, a Barcelona-based real-estate company that specializes in luxury sales to foreigners. Prices across Valencia are up 4.6% compared with the first quarter of last year, while prices in the historic Old Town area of the city have risen by 8.9%, Mr. Herrero said.

On a drizzling day in April, Mr. Aznar and his colleague, agent Jorgen Cordy, led a tour of two apartments on the market in the city's upscale Eixample neighborhood. The first was a roughly 3,100-square-foot home in a 1914 building designed by Francisco Javier Goerlich, considered one of Valencia's leading architects of Modernisme, a style characterized by nature-based motifs and curved lines. The apartment, with five bedrooms and three bathrooms, is listed for \$1.69 million.

Another apartment, steps from the Mercado Colón, a Gaudí-like market occupied by upscale cafes and shops, is on the market for \$1.35 million. The highlight of the three-bedroom apartment is a curved staircase leading to the front door. Mosaic-tiled floors and curvy, wood-encased windows exemplify Modernisme style.

Marcus Collardin, 50, a private-equity investor who most recently lived in San Francisco, moved this week to Valencia with his fiancée and infant. He said he began searching for a new home after the presidential election. As a dual U.S. and German citizen, he had his choice of European countries, but wanted warm weather. Rejecting Barcelona as "overrun by tourists," he flew to Valencia in November to explore the city.

In February, Mr. Collardin closed on a 2,700-square-foot, five-bedroom apartment for \$750,000. Transaction costs added about \$100,000 and remodeling about \$110,000 more, he said.

"I love the architecture, the juxtaposition of old and new, the beaches and unbelievable weather," Mr. Collardin said of Valencia. And "it's much cheaper than San Francisco," he added.

Mr. Craigie and Ms. Raphael enlisted the services of Christa Brokke, owner of moving2valencia



**SOMETHING OLD, SOMETHING NEW** A section of Valencia, top; the City of Arts and Sciences, a collection of futurist museums and cultural buildings designed in large part by native-son architect Santiago Calatrava, right.



JAMES RAJOTTE FOR THE WALL STREET JOURNAL (5); MAP BY JASON LEE



Relocation Support. In 2004, Ms. Brokke and her husband, both originally from Holland, moved to Valencia where they live with their two children, she said.

Most of Ms. Brokke's clients want to live in the central Eixample area, which is home to many popular bars and restaurants. In the most elegant part of the neighborhood, she advises clients that restored properties run between about \$450,000 and \$2.8 million; rentals range from about \$1,700 to \$5,000. Prices can be highly negotiable, said Ms. Brokke, a sentiment echoed by Mr. Aznar, who said negotiability for luxury properties can be 15% to 20%.



**MAKING THE MOVE** Brendon Craigie and Ellen Raphael and their home; having moved at the end of last year, they are now looking to purchase a house in the same neighborhood.



On a recent tour of properties in Los Monasterios, where Mr. Craigie is currently looking to buy a house, agent Pau Mollá of brokerage Class Home Inmobiliaria pointed out the homes of famous soccer players and business executives. The neighborhood population is approximately 40% expats, said Mr. Mollá, who are drawn to the community mainly because of an American school, a British school and other private schools nearby. Large, modern houses, with pools and views of both the Mediterranean and the Sierra Calderona mountains, range roughly between \$675,000 and \$3.4 million; rents start at about \$1,900 and go up to about \$6,800.

Negatives to life in Valencia include an unemployment rate a point higher than Spain's overall 18.75%. Locals grumble about corruption and public-works boondoggles, such as a second provincial airport that has barely been used. Another quibble: noisy streets. A tradition of festivals, plus lots of cafes with outdoor seating, make for a loud cityscape. Valencia's economy, traditionally based on exports of citrus, furniture, ceramics, and automotive parts, increasingly relies on tourism, which is evident everywhere.

Mr. Craigie said his family loves the school, the surrounding mountains and sea, and the quick commute into the city and airport. Another favorite thing: the local cuisine.

"The food is really good, fresh produce is amazing here, and it's not expensive," said Mr. Craigie.

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## MANSION

### BALANCE SHEET

# A Couple Committed to Nooks and Crannies

Londoners who once embraced wide-open floorplans opt for a cozier layout in their \$1.4 million renovation

BY RUTH BLOOMFIELD

#### OPEN-PLAN LAYOUTS

might be all the rage, but for Jessica and Cem Savas, the reality of living without walls had its drawbacks: "We liked the airiness of the open plan," Mrs. Savas said, "but we wanted some more cozy, private spaces."

So when the couple moved from their open-plan property to a fixer-upper in London's Clapham neighborhood, they took a hybrid approach, opting for partial walls and open bookcases to separate and define rooms, as well as a separate basement level designed as a guest suite.

The project was the couple's most ambitious home remodel, although not their first attempt at modernizing a period house. The U.S.-born Mrs. Savas, 36, and Mr. Savas, 38, from Germany, moved to London in 2007 when Mrs. Savas's job in finance was transferred to the British capital. Since then the couple has made a habit of buying homes in need of TLC, renovating them, and then moving on.

"As soon as we finish a house we get quite antsy," admitted Jessica, who quit her finance job and now works as an interior designer and property developer full time. "We are always looking to experiment; it is about the challenge."

Their most recent challenge was an Arts and Crafts-style home built in 1913 that would have originally featured intricate



#### KEY COSTS

Purchase price

**\$1.8 million**

Basement

**\$540,000**

Interiors and updates

**\$474,000**

Concrete and foundation

**\$135,000**

Kitchen and cabinetry

**\$122,000**

Windows, glass doors

**\$84,000**

Home automation

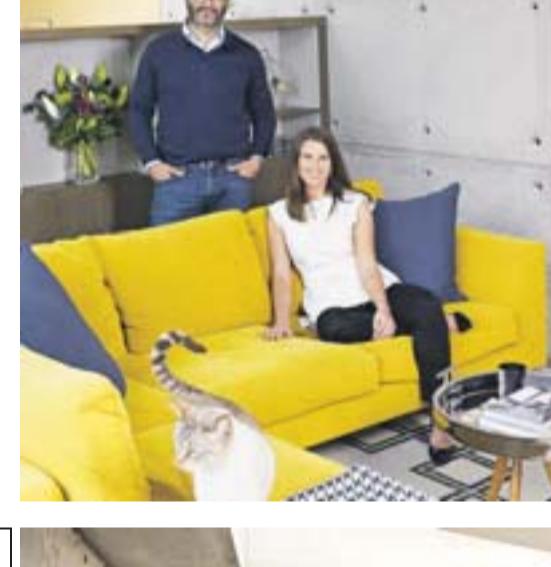
**\$45,000**

Living room and fireplaces

**\$15,000**

**TOTAL:**

**\$3.215 million**



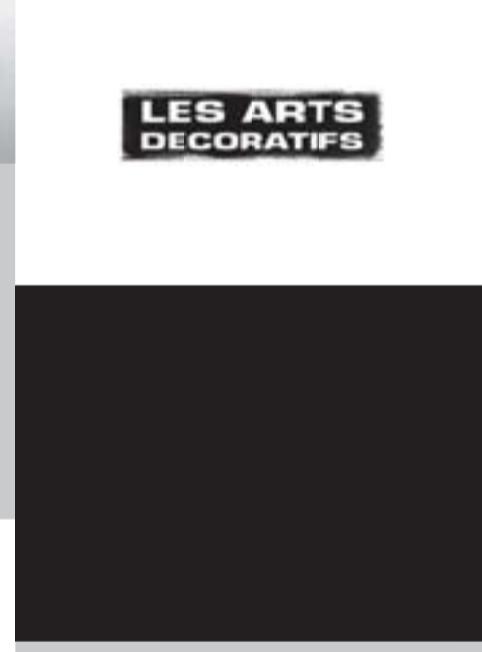
**GOING FOR BOLD** A bookcase, above, separates the living room from the dining room in this 1913 Arts and Crafts home, far left. Cem and Jessica Savas, left, in the living room of their addition. Below, the kitchen is part of the new extension, where sliding, floor-to-ceiling glass doors lead to the backyard, with multiple outdoor-seating areas.



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woodwork and paneling. But the four-bedroom, 2,300-square-foot house that Mr. and Mrs. Savas bought in 2014 for \$1.8 million had lost most of its original features during the 1950s and 1960s. Instead, it boasted electric fireplaces and linoleum flooring—not the kind of period piece they were after.

But they loved its secluded—and spacious by London standards—backyard. "It was like this very surprising oasis," said Mr. Savas, who is the co-owner of Plentiful.com, a home-services marketplace. "We

thought we could do something outside the box. We wanted to go bold."

The couple enlisted the help of architect Micah Sarut, managing director of Inter Urban Studios, asking for a self-contained guest apartment and a tranquil master bedroom.

Mr. Sarut's solution was an extension projecting into the yard, with sliding, floor-to-ceiling glass doors. Outside, they created seating areas, a vegetable garden and raised planters full of lush shrubs and flowers.

The house already had a generous entrance foyer leading to a living room at the front of the house. A handmade oak shelving unit partially separates this room from the adjacent dining room, where an existing bay window has been enlarged into an alcove to create a



sunny work area. This space leads to the kitchen and a second living room in the new extension.

To give extra space for guests, a new basement level has been dug, creating a two- to three-bedroom apartment, brightened by a series of light wells and skylights. Upstairs, the main house has an en suite master bedroom with dressing room. Three guest rooms and two bathrooms are also located upstairs.

"It was not...[only]...about the need to create extra space, but about creating space that was beyond the traditional cellular arrangement the house had—of one box-shaped room, then another," said Mr. Sarut. "It was about creating a sequence of semi-open spaces which each had different personalities."

Work on the \$1.4 million build began in late 2014. By the start of 2016, Mr. and Mrs. Savas were finally able to move into their new home. "How was the build? It was exciting—but it was way too long," said Mrs. Savas. Since its completion the house has been appraised by local estate agents at between \$3.9 million and \$4.5 million.

Like many expensive habits, renovating old houses can be addictive, and the Savases' love of a challenge means that, even after spending so much time and money on their house, they might not stay put. "We walk around the house and think about what we might do differently next time and what we might do again," said Mrs. Savas. "Will we be living here in two years' time? The likelihood is no."



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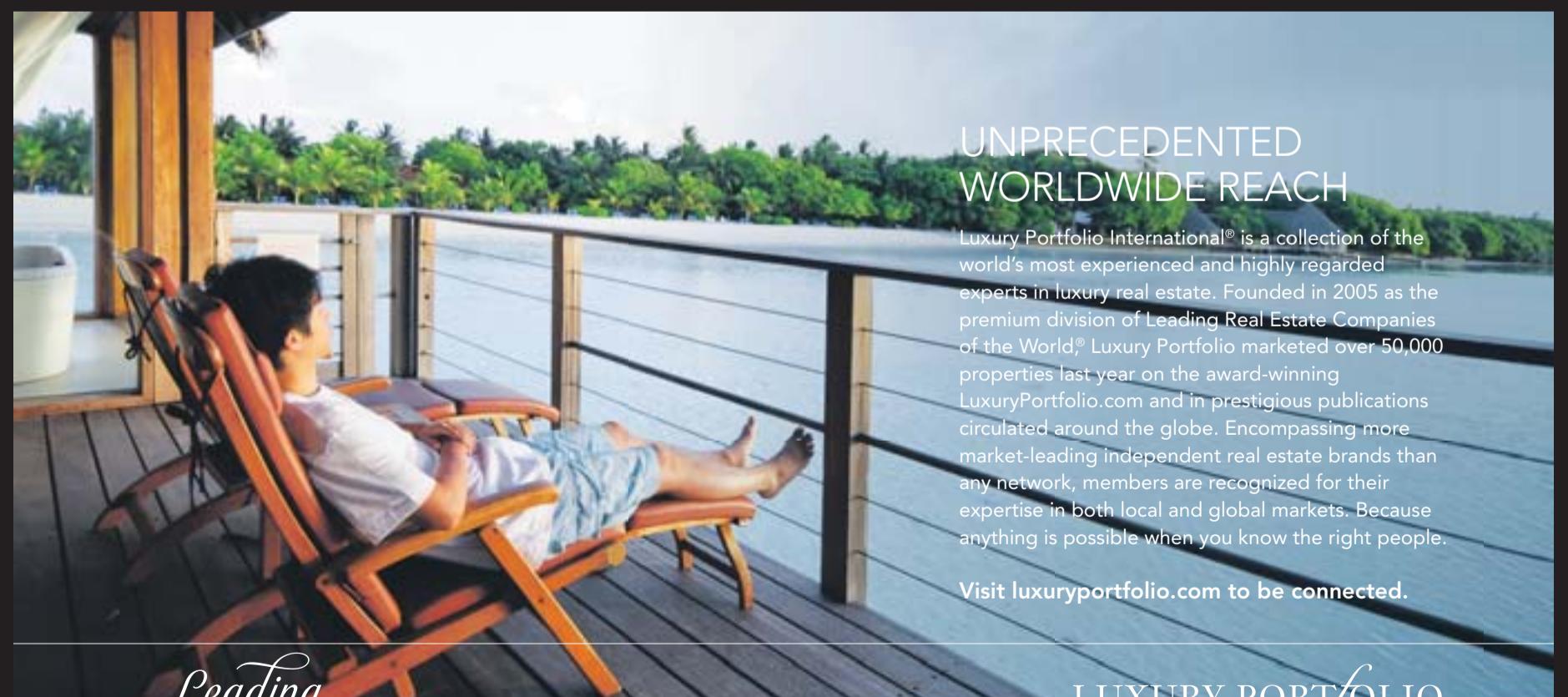
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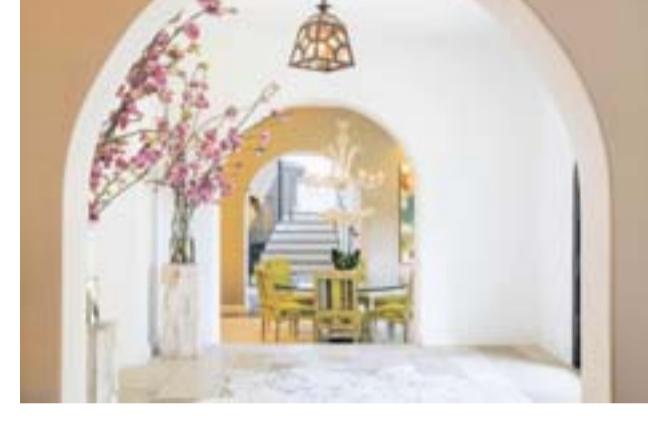
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## MANSION



**OLD WORLD** Blake and Jamie Chandlee with their children, left, and dog, Ellie Mae. The couple enlarged the area over the garage to create more space. Above, the loggia; below, an entryway.



## IN AUSTIN, A HODGEPODGE OF HOMES

Continued from page W9  
neighborhood is now or how the neighborhood will be?"

In older neighborhoods near downtown, tiny, dilapidated shacks sit across the street from new boxy white contemporaries. Frank Lloyd Wright-inspired mansions are catty-corner to what look like breezy beach bungalows.

Mr. Fajkus, who is also an associate professor of architecture at the University of Texas, recently finished designing a 1,000-square-foot, one-bedroom home in the Bouldin Creek neighborhood that cost about \$1 million to build. The modern white stucco and steel house was designed around a couple's vast vintage-car collection and includes 2,000 square feet of garage and outdoor space. The home's upper-level cantilevers are 20 feet out from the box-shaped lower level.

The owners, John and Lisa Weinberger, moved from Chicago to Austin in 2014, when many homes in Bouldin Creek were run-down. They bought a new four-bedroom spec house, then bought the lot next door and built their new modern home—mainly used as a place to put their cars.

"Houses are coming down by the week," says Mr. Weinberger, 85, an auto-dealership owner and car racer.

Just down the block from the Weinberger property, a plain 1,412-square-foot house is listed for sale—with marketing that suggests it is ideal as a teardown or gut renovation. ("What a lot!") The asking price: \$650,000.

The rapid change has some locals fearing that Austin will lose its identity. "It's not just the streetscape and character we are losing, it's also visual elements of our city's past," says Kathie Tovo, an Austin City Council member and the city's mayor pro tempore.

Scott and Cindy Trainer recently custom built a 3,700-square-foot, four-bedroom brick-and-stucco home for over \$1 million last year in the Zilker Park neighborhood. Asked to describe the style, Mr. Trainer hesitates:

It's a combination of Midcen-

tury Modern and classic James Bond, he says, pointing out both the long cedar roof overhangs and the floor-to-ceiling steel-framed glass walls.

Austin Architect Michael Hsu, whose firm designed the Trainers' house, says "luxury is being redefined here." The only unifying stylistic theme he sees is what he calls "casual modernism," which he describes as modernism that is authentic and accessible. His clients are moving to Austin from places like New York, Los Angeles and San Francisco because they want a lifestyle shift; they don't want the kinds of homes they've left behind. "Everyone deserves a place to live of their choosing. There's not a prescription for Austin for how you should be."

Mr. Trainer, 57, moved to Austin in 1982 from upstate New York after visiting his brother. He got an environmental-engineering job and moved to the Zilker Park area, first buying a small bungalow for \$56,000, renovating it and selling it for \$100,000 in 1991. That same year he bought a 1/4-acre lot for \$50,000 and built a three-story home, selling it in 2011 for \$1.3 million because he and his 46-year-old wife, a real-estate agent, wanted a home better suited for their two children.

Their new house replaced a larger, 4,500-square-foot home with a pool they bought for \$650,000 that hadn't been updated since 1959. Mr. Trainer, who became a commercial real-estate developer in 2004, had admired the property for years because it is on a bluff overlooking a large park and part of the Austin skyline.

The house, slightly angled, is designed with minimal windows facing the street. Instead, all-glass walls on the back of the home face the park and expansive skyline. It has concrete floors, soaring ceilings and a splayed back that folds around a courtyard and swimming pool. The master bedroom and bathroom are in a wing that is 4 feet higher than the rest of the house, a way to get sepa-



**ROOMY** Cindy and Scott Trainer, right, and the open-plan home they built for over \$1 million, above. Below, Suzi.



ration, since the subdivision doesn't allow homes with more than one story.

Currently, the City of Austin has what it calls "McMansion regulations" that limit the scale and bulk of new construction, remodels, and additions to make sure homes are compatible with existing neighborhoods.

While the goal of the McMansion ordinance was to preserve the character of neighborhoods and has helped curb size, some detractors say it has also had negative effects. For example, carports, which are not fully enclosed



spaces, don't count as square footage under the ordinance, but garages do. As a result, more carports have been built, affecting the appearance of the neighborhoods.

Recently, the city has proposed a new land-development code that may further change the face of neighborhoods. Dubbed CodeNext, the goal is to update and consolidate regulations and deal with the issues of neighborhood density, affordability and livability.

"The goal is to preserve what we love and improve what we don't," says Alina



Carnahan, who is working on CodeNext for the city.

Jamie Chandlee, a 2005 graduate of the University of Texas, moved back to Austin in 2010 to take a job with Facebook, which had just opened an office there. She met her future husband, Blake, who also worked for Facebook, and in 2012 they moved into a five-bedroom, five-bathroom mansion they bought in the Tarrytown neighborhood.

Two years ago, the couple embarked on a \$300,000 addition to their 6,000-square-foot home, built in the Itali-

anate style, with a red-tile roof and rounded rooms. They wanted a playroom but couldn't change the footprint of the house because of limits on "impervious surfaces"—which is any surface like a roof or driveway—that can't absorb rainwater.

So they asked Hugh Jefferson Randolph—the home's original architect—to enlarge the space over the garage and link it to the second story of the main house with a sky bridge. The addition gives their Old World-style home some decidedly modern touches.

Since they moved to Tarrytown, there has been non-stop construction in the neighborhood, Mrs. Chandlee, 34, says. Around the corner, a modern home sits next to a small bungalow. A few doors down a nondescript two-story, five-bedroom, seven-bathroom home with a three-car garage and a swimming pool is replacing a 2,972-square-foot ranch house built in the 1950s.

"There's a lot of variety. That's what makes Austin unique," says Mrs. Chandlee.



**CAR CARE** The rooftop lounge, above left, of John and Lisa Weinberger's one-bedroom home, which was built primarily as a place to keep their collection of vintage cars, above right. The couple live mainly in a four-bedroom house that's next door to this one.



CASEY WOODS FOR THE WALL STREET JOURNAL (2)

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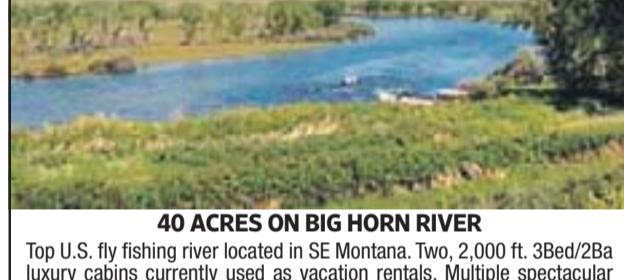
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### Special Advertising Feature

# New Amenities Trending In Trophy Ranches

By Tonie Auer



The Double Diamond Ranch in Waller County comprises a 6,000-square-foot home on 156 acres, and a creek.

**A**s trends come and go, one thing remains steadfast in the demand for luxury homes on trophy ranches and farms: personal choice. "Buyers want to personalize their properties," says Deitra Robertson, ALC (Accredited Land Consultant and member of the REALTORS Land Institute) at Deitra Robertson Real Estate, Inc., just outside of Houston. "I specialize in the recreational lifestyle ranches and horse properties in the \$2 million to \$5 million price point: many of my buyers want to build their own home in that price point and put their signature on their property."

A property that already has a high-end home with larger square footage is sometimes harder to sell than a large piece of property with a smaller home, Ms. Robertson says. Restored vintage farm houses that can be used as a guest house or a place to stay on their land until they build their dream house are always popular.

#### COMFORT AND RELAXATION

Of the trends she's seeing, most buyers want great indoor/outdoor spaces with pools, sporting clays ranges, and comfort so they can relax and entertain family and friends. Open, light and airy are popular descriptions, but with less structure than a mansion in a city.

She recently sold a magazine publisher's ranch less than an hour from Houston with more than 1,300 acres, and comments, "There are not a lot of properties here that large."

#### "BUYERS WANT TO BUILD THEIR OWN HOME AND PUT THEIR SIGNATURE ON THEIR PROPERTY."

Ms. Robertson currently has a listing for the Double Diamond Ranch, a \$4,899,000 property with 156 acres in Waller County, featuring a private gated entrance, 6,000-square-foot home with natural lighting, covered riding area, ponds, heavily wooded acreage for hunting and recreation, and a creek that runs through a portion of the property.

#### RESORT RANCHES

Investors and buyers looking for trophy ranches of several hundred to thousands of acres usually have to leave Texas to buy those properties in places like Colorado or Wyoming, she adds. Buyers gravitate to ranches close to resort areas, as well. Those sites tend to have deeded with about 2,000 acres and may be adjacent to leased land with a grazing permit, water rights, etc.

Buyers there also tend to like the big log homes with more rustic designs.

Tonie Auer is a freelance writer specializing in real estate.

### COLORADO



#### WINDING RIVER RANCH IN PARK COUNTY

The ranch is 4,832 acres in Fairplay. The Winding River Ranch checks every box for a legacy ranch buyer. This ranch boasts stunning views, Western cabins, year round access, 4.75 miles of private trophy trout fishing, stocked lakes, extensive landowner tags and trophy caliber big game hunting, all surrounded by National Forest. With easy access to Denver and Breckenridge, the Winding River Ranch is undoubtedly one of the premier sporting properties in the West.

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