

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**D**isney sweetened its bid for most of Fox to over \$71.3 billion in cash and stock, topping Comcast's unsolicited offer. **A1**

◆ **Guggenheim Partners** is in talks to buy the asset-management arm of German insurer Munich Re. **B1**

◆ **Berkshire, Amazon** and JPMorgan named surgeon and author Atul Gawande as CEO of their venture to overhaul workers' health care. **B1**

◆ **Cboe** is making changes to a monthly auction that determines final prices of futures tied to the VIX. **B1**

◆ **U.S. stocks stabilized** a day after trade tensions rattled markets. The Nasdaq rose 0.7% to a record 7781.51 and the S&P 500 gained 0.2%. **B1**

◆ **Chinese shipper Cosco** offered to put a Long Beach, Calif., container terminal in a trust to allay U.S. national-security concerns. **B3**

◆ **Tesla accused** an ex-employee of hacking into its computer system and sending data to a third party. **B3**

◆ **Chinese data company** Jiguang plans an IPO in New York in the second half. **B1**

◆ **Xiaomi plans** to raise up to \$6 billion in its IPO, sharply lowering its goal. **B1**

◆ **Deutsche Bank will pay** \$205 million to settle a currency-trading probe by New York's financial regulator. **B2**

◆ **MSCI returned** Argentina to emerging-market status for the first time in nearly a decade. **B10**

◆ **AMC is taking on** MoviePass with a new movie-subscription service. **B3**

### World-Wide

◆ **Trump directed** his administration to try to detain asylum-seeking families together, following a furor over border separations. **A1, A4**

◆ **The surge** of retiring baby boomers is reshaping the U.S. into a country with fewer workers to support the elderly, census figures show. **A1**

◆ **Federal authorities** have subpoenaed the publisher of the National Enquirer for records as part of a criminal probe of Michael Cohen. **A3**

◆ **The White House plans** to propose merging the Labor and Education departments as part of a reorganization of the federal government. **A4**

◆ **German auto makers** have thrown their support behind a proposal to scrap all import tariffs for cars between the EU and the U.S. **A7**

◆ **Nine states rolled out** a plan to push ambitious goals for sales of environmentally friendly automobiles. **A5**

◆ **Bloomberg plans** to spend \$80 million on political campaigns this year, largely in an effort to help Democrats win control of the House. **A3**

◆ **The Catholic Church** said it found an allegation of sexual abuse against a former archbishop of Washington, D.C., to be credible. **A5**

◆ **Robert Wilkie** was officially nominated to head the VA, the White House said. **A3**

◆ **Yemeni forces** captured the airport of a key port city from Houthi rebels. **A6**

◆ **Canada legalized** recreational marijuana use, beginning in mid-October. **A9**

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## U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## U.S. Turns From Global Uniter to Disrupter



The western world has seen plenty of division and conflict before. But in the past the U.S. was the stabilizer, seeking to align its interests and those of its partners. Today, it is the destabilizer, driven by a belief that its interests and the world's are at odds.

The relatively buoyant stock market and economy might suggest this doesn't matter. Tariffs announced to date are tiny relative to gross domestic product and quantitatively matter much less than tax cuts. Even the most committed free traders admit protectionism does its damage slowly.

But the disconnect between global discord and American prosperity may be fragile. Economies are accident-prone: Natural disasters, wars and financial crises come out of nowhere, and global cooperation has often served to contain their damage. Strains are already apparent, in the European Union, on the Mexico-U.S. border, and in emerging markets. Solving these or

any other crises gets harder the more mistrust grows between the U.S. and the rest of the world.

**P**resident Donald Trump's antagonism toward U.S. allies and trading partners reflects a belief that they are free riders on the U.S. military and economy. And it is true that since World War II the U.S. has borne a disproportionate share of the cost of sustaining military alliances and free trade.

But to suggest other countries sacrifice nothing to help the U.S. ignores plenty of military and economic history. After al Qaeda attacked the U.S. in 2001, Britain, Canada, Germany, France, Italy, Spain and the Netherlands each sent thousands of troops to Afghanistan. More than 800 died. Britain's contribution to the U.S.-led invasion of Iraq in 2003 cost Prime Minister Tony Blair heavily in political support and reputation.

It was the U.S. that, starting in the 1990s, prodded other countries to adopt safeguards against money laundering. After 9/11, that infrastructure proved invaluable in the fight

against terrorism financing, said Daniel Drezner, a political scientist at Tufts University. The sanctions that Barack Obama, prodded by a Republican Congress, pushed the world to adopt forced Iran to accept curbs on its nuclear program (whether Mr. Obama used that leverage effectively is another question). Germany has suffered much more, economically, than the U.S. for the sanctions imposed on Russia for its annexation of Crimea.

On economics, too, other countries have often bent to U.S. priorities. In 1978 West Germany agreed to stimulate its economy with deficit spending to help the U.S. narrow its trade deficit. In 1985 the Group of Seven advanced economies jointly intervened to bring down the dollar to narrow the U.S. trade deficit. Japan paid a steep price: It countered the strong yen with low interest rates that produced the bubble economy and its collapse. During the global financial crisis of 2008, other countries heeded U.S. entreaties to stimulate their economies and thus prop up demand, while the Federal Reserve teamed

## Signs of Strain

Trade tensions are weighing on commodity prices.

**Goldman Sachs Commodity Index**, net asset value



Sources: Goldman Sachs (GSCI); Federal Reserve Bank of St. Louis (Dollar)

THE WALL STREET JOURNAL.

up with other central banks to pump dollars into foreign banks and prevent fire sales of mortgage-linked securities.

While nothing comparable looks likely now, there are plenty of scenarios in which bad blood between the U.S. and others could aggravate a crisis. Arguably, the southern border offers one example. Mexico could stem the tide of Central American migrants

reaching the U.S. border by requiring a visa before they enter Mexico or requiring them to seek asylum once they do enter. While the Mexican government would pay a political price and upset its southern neighbors, it might do so for the sake of good relations with the U.S., as it has done in allowing U.S. drug agents to operate in Mexico. But at present such a sacrifice would be political suicide given the acrimony Mr. Trump has stirred up over trade and immigration.

**S**imilarly, the U.S. may never have needed tariffs to curb Chinese trade abuses had it first allied with other advanced economies—as in 2014 when the U.S., Japan and European Union forced China to resume exports of industry-critical rare earths. Instead, Japan, wary of U.S. protectionism, is now nurturing warmer trade relations with Beijing.

Then there is the risk that U.S. policies actually trigger a new crisis. Tariffs and non-tariff barriers, such as invasive customs inspections, could disrupt the delicate supply chains

that link the U.S., Chinese and world economies, a man-made version of the Icelandic volcano in 2010 or Thai floods in 2011 that disrupted global travel and manufacturing.

Meanwhile the U.S. tax cut and the borrowing that finances it are pushing up growth, interest rates and the dollar, sucking capital out of emerging economies from Brazil to Turkey. Capital may also flee China on expectations the yuan will be devalued to counter U.S. tariffs. Commodity and oil prices are already softening as a result, which could ricochet into U.S. shale oil investment.

That this hasn't hurt much yet is in great part because the Federal Reserve has been so restrained in raising interest rates. Indeed central banks world-wide remain bastions of technocratic competence and global cooperation.

But central banks can only do so much. Military and economic crises typically require many countries to act together in their collective interest as a way of advancing their individual interests. The U.S. used to lead such efforts. In the future, that isn't so sure.

## Retirees Reshape Population

Continued from Page One

100 of working age by 2030, according to census projections released earlier this year, and 42 by 2060, though currently unforeseen factors could alter that.

"You have this top-heavy age distribution that is basically uncharted waters," said Paul Taylor, author of "The Next America" who has studied the aging population. "The failure to face what's evident, right in front of our eyes, is a form of generational theft," he said, referring to the financial consequences for subsequent generations.

The new census figures also show that the number of whites who aren't Hispanic fell slightly in 2017. Revised estimates for 2016 also showed a small decrease. If it is not revised, the overall decrease of about 41,000, or 0.02%, would be the first on record, according to William Frey, a demographer at the Brookings Institution.

The finding showcases the long-term aging of the white population due to lower birth rates and shifts in where im-

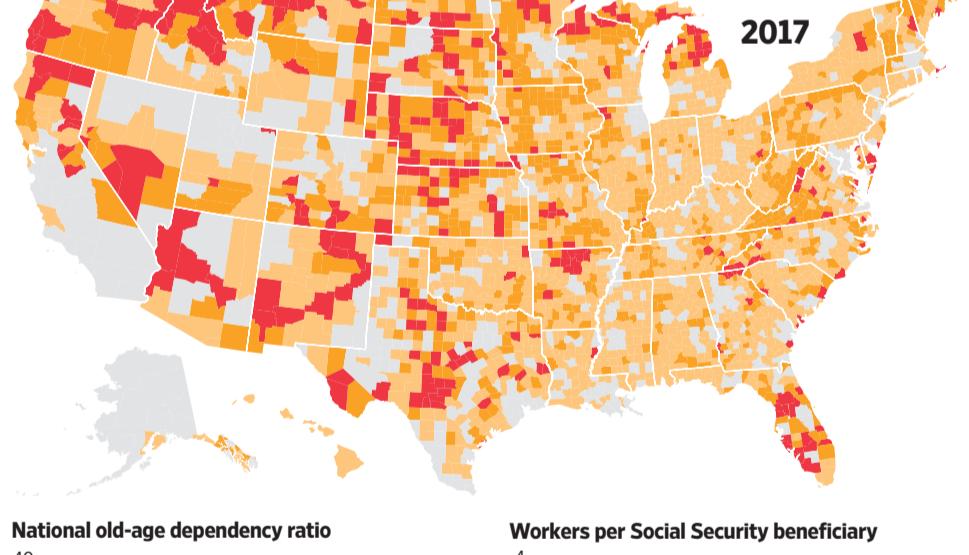
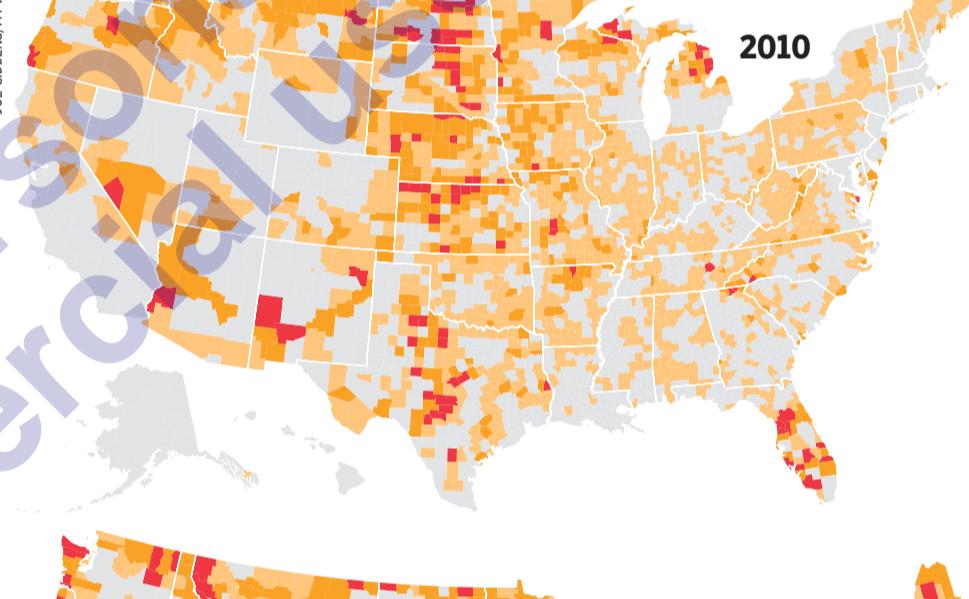


The shift began when the first baby boomers turned 65 in 2011.

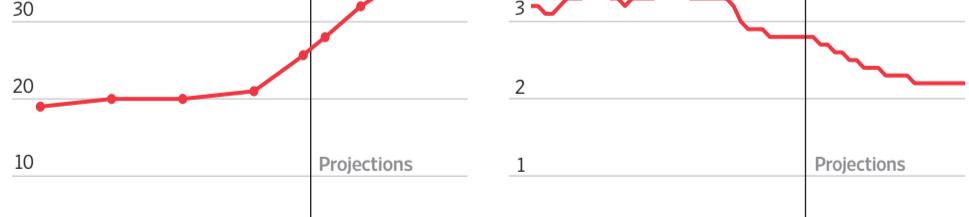
## Rising Seniors

Baby boomers are driving up the share of older adults, posing a financial challenge for retirement systems.

**Old-age dependency ratio:** Number of residents age 65 and older per 100 residents age 18-64



## National old-age dependency ratio

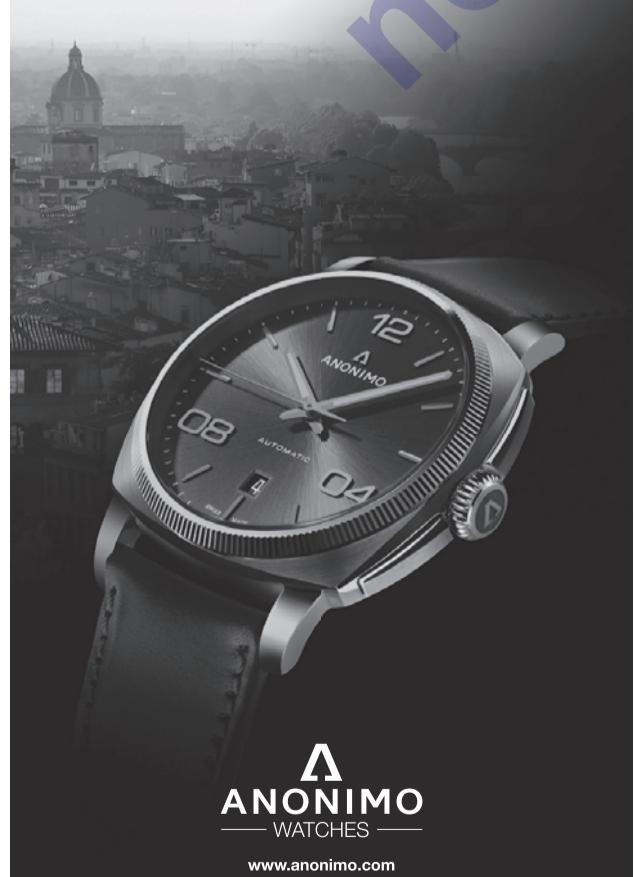


Sources: Census Bureau; Social Security Administration

## Workers per Social Security beneficiary



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Los Angeles, CA

Brentwood Jewelry  
Brentwood, TN

The state with highest age-dependency ratio is Florida, where there are 34 retiree-aged people for every 100 of working age, the new census figures show. That ratio has risen more slowly than the rest of the country's since 2010, as its economy draws young migrants, especially from Puerto Rico. Since 2010, Florida also has added more than 600,000 immigrants, mostly from the Caribbean and Central America.

The ratio is lowest in Washington D.C., at 17, followed by Alaska, Utah and Texas at 17, 18 and 20, respectively.

A lull in the U.S. birth rate since the 2007-09 recession is making the whole country more reliant on immigrants, who are typically young adults, to slow its aging. At the same time, though, there is a crackdown on immigration that could undercut that dynamic in the future.

American women are having children at the lowest rate on record, and the number of babies born last year hit a 30-year low. The median age of Americans was 38 in 2017, up almost a year from the start of the decade.

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## CORRECTIONS &amp; AMPLIFICATIONS

Artist Paul Cézanne had a son, also named Paul. The Review essay on Saturday about fathers incorrectly said he had no children.

Hamburg's Elbphilharmonie, which opened last year, is a concert hall. An Off Duty article Saturday about touring Madrid incorrectly alluded to the building as an opera house.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.

## U.S. NEWS

# Bloomberg To Spend Big to Help Democrats

By JULIE BYKOWICZ

Former New York City Mayor Michael Bloomberg plans to spend \$80 million on political campaigns this year, largely in an effort to help Democrats win control of the House of Representatives.

Mr. Bloomberg, a billionaire who identifies as an independent, has spent tens of millions of dollars in previous elections backing candidates of both parties and on issues such as tightening gun-control laws. He said in a statement Wednesday he would continue to support some Republicans at the state level.

In federal races, he is all in for Democrats.

"Republicans in Congress have had almost two years to prove they could govern responsibly. They failed," he said in his statement. He called congressional Republicans and in particular their leaders "feckless," saying they have "essentially stopped acting as a co-equal branch of government."

His midterm plans were reported earlier by the New York Times.

Mr. Bloomberg owns Bloomberg LP, a financial-services and media company based in New York. He was first elected New York mayor in 2001 as a Republican, endorsed Democrat Hillary Clinton in the 2016 presidential race and has spoken out against some of President Donald Trump's policies, including on immigration.

Mr. Bloomberg is routinely one of the country's top donors, spending more than \$67 million on federal elections since 2010, according to the nonpartisan Center for Responsive Politics.

Democrats would need to pick up 23 congressional seats to win control of the House. Other wealthy donors also have announced big midterm spending. Billionaire Democrat Tom Steyer is spending more than \$20 million on an advertising campaign aimed at attracting public support for impeaching Mr. Trump. He is spending another \$30 million to increase Democratic turnout in the midterms.

On the Republican side, Richard Uihlein, who owns a packaging-supply company in the Midwest, already has put more than \$25 million into federal races since January 2017, according to the Center for Responsive Politics. And in May, Las Vegas gaming billionaire Sheldon Adelson committed \$30 million to the Congressional Leadership Fund, a super PAC supporting House Republicans, according to a person familiar with the donation.

# Tabloid Publisher Gets Subpoenaed

Prosecutors probe if National Enquirer worked with ex-Trump lawyer to bury affair allegation

Federal authorities have subpoenaed the publisher of the National Enquirer for records related to its \$150,000 payment to a former Playboy

By Nicole Hong, Joe Palazzolo, Michael Rothfeld and Rebecca Davis O'Brien

model for the rights to her story alleging an affair with Donald Trump, according to people familiar with the matter.

The subpoena from Manhattan federal prosecutors requesting information from the publisher, American Media Inc., about its August 2016 payment to Karen McDougal is part of a broader criminal investigation of Mr. Trump's former personal lawyer, Michael Cohen, they said.

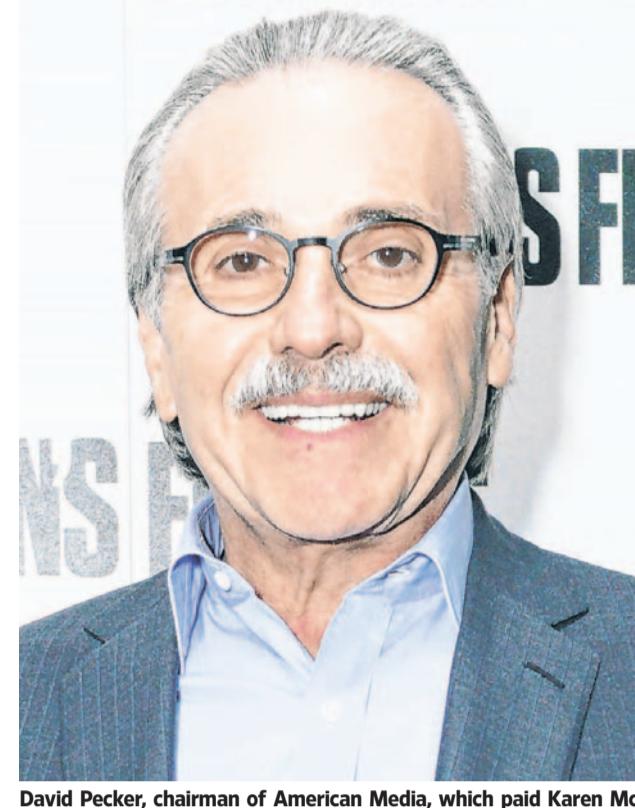
Investigators are probing any potential efforts by Mr. Cohen to suppress damaging information about Mr. Trump during the presidential campaign, including whether he coordinated with American Media to pay Ms. McDougal and then not publish her account, other people familiar with the matter said.

Prosecutors are examining whether the payment violated campaign-finance or other laws, the people said.

American Media hasn't been accused of wrongdoing, and the company has denied paying Ms. McDougal to suppress her story.

A spokesman for American Media said the company has complied "with any and all requests that do not jeopardize or violate its protected sources or materials," in accordance with its First Amendment rights.

Ms. McDougal has said publicly that she had a nearly yearlong affair with Mr. Trump beginning in 2006. The tactic of paying for a story but not



David Pecker, chairman of American Media, which paid Karen McDougal, right, for her story about an alleged affair with Donald Trump.



FROM LEFT TO RIGHT: ROSS WHITE/BFA; JEFF KRAVITZ/FILMMAGIC/GETTY IMAGES

publishing it is known in the tabloid world as "catch and kill," The Wall Street Journal previously reported.

The company's chairman and chief executive, David Pecker, has said he is a long-time friend of Messrs. Trump and Cohen, and the Enquirer aggressively supported Mr. Trump's campaign. Ms. McDougal said in a March lawsuit against the publisher that she realized after the fact the payment was intended to muzzle her during the campaign.

Two months after American Media's payment to Ms. McDougal, Mr. Cohen wired \$130,000 to former adult-film star Stephanie Clifford so she would keep silent about an alleged sexual encounter with Mr. Trump, also in 2006. That payment occurred 12 days before the presidential election.

Mr. Trump and his representatives have denied he had sexual encounters with Ms. McDougal or Ms. Clifford, who is professionally known as Stormy Daniels. Mr. Trump has acknowledged repaying Mr. Cohen through monthly retainers.

The White House and Mr. Cohen didn't respond to requests for comment for this article.

The U.S. Attorney's Office for the Southern District of New York and the Federal Bureau of Investigation have been examining whether Mr. Cohen committed bank fraud or violated campaign-finance or other laws in connection with

the payment to Ms. Clifford and other matters, according to people familiar with the investigation.

Mr. Cohen has denied wrongdoing and hasn't been charged.

Federal agents raided Mr. Cohen's home, office and hotel room in April. A search war-

rant obtained by federal investigators authorized seizure of documents related to the payments to Ms. Clifford and Ms. McDougal, the Journal has previously reported.

The search warrant also contained a broad provision asking for materials related to any effort or payment to deal with sources of negative publicity, a person familiar with the matter said.

Around that time, federal prosecutors sent a subpoena to American Media asking for records related to the McDougal payment, people familiar with the matter said. The company is in the process of producing the documents, one of the people said.

Phone records show that Messrs. Cohen and Pecker were in frequent contact around the time of the negotiations with Ms. McDougal, another person familiar with the matter said. It isn't clear whether investigators have obtained any information reflecting the substance of their discussions.

The Justice Department's guidelines for federal prosecutors describe subpoenas sent to news organizations as "extraordinary measures, not standard investigatory practices."

Corporations are barred from making contributions to candidates under federal election law. If investigators find evidence that Mr. Cohen pressed American Media to buy Ms. McDougal's story to protect Mr. Trump's campaign, prosecutors could bring charges against Mr. Cohen, the company or both, legal experts said.

In such a case, prosecutors would have to prove Mr. Cohen coordinated with American Media to provide Mr. Trump something of value for the purpose of influencing the election, said Douglas Spencer, a professor of law and public policy at the University of Connecticut.

Proving coordination would likely be the most difficult part of such a case, Mr. Spencer said.

# Wilkie Nominated as VA Secretary After a Delay

By BEN KESLING

WASHINGTON—The Trump administration has officially nominated Robert Wilkie to head the Department of Veterans Affairs, according to the White House, ending weeks of unexplained delay in sending the official nomination paperwork to the Senate.

President Donald Trump surprised even Mr. Wilkie at a White House event last month when he made public his choice for a new secretary to

permanently fill the post.

"I'll be informing him in a little while, he doesn't know this yet, that we're going to be putting his name up for nomination to be secretary of the Veterans Administration," Mr. Trump said at the event before shaking Mr. Wilkie's hand.

Since then, the White House has held back on submitting the necessary paperwork formally nominating Mr. Wilkie, with little explanation. Spokesman Hogan Gidley in a

statement last week said the White House was working with Mr. Wilkie to move ahead on the nomination, calling Mr. Wilkie "eminently qualified."

The nomination was delivered Wednesday afternoon, according to a spokeswoman for Sen. Johnny Isakson (R., Ga.), the chairman of the Senate Committee on Veterans Affairs. A confirmation hearing is set for next Wednesday.

The White House didn't respond Wednesday to a request for comment on the delay.

Mr. Wilkie is a longtime Washington insider with experience in government and private-sector companies that work with the federal government. He currently serves as an undersecretary in the Department of Defense and has gone through the Senate confirmation process in the past.

Before picking Mr. Wilkie, Mr. Trump announced his intent to nominate his personal physician, Rear Adm. Ronny Jackson, to head the department. Within days of that announcement, the process was derailed with allegations of past misconduct, which Adm. Jackson denies. A military review of those allegations is under way.

When Mr. Trump announced his intention to nominate Mr. Wilkie, Mr. Isakson said he enjoyed getting to know Mr. Wilkie and that he will "look forward to learning more about his long-term views for the VA."

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## U.S. NEWS

# Plan Seeks to Merge Labor and Education

**White House effort to streamline agencies isn't likely to win support in Congress**

BY MICHELLE HACKMAN AND ERIC MORATH

The White House is set to propose merging the Labor and Education departments as part of a reorganization of the federal government, said a person with knowledge of the changes.

An announcement is planned for Thursday morning, after a months-long review of cabinet agencies with an eye toward shrinking the fed-

eral government.

The changes would require approval from Congress, but it isn't clear that lawmakers have the appetite to undertake a far-reaching reorganization, especially at this point in the political calendar.

Lawmakers have shown reluctance to embrace such plans in the past, and Congress has limited time for major legislation before the November midterm elections. Previous proposals to eliminate agencies, including the Education and Energy departments, have made little headway.

Streamlining the executive branch has been a longtime conservative goal. The new plan

also meshes with the administration's priority of retooling higher-education programs to train students more directly to join the workforce.

The White House has championed plans to expand access to apprenticeships, for example, and the Education Department has moved to deregulate the controversial for-profit college industry, which often focuses on school-to-workforce training programs but has been plagued by scandals.

Spokesmen for the White House and Labor Department declined to comment. Representatives at the Education Department couldn't be reached for comment.

The administration has also been weighing changes at the Department of Health and Human Services, such as consolidating safety-net programs under HHS. That could accompany a renaming of the department to something similar to its name in the 1970s, when it was called the Department of Health, Education and Welfare.

HHS oversees Medicaid and other social-assistance programs, while school meals and the food-stamp program, formally called the Supplemental Nutrition Assistance Program, are run by the Agriculture Department.

The Treasury and Department of Housing and Urban

Development oversee still other programs.

The Education Department is one of the smallest federal government agencies, with about 3,900 employees. Its workforce has shrunk by more than 10% since President Donald Trump took office, with Education Secretary Betsy DeVos enforcing a departmentwide hiring freeze.

The department's largest division oversees \$1.4 trillion in federal student loans, and the department is also responsible for distributing K-12 education dollars and enforcing civil-rights laws at public schools and higher education institutions.

The Labor Department has

about 15,000 employees whose responsibilities range from enforcing federal minimum-wage laws to overseeing worker-training programs. Its biggest division is the Bureau of Labor Statistics, which produces the monthly jobs report and other economic data.

Republicans during the Clinton administration proposed merging the departments of Education and Labor, along with the Equal Employment Opportunities Commission, naming it the Department of Education and Employment. At the time, the Government Accountability Office predicted an agency would have a budget of \$71 billion and employ 25,000 people.

# At the Border, Policy Shift Relieves Migrants

BY JUAN MONTES

REYNOSA, Mexico—Patricia de Jesús Flores journeyed 1,500 miles from El Salvador through Guatemala and Mexico to this town just across the Rio Grande from McAllen, Texas, with her 7-year-old son.

She was headed to Los Angeles and said she wanted to seek asylum and enter the U.S. legally. But, if denied, she said she was prepared to sneak in even at the risk of losing Joan.

"The only future for my son in El Salvador was to become a gang member. I don't want to wake up one day and see him dead on the street," Ms. Flores, a single mother, said as Joan played with other children in a migrant shelter here.

On Wednesday, Ms. Flores said she was relieved when President Donald Trump signed an executive order to end a policy separating children from immigrants arrested crossing the border illegally.

That was the fate of more than 2,000 migrant children since the Trump administration in April decided to prosecute all migrants attempting to enter the country illegally.

Mr. Trump later signed the executive order, though his administration didn't say how it would keep immigrant families together. Even before Mr. Trump's decision to end family separations, most migrants interviewed at this warehouselike shelter were determined to continue their exodus with their children to the U.S. They said the Trump shift simply removed one obstacle.

Deep-rooted religious faith also played a role in her decision. "I know that God wouldn't allow them to take my son from me," Ms. Flores said.

Immigrants at this modest shelter run by a folksy evangelical pastor weren't deterred by the outcry surrounding family separations that is roiling the U.S. Many say they were aware of Mr. Trump's animosity toward migrants.



A Salvadoran woman, Patricia de Jesús Flores, with her son Joan, 7, in a shelter near the U.S. border in Reynosa, Mexico, Wednesday.

"It is well known this is a tough government with a bad heart," said Claudia Meléndez, a 32-year-old Honduran mother of two.

Migrants say that Mexico isn't an option for them. Reynosa, like parts of Mexico, has been convulsed by a wave of drug gang violence. The main source of jobs are in assembly plants, where the average monthly wage is \$200.

Most migrants make a dangerous journey to this town by bus or hop on cargo trains from southern Mexico. Mexican police, criminals and corrupt security forces all dog their steps. Smugglers charge \$1,000 to cross the river into McAllen, and some \$4,000 to get them to Houston and be-

yond, migrants say.

Many described their efforts to escape gang violence, unemployment and grinding poverty in their home countries. Their stories couldn't be independently confirmed but they are consistent with descriptions from human rights advocates.

Ms. Flores said she left El Salvador fleeing the vicious Mara Salvatrucha gang, also known as MS-13. She lived in Cuscatancingo, a town near the capital, with Joan, whose father abandoned them when Joan was three months old.

She opened a modest beauty salon. Joan, an avid soccer fan, was getting good grades at school. But violence engulfed the community. Shootings became more frequent. The break-

ing point came when Joan witnessed a murder.

Ms. Flores said she decided it was time to leave. She sold the business. A relative in Los Angeles put her in touch with a smuggler who offered to take her and Joan to the Mexican border city of Tijuana, across from San Diego.

They left El Salvador in March. But once they got to Tapachula, on Mexico's southern border, the smuggler abandoned them with other migrants at a safe house. She went to work as a hotel maid to earn enough money to continue her journey. Ms. Flores arrived at the shelter in Reynosa in early June. If denied asylum, she'll try to enter the U.S. in any case. But she

doesn't know how and when.

Some 800 miles west of Reynosa, in the border town of Ciudad Juárez near El Paso, Mexican migrants were also trying to seek asylum in the U.S.

"I'm afraid of the U.S. government's response," said Angelica, a 42-year-old woman from the violent state of Michoacán, as she held her three-year-old granddaughter Ruth Sofia.

"We're doing everything we can to process (people) in a safe and humane way," said Ray Provencio, the Customs and Border Protection acting director at the border checkpoint. Two Mexican families and one Central American one were allowed to cross into the U.S. border station and apply for asylum on Wednesday.

# New FTC Chief Sets Sights on Antitrust

BY BRENT KENDALL

WASHINGTON—The Federal Trade Commission's new chairman is promising active antitrust enforcement across industries as well as scrutiny of big technology platforms, the latest signal that Trump appointees could be as aggressive on enforcing competition law as their Democratic predecessors.

Joseph Simons, in his first roundtable session with reporters Wednesday, said his message to the business community is to expect vigorous enforcement.

"That's the key thing. That's the mantra," he said, adding, "We want to go after cases that matter."

The FTC shares antitrust powers with the Justice Department, as both agencies review proposed mergers and investigate business conduct that is potentially anticompetitive.

The Justice Department was recently dealt a blow when a federal judge rejected its bid to block AT&T Inc.'s takeover of Time Warner Inc., suggesting enforcers may face challenges breaking new

**Joseph Simons said that his message to businesses is to expect vigorous enforcement.**

ground in the digital era.

The commission also is the chief enforcer of U.S. consumer-protection law, which in recent years has put it at the forefront of issues related to online privacy and data security.

The FTC, for example, is currently investigating Facebook Inc.'s privacy practices.

The five-member bipartisan commission, however, has maintained a relatively low profile since President Donald Trump was elected, in part because the White House waited a year before nominating new FTC members.

Mr. Simons, a respected veteran antitrust lawyer, was confirmed in late April and sworn in May 1.

He announced Wednesday a series of hearings beginning this fall to examine whether changes in the economy, evolving business practices and new technologies require a new approach to enforcement.

Among other things, Mr. Simons said he wanted the commission to go back and study whether it had been tough enough in policing past mergers. The FTC, he said, would do research, perhaps in conjunction with antitrust academics, to examine whether transactions previously approved by the FTC have led to higher consumer prices or other harmful results.

"That's definitely one of the things we want to investigate," he said. The effort appears more of a fact-finding exercise than an attempt to reopen past cases.

Republican-appointed antitrust enforcers have tended to be less interventionist than Democrats, but that hasn't proven true so far in the Trump administration.

# Order Seeks Change for Families

**Continued from Page One** together when "appropriate and consistent with law and available resources."

He kept in place the administration's "zero tolerance" policy, instituted earlier in the spring, of prosecuting adults who attempt illegal entry into the U.S. That policy provoked a political outcry when it led to the separation of thousands of children from adults who were arriving at the southern border.

"We're going to keep families together, but the border's going to be just as tough as it's been," Mr. Trump said of the order at a campaign-style rally Wednesday night in Duluth, Minn.

It remained unclear how the order would overcome legal and logistical hurdles, or how it would affect the more than 2,300 children already separated from adults who had been apprehended.

A spokesman for the Department of Health and Human Services, which is responsible for the separated children, said Wednesday night the agency is still "awaiting further guidance on the matter" and that a spokesman had earlier misstated in saying that existing cases would be unaffected by the order.

A longstanding federal-court

settlement—known as the Flores agreement—bars the government from jailing migrant children. The move by the administration to continue arresting adults while keeping their children with them in custody could run afoul of that settlement.

In the order, the Republican president directed Attorney General Jeff Sessions to try to modify that court settlement to enable officials to detain families together for the duration of their immigration proceedings.

Legal experts said that would set the stage for the same court battles that President Barack Obama's Democratic administration fought and lost when it tried to jail migrant families together for more than 20 days.

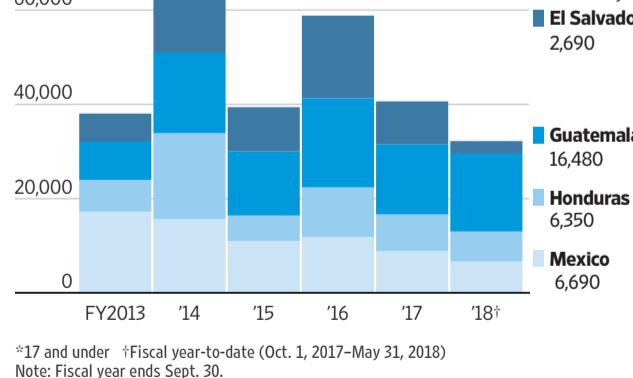
Gene Hamilton, a counselor to Mr. Sessions, said the executive order was legal but stressed that it would be up to Congress to create a permanent resolution. He said the Department of Homeland Security and the Justice Department would be working closely together to implement the policy, but declined to offer specifics.

In the order, which Mr. Trump signed while flanked by Vice President Mike Pence and Homeland Security Secretary Kirstjen Nielsen, the president also instructed the Pentagon to make facilities available for the housing and care of immigrant families.

Defense Secretary Jim Mattis said Wednesday that the Pentagon stood ready to help. A U.S. defense official said the Pentagon hadn't been asked for the use of any military facility

## Heading North

Unaccompanied children\* apprehended at the Mexican border by top four countries of origin for migrants



\*17 and under †Fiscal year-to-date (Oct. 1, 2017–May 31, 2018)

Note: Fiscal year ends Sept. 30.

Source: Department of Homeland Security

thus far, but was expecting a request shortly as existing migrant facilities reach capacity.

Government officials have looked at buildings at three sites: Goodfellow Air Force Base and Dyess Air Force Base, both in Texas, and Fort Bliss Army base, which straddles the border of Texas and New Mexico, the defense official said.

Officials this week considered a fourth installation, Little Rock Air Force Base in Arkansas.

As late as Tuesday, Mr. Trump and top administration officials refused to entertain suggestions that they take executive actions to end the family separations, instead calling on Congress to pass legislation.

Mr. Trump said Tuesday he

saw only two options available to the administration—"totally open borders or criminal prosecution for lawbreaking"—with only Congress able to provide a third option to detain and remove families "together as a unit."

The president and Republicans had come under growing pressure after images and audio recordings surfaced of some of the 2,342 children the administration has said were separated from adults and placed in government facilities since the policy took effect.

In response, many GOP lawmakers pushed for legislative measures that would detain families intact at the border. Democrats had broadly sought

to allow families to be released into the U.S. together while their cases are adjudicated.

GOP lawmakers met with Mr. Trump on Tuesday night and again Wednesday morning. Mr. Trump said he had seen, and been horrified, by some images of the detained children.

"The president just wants it all: He wants to keep families together, he wants zero tolerance and everything else," a White House official said Wednesday. "And this is what it looks like when you try to get it."

The White House's reversal was welcomed by Republicans on Capitol Hill. But it also raised a host of questions about whether Congress still needed to legislate, whether a new system for keeping families together would end up amounting to indefinite detention while their cases are adjudicated, and how the government would reunify families already split apart.

"I'm very pleased if the executive order brings a halt to this inhumane, traumatizing experience for these children, but it might be helpful for Congress to define better the rules of the road," said Sen. Susan Collins (R., Maine).

"President Trump's executive order merely replaces one inhumane act with another," said Sen. Bernie Sanders (I., Vt.). "In response to the overwhelming public outrage at his administration's policy of tearing children away from their parents at the border, this administration thinks the appropriate response is to indefinitely detain families."

"That's definitely one of the things we want to investigate," he said. The effort appears more of a fact-finding exercise than an attempt to reopen past cases.

Republican-appointed antitrust enforcers have tended to be less interventionist than Democrats, but that hasn't proven true so far in the Trump administration.

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## U.S. NEWS

# Mnuchin Touts 'Postcard' 1040

BY RICHARD RUBIN

WASHINGTON—The new IRS Form 1040 will be released next week, and it will be significantly smaller than the current version, Treasury Secretary Steven Mnuchin said Wednesday.

"It will be a postcard, as we have promised," he said at an event celebrating the six-month anniversary of the tax law that lowered rates and removed some tax breaks. "Hardworking taxpayers won't have to spend nearly as much time filling out their taxes."

Mr. Mnuchin provided no other detail on what the form will look like. The existing Form 1040 for filing individual taxes is two pages long, with additional schedules and com-

putations often required. The Internal Revenue Service already offers a one-page Form 1040EZ for taxpayers with simple financial situations and a Form 1040A that is less complex than the regular form but longer than the 1040EZ.

The tax law enacted in December removed some breaks that previously took up space on the 1040, including the deduction for moving expenses. Other lines on the 1040 could be eliminated by moving them to separate forms or schedules.

For millions of taxpayers, a larger standard deduction will simplify tax filing because they won't need to track itemized deductions. Other complex areas of the tax law were largely unchanged.

## Sex-Abuse Allegation Credible, Church Says

BY KRIS MAHER

The Catholic Church said Wednesday it found an allegation of sexual abuse against a former archbishop of Washington, D.C., to be credible, and the retired priest will stop practicing his ministry.

He is the highest-ranking U.S. Catholic cleric ever to receive this penalty for alleged sexual abuse.

Cardinal Theodore McCarrick was accused of sexually abusing a then-teenager roughly 45 years ago, when he was a priest in New York. The 87-year-old former archbishop said that he didn't remember the incident and that he believes he is innocent. But he said he is cooperating with the investigation and would refrain from any public ministry going forward.

"While I have absolutely no recollection of this reported abuse, and believe in my innocence, I am sorry for the pain

the person who brought the charges has gone through, as well as for the scandal such charges cause our people," Cardinal McCarrick said.

Patrick Noaker, a Minneapolis attorney who represents the accuser, said the allegation was made in January and involves two incidents at St. Patrick's Cathedral in New York in the early 1970s.

The Archdiocese of New York investigated the allegation. Cardinal Timothy Dolan of New York thanked the victim for coming forward and said he hoped the process would bring a sense of resolution and fairness.

The case follows numerous allegations of abuse by Catholic priests around the world. In the U.S., several high-ranking church officials have been swept up in allegations that they covered up years of abuse by priests in some cases.

—Francis X. Rocca contributed to this article.

## FAA Oversight of Southwest Is Examined

BY ANDY PASZTOR

The Transportation Department's inspector general is examining whether federal aviation inspectors have done enough to ensure safety in policing operations of Southwest Airlines Co.

Scrutiny of the Federal Aviation Administration's oversight office in the Dallas area, responsible for supervising the carrier with the largest number of domestic passengers, was disclosed Wednesday in a one-paragraph statement devoid of details. But the audit was prompted, at least in part, by months of allegations coming from inside the local office that some FAA supervisors were too cozy with airline managers, according to people familiar with the details.

Some of the issues auditors are delving into, according to one of these people, include

allegations that certain FAA supervisors have disregarded various inspector complaints and failed to aggressively carry out enforcement actions after they were drafted. At least one inspector has filed a whistleblower complaint and alleged that he suffered retaliation from management.

Practices under review in the audit range from changes in the way pilots compute takeoff distances and set flight controls to how the airline runs specific training programs to help pilots deal with stalls, these people said.

In its statement, the inspector general said "recent events have raised concerns about FAA's safety oversight, particularly for Southwest Airlines," adding that the "objective is to assess FAA's oversight of Southwest Airlines' systems for managing risk."

Hours after the inspector

general's statement, the FAA released a statement, saying it welcomed the audit, calling it an "opportunity to improve upon what is already the safest aerospace system in the world."

"We have a very transparent and professional relationship with the Federal Aviation Administration," Southwest said in response to questions about the audit. "Our absolute goal at Southwest is to meet or exceed every requirement of our Safety Management System, and we believe we are held accountable to that goal by the FAA."

Allegations regarding training and operational issues, according to the people familiar with the matter, aren't connected to the high-profile failure and disintegration of an engine on a Southwest flight in April, which killed a passenger.

—Alison Sider contributed to this article.

## U.S. WATCH

## ECONOMY

### Existing-Home Sales Fall for Second Month

Sales of previously owned U.S. homes declined in May for the second consecutive month, signaling that a run-up in prices, rising mortgage rates and limited inventory may be holding down purchases during the spring buying season.

Existing-home sales dropped 0.4% in May from the prior month to a seasonally adjusted annual rate of 5.43 million, the National Association of Realtors said. News Corp., owner of The Wall Street Journal, operates Realtor.com under license from the NAR.

—Sarah Chaney

counts of wire fraud, one count of witness tampering and three counts of making a false statement to investigators.

Justice Loughry couldn't be reached to comment. A spokeswoman for the court didn't respond to a request to comment.

—Kris Maher

## KENTUCKY

### GOP-Backed Pension Overhaul Struck Down

Kentucky's new public-pension overhaul was struck down, in a setback for the state's Republican leaders on an issue that angered thousands of teachers who marched on the Capitol and closed schools in protest.

Franklin County Circuit Judge Phillip Shepherd ruled that the GOP-run Legislature violated the state Constitution in enacting the law.

—Associated Press

## REPUBLICAN PARTY

### Michael Cohen Quits RNC Post

Michael Cohen, President Donald Trump's former longtime lawyer, resigned from his post as na-

tional deputy finance chairman at the Republican National Committee on Wednesday, according to an RNC official, saying the investigations into his contacts with Russia and his business dealings were proving too great a distraction.

Mr. Cohen, whose exit was reported earlier by ABC News, didn't respond to a request for comment.

—Rebecca Ballhaus

## TITANIC ARTIFACTS

### Potential Auction Is on a New Track

The sale of artifacts from the Titanic through a bankruptcy-run auction has taken a new route after several sale efforts.

A group of equity holders and lenders behind **Premier Exhibitions** Inc., the bankrupt company that owns thousands of artifacts from the doomed ocean liner, has made a \$17.5 million offer to acquire the company, according to court papers filed last week.

**PacBridge Capital Partners** and funds affiliated with **Apollo Global Management** and **Alta Fundamental Advisers** and other equity holders and secured lenders are among the group.

—Lillian Rizzo

## In the Old Bear Republic, a New Trail Opens at the Zoo



SWIMMING HOLE: Bears took a dip in their pool habitat in the new California Trail section at the Oakland Zoo on Wednesday.

BEN MARGOT/ASSOCIATED PRESS

## States Push Zero-Emission Plan

BY MIKE SPECTOR

California and eight other states rolled out a plan pressuring auto makers and others to meet ambitious goals for sales of environmentally friendly automobiles—part of an effort to maintain tough local regulations as the Trump administration moves to relax emissions standards.

The plan, covering 2018-21, outlines 80 steps that auto makers, dealers, utilities, government officials and charging and fueling companies should take to boost adoption of so-called zero-emission vehicles, predominantly battery-powered automobiles.

The recommendations include increasing advertising promoting environmentally friendly cars, ride-and-drive events and building out a reliable network of charging stations.

The recommendations don't attach dollar figures to suggested investments and are nonbinding, though they are aimed at ensuring compliance with future regulations.

The recommendations reflect an effort among the states to combat climate change a dozen years into the future and are being framed by the states as a defiant step as the Trump administration moves to relax federal regulations covering tailpipe emissions. Current U.S. regulations mandate car companies sell vehicles that cut emissions enough to average more than 50 miles a gallon by 2025. U.S. regulators have weighed a proposal freezing fuel-economy standards for future years.

More than 60% of current

U.S. car sales are less-efficient pickup trucks and sport-utility vehicles, a trend largely tied to cheaper gasoline prices. Electric vehicles have accounted for around 1% of sales in recent years.

U.S. car sales are less-efficient pickup trucks and sport-utility vehicles, a trend largely tied to cheaper gasoline prices. Electric vehicles have accounted for around 1% of sales in recent years.

With the goal of moving more people to electric vehicles, states and utilities must commit to investing in the charging infrastructure that is needed to support consumer adoption," said a spokesman for the Alliance of Automobile Manufacturers, a Washington lobbying group. He added rebates, parking and HOV-lane access are incentives that motivate consumers to switch to electric cars.

The states represent nearly 30% of the U.S. auto market and most have Democratic governors. In addition to California, the coalition of states includes Oregon, Maryland, New York, New Jersey, Connecticut, Vermont, Massachusetts and Rhode Island.

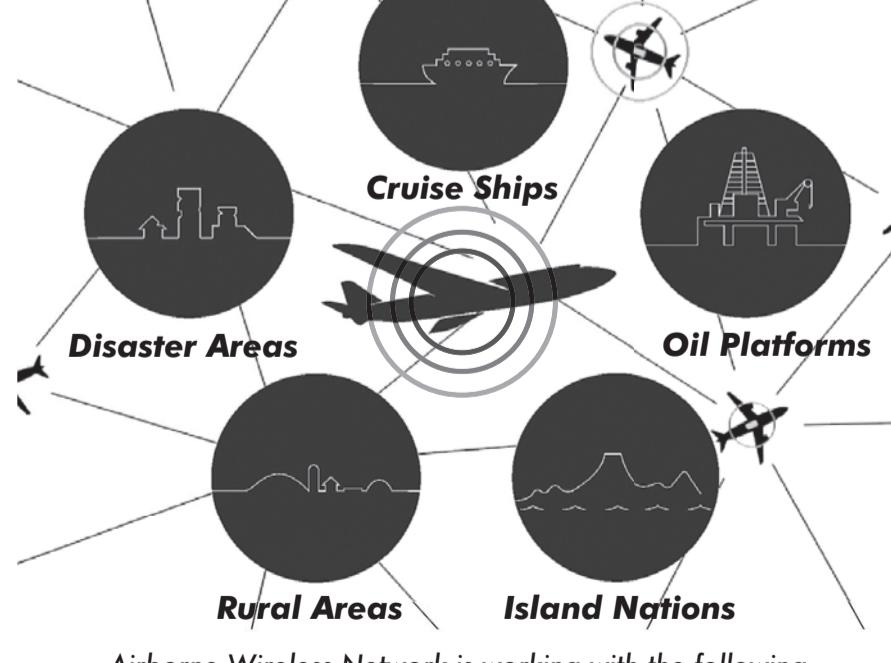
1%

Portion of U.S. car sales in recent years that were electric vehicles



Airborne Wireless Network is in the development stage of building the world's first airborne fully meshed communications

network by attempting to use commercial aircraft as mini satellites with the goal of delivering a continuous data signal around the globe. The company's primary target customer-base will be existing worldwide data and communications service providers. Once developed, this technology could be able to connect areas previously not able to receive broadband signals, potentially creating the possibility of connecting the entire globe.



Airborne Wireless Network is working with the following companies to help advance its development:

GE Aviation, Air Lease Corporation, Mythic, Jet Midwest, Inflight Canada

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Ticker: ABWN

## Justice Is Indicted On 22 Counts

Federal prosecutors indicted a West Virginia justice on 22 counts, including mail fraud and witness tampering, related to his alleged misuse of state vehicles and a historic desk.

West Virginia Supreme Court of Appeals Justice Allen Loughry faces 16 counts of mail fraud, two

## WORLD NEWS

# Yemeni Forces Retake Key City's Airport

Move marks milestone in Saudi-led coalition's bid to seize control of Hodeidah from Houthis

By ASA FITCH

A Saudi-led military coalition said Yemeni forces captured the airport of Hodeidah, a milestone in their bid to wrest control of the Red Sea port from Houthi rebels without causing a humanitarian catastrophe.

The battle for Hodeidah is a potential turning point in Yemen's more-than-three-year war, which pits the coalition of mostly Arab countries against the Houthis, an Iran-aligned political and cultural group that has expanded power from its northern stronghold to much of the country's west since 2014.

Coalition officials told state-backed news agencies in Saudi Arabia and the United Arab Emirates that the city's strategically important airport was fully captured.

"The airport was completely cleared and is under control now," said Brig. Gen. Abdul Salam al-Shehi, the commander of coalition forces on Yemen's Red Sea coast, in a



**Yemeni fighters backed by the Saudi-led coalition fire from a truck near the Hodeidah airport before capturing it from Houthi rebels.**

video tweeted by the U.A.E.'s news agency.

The coalition and its allies are betting that taking Hodeidah from the Houthis will force the rebels into a broader political compromise that removes them from power in the capital, San'a.

The U.N.'s Yemen envoy, Martin Griffiths, is shuttling between Arab capitals to reach an agreement that spares Hodeidah from an all-out attack.

Those talks have yet to pro-

duce a plan both sides accept, however.

Hodeidah's port is an economic outlet for the Houthis that has helped the group sustain itself despite the conflict, bringing in as much as \$40 million a month in revenue, Emirati officials said.

The city of 400,000 is also the entry point for much of Yemen's commercial food imports and three-quarters of the humanitarian aid that millions of Yemenis rely on to survive.

The U.N. said this month that as many as 250,000 people could die if the aid gateway is disrupted by battle.

There were still some pockets of fighting on the airport grounds on Wednesday, military officials said.

But a person close to the coalition confirmed the airport had been fully secured after a Houthi counterattack in the morning.

A village to the west of the airport had also been cap-

tured, the person said.

During the battle, the Houthis destroyed about five coalition vehicles with anti-tank guided missiles, the person said, and fired a missile that landed in the sea.

The Houthis laid large numbers of mines in areas in and around the airport, which may take time to fully clear.

Gen. Shehi estimated 250 Houthis had been killed in the operation, and said 87 were taken prisoner.

YEMENI RESISTANCE GIANTS BRIGADE/REUTERS

Houthi representatives couldn't be reached on Wednesday. They have denied previous reports of the airport being overtaken.

On Tuesday, Houthi spokesman Nasruddeen Amer played down the airport's significance.

"We do not use this airport and no planes fly from it," he said. "It does not have any strategic importance for us, but we defend it as part of Hodeidah."

Following the airport's capture, coalition-backed Yemeni forces were expected to move into the city's neighborhoods from the south and cut off Houthi resupply lines from San'a to the east.

The U.A.E. and its coalition partners say they have developed a plan to allow humanitarian aid to flow even as the conflict intensifies.

The U.A.E. has 50,000 metric tons of food aid in Yemen to deploy as needed in Hodeidah, according to a letter it sent to the U.N. on Tuesday.

That includes aid on 10 ships, 100 trucks and a planned "air bridge" to drop in as much as 14,000 tons of food.

—*Mohammed al-Kibsi in San'a, Yemen, and Saleh al-Batati in Aden, Yemen, contributed to this article.*

## Gaza Militants Fire Rocket Barrage Into Israel

By FELICIA SCHWARTZ

TEL AVIV—Militants fired a volley of rockets into Israel from the Gaza Strip, puncturing a tacit three-week cease-fire, in the latest flare-up in tensions between the two sides.

The rockets from Gaza began early Wednesday after Israel first struck three targets in the strip in what the military said was a response to repeated launches of flaming kites and balloons with explosives, low-tech weapons that

have damaged thousands of acres of Israeli farmland.

Over several hours, Gaza militants fired 45 rockets into Israel and the Iron Dome system intercepted seven of them, the Israeli army said. The fresh barrage triggered sirens in several Israeli towns near the border. There were no immediate official reports of deaths or injuries from the attacks.

As of 6 a.m. local time, the Israeli military said it had struck 25 targets in the Gaza Strip overnight in response to

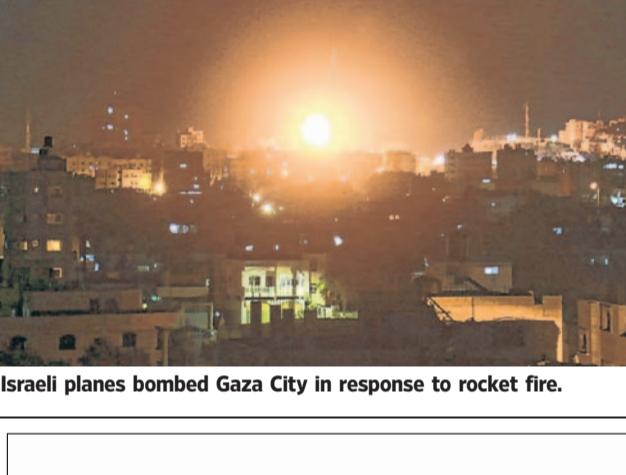
what it described as a "severe rocket attack" from the 25-mile-long enclave, which is densely populated.

Hamas spokesman Fawzi Barhoum said on Twitter on Wednesday that the large number of rockets was meant to "set the rules of the engagement" after the Israeli airstrikes.

The escalating tensions show how Israel's high-tech military is grappling to respond to the basic incendiary balloons that have burned thousands of acres of Israeli farmland and

damaged nature reserves. Israel said it targeted Hamas military compounds with airstrikes to pressure the group to halt the arson attacks.

Egypt has quietly mediated between Israel and Hamas during the surge in violence that stems from clashes between Palestinian protesters and Israeli military forces at the border fence separating the Gaza Strip and Israel. Since March 30, more than 120 Palestinians have been killed by Israeli forces at the border.



ZHAOJUE/XINHUA/ZUMA PRESS

Israeli planes bombed Gaza City in response to rocket fire.

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## WORLD NEWS

# German Auto Makers Offer Zero-Tariff Area

BY WILLIAM BOSTON  
AND BOJAN PANCEVSKI

BERLIN—Germany's leading auto makers have thrown their support behind the abolition of all import tariffs for cars between the European Union and the U.S. in an effort to find a peaceful solution to the brewing trade war.

The U.S. ambassador to Germany, Richard Grenell, brought the proposal for a broader industry trade pact to the Trump administration on Wednesday, according to people familiar with the situation.

That would mean scrapping the EU's 10% tax on auto imports from the U.S. and other countries and the 2.5% duty on auto imports in the U.S. As a prerequisite, the Europeans want President Donald Trump's threat of imposing a 25% border tax on European auto imports off the table.

Over the past few weeks, Mr. Grenell has held closed-door meetings with the chiefs of all major German automotive companies, including bilateral meetings with the CEOs of Daimler AG, BMW AG and Volkswagen AG, which operate plants in the U.S. Overall, Germany's auto makers and suppliers provide 116,500 jobs in the U.S., according to the Association of German Automotive Manufacturers.

During these talks, which the ambassador initiated, the managers said they would back the scrapping of all import tariffs on trans-Atlantic

trade in automotive products as the keystone of a broader deal covering industrial goods. The German government is onboard and Mr. Grenell promised to support the idea, according to U.S. and German officials.

German car makers' efforts face significant hurdles. Berlin has no power to hammer out trade deals—a prerogative of the European Commission, the EU's executive body in Brussels—and would have to persuade fellow EU member states, starting with France, to back a radical free-trade approach many have shown little interest in.

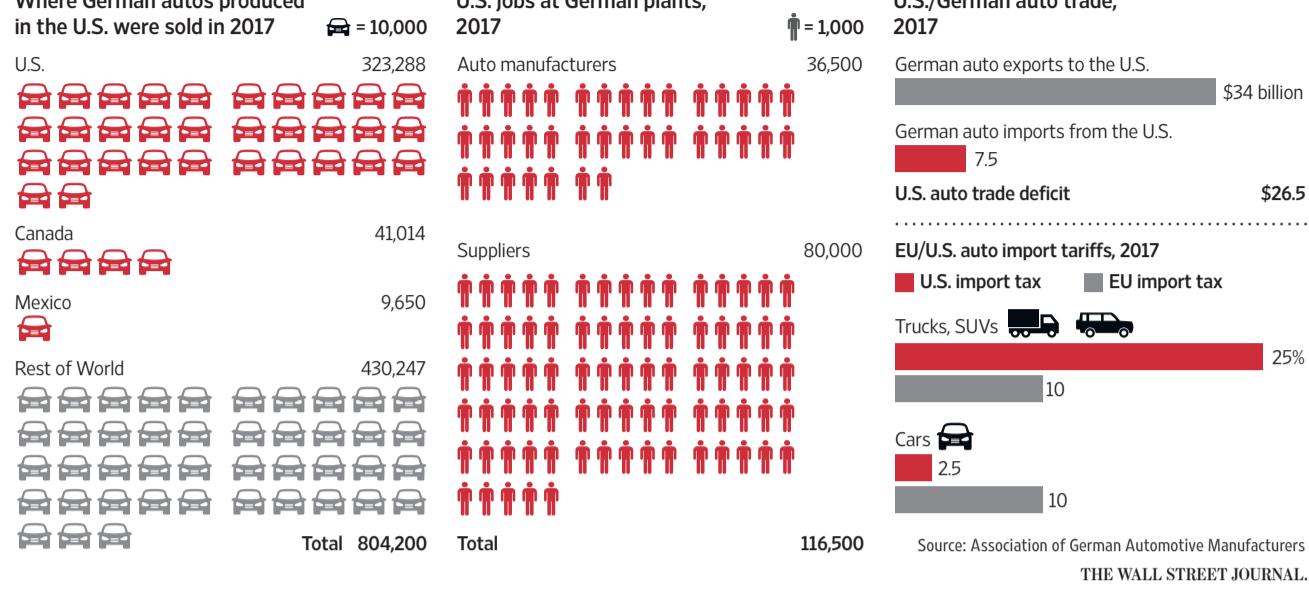
The car makers' approach is unusual, but German officials said any approach could be worthwhile to try to sway a president whose actions have left his allies perplexed at best.

"Germany has the right approach to resolving this trade disagreement among friends," said U.S. Commerce Secretary Wilbur Ross. "If the EU were to reduce its 10% tariff on U.S. cars and trucks, that would be a positive first step toward trade that was more fair and reciprocal."

One catch is that the Europeans also want a 25% U.S. tax on imports of light trucks—pickup trucks, sport-utility vehicles and big vans—scrapped. Abolishing this relic of the Johnson administration could alienate U.S. auto workers, a core constituency for Mr. Trump in the midterms this

## Hard Sell

Germany cites factories, jobs, exports to try to coax President Donald Trump away from raising tariffs, despite a big German surplus in trans-Atlantic auto trade.



Source: Association of German Automotive Manufacturers  
THE WALL STREET JOURNAL.

## Daimler Issues Profit Warning as China Duties Bite

BERLIN—The escalating trade war between the U.S. and China has claimed an unintended victim: Germany's premium car manufacturer, Daimler AG.

The Stuttgart-based maker of luxury sedans and muscular

sport-utility vehicles issued a surprise profit warning late Wednesday, saying Chinese retaliatory import duties on vehicles built in the U.S. would hit sales and profits of the SUVs it builds at its Alabama factory.

"This effect cannot be fully compensated by the reallocation of vehicles to other markets," Daimler said in a statement.

Daimler now expects pretax profits at its Mercedes-Benz

Cars division to fall slightly below the previous year's levels.

While Daimler called China's import tax on U.S. autos the "decisive factor" in lower earnings, it said other divisions were also weakening as a result of new European emissions regulation and the decline of diesel. As a consequence, Daimler said 2018 group earnings before interest and taxes would be lower than the previous year.

—William Boston

fall.

Mr. Ross didn't comment on whether the U.S. would be willing to cut tariffs on trucks.

Government officials in Berlin are cautious about the car makers' initiative. While they endorse the idea, they say the government already approached the Trump administration with similar proposals weeks ago without eliciting much interest. They also say

no talks are currently taking place on trade between Europe and the U.S. as the EU finalizes its response to Mr. Trump's steel and aluminum tariffs.

Mr. Grenell, a rare U.S. ambassador seen as having a direct line to the president, told The Wall Street Journal that hurting German car makers wouldn't be in the interest of the U.S.

"It is important to stay focused on American jobs, and the German auto industry employs tens of thousands of U.S. workers," Mr. Grenell said.

Daimler confirmed that a meeting with Mr. Grenell took place but declined to comment. Volkswagen also declined to comment.

A spokesman for BMW said in the company is "convinced that free trade, with minimal

or no barriers, benefits all concerned and is an important element in promoting national and international prosperity and well-being. Clearly this also applies to trans-Atlantic trade."

A European Commission spokesman didn't comment directly on the German car makers' offer, but underlined it has a united stance against the aluminum and steel tariffs.

"We made the case for dialogue with the U.S. to address any bilateral trade grievances," the commission said. "We also made clear that this could only happen once the EU was granted a permanent exemption on the tariffs on steel and aluminum products."

A French official said Paris was unaware of the proposal, and it wasn't discussed during a recent summit between French President Emmanuel Macron and German Chancellor Angela Merkel in Meseberg, Germany.

# U.S. Businesses Complain About Levy Implementation

BY JACOB M. SCHLESINGER

WASHINGTON—Republican and Democratic lawmakers criticized the Trump administration's attempts to implement its new "America First" trade policy, saying Wednesday that they have been flooded with complaints by small business constituents confused by the system used for implementing new tariffs on imports.

"The process has had, in my opinion, many serious flaws, and problems continue to surface," Utah GOP Sen. Orrin Hatch told Commerce Secretary Wilbur Ross at the opening of a Senate Finance Committee hearing called to scrutinize the way the administration has carried out the series of tariffs it began implementing this year.

"American small businesses believe they are being held hostage in a bureaucratic twilight zone waiting to see if they will escape," Oregon Democratic Sen. Ron Wyden said. "Every single member of this committee is hearing from small business....Every week it seems to me there is more and more badlam."

Many lawmakers have



Steel stored in Germany. The EU will start imposing retaliatory tariffs on U.S. goods on Friday.

raised concerns over the past few weeks about the potential fallout from the administration's attempts to wrest concessions from trading partners by imposing tariffs on a wide range of goods, warning of higher import prices and exports lost because of retaliation by other countries.

The European Union will start imposing retaliatory tariffs on U.S. goods on Friday, in response to U.S. duties on steel and aluminum imports from the bloc.

American exports valued at €2.8 billion (\$3.2 billion) will be subject to tariffs immediately and Brussels will ultimately increase its rebalancing measures to €6.4 billion, the EU's executive arm—the European Commission—said Wednesday.

Almost all U.S. goods hit in the first round of measures—including bourbon whisky and Harley-Davidson motorcycles—will be subject to a 25%

tariff, according to lists submitted by the EU to the World Trade Organization.

"We did not want to be in this position," said European Trade Commissioner Cecilia Malmström. "However, the unilateral and unjustified decision of the U.S. to impose steel and aluminum tariffs on the EU means that we are left with no other choice."

Wednesday's hearing in Washington shone a light on confusion about the process for carrying out the U.S. tariffs that have been announced,

and the uncertainty into which that has plunged companies.

The bulk of the complaints focused on tariffs that President Donald Trump imposed recently on imports of steel and aluminum, arguing that the moves were necessary for national security, by ensuring a certain level of domestic production of the metals. The policy included a process for steel and aluminum users to petition for exclusions from those tariffs if they could show the specialty products they use weren't available from domestic suppliers. It is that process—run by Mr. Ross's Commerce Department—that has drawn wide-

spread business and political grumbling.

In his testimony, Mr. Ross played down the problems, asserting that "we're making very good progress" in handling the requests given "the magnitude of the chore."

Mr. Ross said his department had received more than 20,000 requests for exclusions since the tariffs were first announced in March, and has so far posted 9,000 for public comment and review. Of those, 98 have so far received a final ruling from Commerce officials—42 have been granted exclusions from the tariffs, while 56 have been rejected.

"There is a high probability that relatively few of those will be granted—many have no substance...and have well-grounded objections posted against them," he said.

—Emre Peker contributed to this article.

# Central Bankers Say Dispute Could Threaten the World Economy

BY TOM FAIRLESS

SINTRA, Portugal—Leaders of the world's top central banks warned that escalating trade conflicts could ricochet through financial markets and hurt the world economy, potentially prolonging the era of ultralow interest rates.

Rising tensions over trade come at an awkward time for major central banks, which have started moving away from easy-money policies introduced since the global financial crisis.

In a moderated discussion Wednesday in Portugal, the heads of the Federal Reserve, European Central Bank, Bank of Japan and Reserve Bank of Australia called for calm and warned that the costs of further escalation could be high.

Global stock markets sagged this week after President Donald Trump called for a fresh round of tariffs on \$200 billion of Chinese goods, upping the ante after he previously approved tariffs on \$50 billion of goods.

"It's very worrisome and again, I can't see any positive,"



Mario Draghi, center, voiced the EU's 'considerable uncertainty.'

could be pushed back.

Jerome Powell, chairman of the Federal Reserve, warned in the discussion that changes in trade policy "could cause us to have to question the outlook." The Fed last week raised short-term interest rates and signaled a quicker pace of interest-rate increases to keep the U.S. economy from over-

heating.

While the tensions haven't yet dented U.S. economic growth, Mr. Powell said businesses increasingly were expressing concerns to the Fed about how the conflict might affect their plans for investment and hiring.

For Japan, whose central bank maintained its aggressive

## Few Tools Remain To Fight Recession

Fed Chairman Jerome Powell said at the meeting in Portugal that central banks would have less capacity to fight any new recession because interest rates are already close to zero. The U.S. government also has less scope to increase spending than in the past, he said.

Bank of Japan Gov. Haruhiko Kuroda said he hoped "this escalation could be rescinded and a normal trading relationship between the U.S. and China would prevail."

stimulus policies last week to support a softening economy, the trade conflict is "a matter of great concern," said Bank of Japan Gov. Haruhiko Kuroda.

The indirect impact on Japan's economy could be "quite significant if the escalation between China and the U.S. continues," Mr. Kuroda said, because it could affect

the Asian supply chain centered on countries like Japan and Taiwan and across southeast Asia.

While the tariffs themselves might not derail the global economic recovery, the fallout could be magnified by investors through financial markets, said Australia's central bank governor, Philip Lowe. "I believe what is happening [on trade] is incredibly worrying," Mr. Lowe said.

He added that "it wouldn't take that much for financial markets to turn this into a very big global event."

The problem for central banks, in Japan and elsewhere, is that they appear to have little ammunition left to deal with any new economic downturn after years of aggressive stimulus.

The value of assets held by the Bank of Japan is set to exceed the nation's annual economic output over the coming months, while the ECB's balance sheet also will continue to grow through the end of this year. Both central banks are still holding short-term interest rates below zero.

## WORLD NEWS



A police officer checked a migrant at the port of Pozzallo, Sicily, on Tuesday, following an Italian coast-guard vessels rescue of asylum seekers and refugees at sea.

## Italy Balks At German Migrant Proposal

By GIOVANNI LEGORANO

ROME—Italy's Interior Minister Matteo Salvini said he wasn't willing to take migrants who have been registered in Italy back from Germany, a stance that would clash with the plans of his German peer.

Asked on Wednesday whether he was willing to help Germany's Interior Minister Horst Seehofer in his pledge to send back migrants present on German soil, who have entered the European Union from other countries, he said that "the Italian government is willing to help only Italians."

He said Italy has rescued more than 600,000 migrants in the past four years and received more than 450,000 asylum applications over this period.

"Therefore, instead of being willing to take we are willing to give," he said.

He said Italy's proposal on immigration would focus on reinforcing the bloc's southern border in the Mediterranean.



Interior Minister Salvini, speaking on the set of a TV show with the pope as a backdrop, said Italy wouldn't take migrants.

## Migration to Developed Countries Slips

By PAUL HANNON

The number of people migrating to developed countries fell last year for the first time since 2011, but remained near record levels and is unlikely to fall by much over coming years, according to the Organization for Economic Cooperation and Development.

In its annual report on the movement of people across national borders, the Paris-based research body also said the number of illegal immigrants is a much lower share of the total than is commonly perceived, although it acknowledged that reliable figures are hard to come by.

The report comes as governments in the U.S. and Eu-

rope face criticism for their immigration policies. German Chancellor Angela Merkel's coalition government is under threat over plans by a key ally to start turning back some migrants at the border. In the U.S., President Donald Trump faces widespread condemnation for a policy that has separated thousands of migrant children from their parents.

The OECD, which has advised member governments including the U.S. on immigration policy for half a century, said it was worried that recent debates on the subject aren't being informed by established facts, and that native populations have an exaggerated sense of the scale of migrant flows.

"There is a very serious

problem of communication," said Ángel Gurria, the OECD's secretary-general. "What we're seeing is that the numbers are pretty modest."

Mr. Gurria was critical of the European Union, identifying a recent controversy over the destination of a rescue ship as a sign that "there isn't a policy" behind the bloc's treatment of refugees.

He also spoke out against the U.S. government's child separation program, saying it broke with the established practice among OECD members of privileging the interest of minors.

The research body said more than five million people legally crossed borders in 2017, a 5% decline on the previous year. However, that fall

was almost entirely because of the end of a surge of refugees into Germany, and the body doesn't expect flows to fall much over coming years.

Migration flows have been rising over the past few decades and are unlikely to fall from their current levels, given the large demographic and economic imbalances," said Stefano Scarpetta, the OECD's director for employment.

The OECD recorded that the U.S. remained the most popular destination country for migrants in 2016, the most recent year for which comparable figures are available, taking in 1.2 million of the 5.3 million total. But in that year Germany recorded by far the largest increase, taking in around one

million new migrants, although some of that reflected the legalization of arrivals that took place in the previous year. The U.K. was a distant third, taking in 350,000 arrivals.

The research body said immigrants shouldn't squeeze people already in those countries out of jobs or lower their incomes, since they account for a very small share of the potential workforce.

It estimates that in Europe, the recent surge in refugees would increase the working-age population by just 0.4% by 2020, and the number of people actually looking for work by just 0.25%.

But it acknowledged that impact will be slightly larger in those countries that have taken the bulk of those refugees.

## FROM PAGE ONE

### Fox Accepts Disney's New Bid

Continued from Page One

and regional sports channels; international assets such as Sky PLC and Star India; and Fox's one-third stake in the streaming service Hulu.

Fox and Disney were negotiating terms of an amended agreement over the weekend and had the outlines of a deal by Tuesday, though they were nailing down details like the mix of cash and stock, a person close to the situation said.

Disney submitted its bid Wednesday ahead of a Fox board meeting in London, another person familiar with the situation said. Fox Executive Chairman Rupert Murdoch and Disney Chief Executive Bob Iger met to discuss the new pact.

Disney agreed to pay Fox shareholders roughly 50% in cash and 50% in stock. If the current deal closes, Fox shareholders would own 19% of the combined company, compared with 25% under the old deal.

Some observers have said it might make sense for Disney and Comcast to divide the Fox assets between themselves rather than go through a bidding war, but Mr. Iger said the idea of splitting the businesses is a nonstarter. "We have an agreement in place with [Fox] that precludes that," he said on a conference call Wednesday.

Disney also has time on its side, Mr. Iger said, because its deal with Fox has been through several months of regulatory review. "We believe that we have a much better opportunity, both in terms of approval and the timing of that approval, than Comcast does," he said.

The CEO also highlighted how Fox's programming would boost his company's efforts to launch a Disney-branded streaming service next year and compete directly with Netflix. "Direct-to-consumer distribution has become an even more compelling proposition in the six months since we announced the deal. The consumer is voting—loudly," he said.

### Clash of the Media Titans

Comcast and Disney are in a heated bidding war for Fox assets that could test their balance sheets and investors' patience.

Bid value	Old Disney bid	Comcast bid	Accepted Disney bid
\$52.4 billion			
Share value	\$29.54* a share	\$35 a share	\$38 a share
Fox premium <sup>†</sup>	9.6x	11.9x	12.9x
Total added debt <sup>‡</sup>	\$13.2 billion	\$79.0 billion	\$49.3 billion
Mix	100% stock	100% cash	50% cash 50% stock
Fox stake in combined company	25%	0%	19%

\*Based on Disney's last closing share price when the deal was announced <sup>†</sup>At the time of the offer <sup>‡</sup>EBITDA multiple

Sources: the company; Jefferies (premium and debt)

THE WALL STREET JOURNAL.

The fight for Fox is part of a

scramble by media, telecom and cable companies to get bigger as technology-industry superpowers disrupt old ways of doing business.

Neither proposed deal includes Fox News, Fox Sports 1, the Fox broadcast network or its television stations. In either scenario, those assets would be spun off into a new company, for the moment dubbed "New Fox."

On a per-share basis, the new Disney deal values the Fox assets being acquired at \$38 a share, compared with Comcast's offer of \$35 and Disney's

between Disney and Comcast could strain both companies' balance sheets. Disney Chief Financial Officer Christine McCarthy said the company no longer expects to complete a \$20 billion share repurchase announced with the initial deal in December.

Moody's placed Disney on review for a credit-rating downgrade on Wednesday, citing its discomfort with how long it would take Disney to return to investment-grade leverage. S&P Global Ratings said it could lower its ratings on Disney depending on the final deal.

More stock in the deal has tax advantages for Fox shareholders, such as the Murdoch family, who have held Fox's stock for a long time and thus face a potentially large capital gain to pay taxes on it if it is sold for cash. Mr. Murdoch and his family have a 17% economic interest in 21st Century Fox. 21st Century Fox and Wall Street Journal-parent News Corp share common ownership.

Disney said the stock portion of the deal is expected to be tax-free to 21st Century Fox shareholders.

"The deal on the table has one negative, and that is that, with New Fox, all the shareholders have to pay a tax," said Mario Gabelli, chairman and CEO of Gamco Investors, which owns Fox stock. However, he added, "that was the same as the Comcast bid," which was all-cash.

—Austen Hufford and Dana Mattioli contributed to this article.

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## WORLD NEWS

# Canada to Legalize Pot in Mid-October

Nation marks shift in approach to cannabis by clearing the way for recreational use

BY PAUL VIEIRA

OTTAWA — Recreational marijuana use in Canada will be legal in mid-October after legislation cleared its final hurdle Tuesday night, marking what officials here say is a wholesale shift in how the country approaches cannabis use.

When the legislation kicks in, Canada will be the biggest national government to legalize cannabis. Drug-policy experts have said they expect countries in Europe and elsewhere to look to the Canadian experience for guidance on cannabis legalization.

"We are very pleased to have reached this point in delivering on this progressive policy promise to legalize and strictly regulate marijuana," said Judy Wilson-Raybould, Canada's justice minister. She said the legislation marks a

"wholesale shift in how our country approaches cannabis. It leaves behind a failed model of prohibition that's made organized crime rich and left our young people vulnerable."

Canada's approach stands in stark contrast to the Trump administration. Attorney General Jeff Sessions has vowed to use federal law to get tough on marijuana, and he brought an end to Obama-era protections for the pot industry.

However, since January, his own prosecutors have yet to bring federal charges against pot businesses that are abiding by state law. Eight states plus the District of Columbia have legalized marijuana.

Marijuana legalization was among the high-profile promises Prime Minister Justin Trudeau made during the 2015 election campaign, which resulted in his Liberal Party winning a majority of seats in the lower house of Canada's Parliament.

Mr. Trudeau has said legalizing and regulating marijuana will help prevent abuse, noting it has been easier for youth to buy a marijuana cigarette than



Crowds gathered on Ottawa's Parliament Hill on April 20 for an annual rally to support legalization.

further cracking down on drug-impaired driving, in an effort to alleviate concerns from legalization.

The Canadian government estimated last year it expects to initially collect roughly 400 million Canadian dollars (US\$301 million) a year in tax revenue from marijuana. Canada's provinces will get three-quarters of the annual receipts.

It will be up to Canada's 10 provinces and three territories to regulate the distribution system and determine the legal age at which someone can buy the drug.

For instance, in Ontario, Canada's largest province, the plan is to set up government-run stores to sell cannabis, and buyers must be at least 19 years of age.

Leading up to the legalization date, Canadian stock markets have been courting marijuana company listings from around the world—with Toronto emerging as a hotbed for cannabis firms to raise capital on the Toronto Stock Exchange and its smaller rival, the Canadian Securities Exchange.

a bottle of beer.

Medical marijuana has been legal in Canada since 2001 for patients with valid prescriptions.

The legislation means

across Canada, adults will be able to purchase nonmedical marijuana from authorized dealers, and possess as much as 1.1 ounces of the drug when in public. Households will also

be able to grow as many as four cannabis plants for personal use, from seeds or seedlings from a licensed supplier.

The government has also proposed legislation aimed at

## WORLD WATCH

## NORTH KOREA

**Pyongyang Expected To Transfer Remains**

North Korea is expected to transfer the remains of more than 250 service members to the U.S. within the next day or two, according to a U.S. official, in keeping with a joint statement by President Donald Trump and North Korea's Kim Jong Un following their summit last week.

The remains will be brought to Osan, a U.S. military air base south of Seoul, where they will be repatriated in a tarmac ceremony with Gen. Vincent Brooks, the commander of U.S. Forces Korea, then sent to Hickam Air Force Base, Hawaii, to undergo scientific testing to help with identification.

The preponderance of the more

than 250 sets of remains are believed to be those of American service members missing since the 1950s-era Korean War.

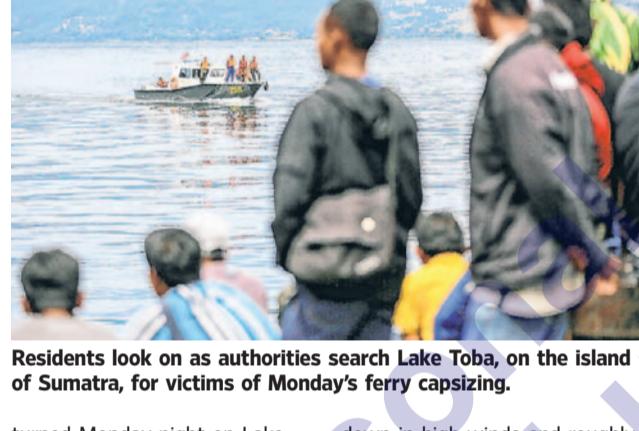
—Gordon Lubold  
and Michael R. Gordon

## INDONESIA

**Robot Searches Site Of Ferry Sinking**

Rescue workers deployed a remotely operated vehicle and divers in the deep waters of the world's largest volcanic lake Wednesday, uncertain how many passengers may have been trapped in a ferry that sank during one of Indonesia's busiest holiday periods.

Officials said at least four people died and 18 survived when the small vessel over-



Residents look on as authorities search Lake Toba, on the island of Sumatra, for victims of Monday's ferry capsizing.

turned Monday night on Lake Toba, on its way from the island of Samosir to the mainland. They believe that many more were on board when it went

down in high winds and roughly 6-foot waves. Police said relatives have reported more than 190 people missing.

—Ben Otto

## AFGHANISTAN

**Taliban Kill Dozens In Attacks on Posts**

Taliban fighters killed dozens of government soldiers in overnight attacks on two security checkpoints in northwestern Afghanistan, authorities and medical personnel said Wednesday, in the insurgent group's first major assault since refusing to extend an unprecedented three-day cease-fire.

Hundreds of militants launched the coordinated assault on the guard posts in Badghis province, on Afghanistan's border with Turkmenistan, early Wednesday, then ambushed two armored vehicles sent to reinforce the troops during the four-hour siege. The attackers de-

stroyed the vehicles and killed those inside, according to a government soldier and Abdul Aziz Beg, head of the provincial council.

At the time of the Taliban attacks, government forces were observing a cease-fire called by Afghan President Ashraf Ghani.

Mr. Beg said more than 30 soldiers were killed in Wednesday's bloodshed in Bala Murghab, while an Afghan military official put the number of dead soldiers at 20.

An employee at a local army hospital where the bodies of the dead were transported and where wounded were being treated said at least 50 soldiers were killed and an additional 30 wounded.

—Craig Nelson  
and Habib Khan Totakhil

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## IN DEPTH

# Nothing to Say About This Club

*Continued from Page One*  
and goofy hats that resemble that resemble the Swedish chef character from "The Muppet Show."

Confidential interviews with skittish club members have uncovered more. The club meetings, held every week the House is in session, encompass an hour of drinks, dinner and conversation about policy and politics. They are held on the Capitol's first floor, in Room H-107.

Yet even the club's name is a mystery. Washington's secret club was co-founded in 1949 by then-House members Richard Nixon and Gerald Ford. According to the House historian's office, the group grew out of the opposition from younger lawmakers to a veterans pension bill that had

been rammed through the Veterans' Affairs Committee by its powerful chairman. Questioning the bill's need and cost, the junior members assembled to sink the bill. They succeeded.

From that grew a club with no specific agenda, unlike most groups on Capitol Hill. "It's not like legislation comes out of it," said one member.

The club's aim is simply to provide a venue for legislators to meet, network and shoot the breeze. Its membership of a few dozen is built every year by invitation. Members tap a handful of recently elected House members who seem to have promising political careers ahead of them.

Women have been included since the early 1990s, when U.S. Rep. Tillie Fowler of Florida and Ms. Ros-Lehtinen became the first female members, according to the book "Congressional Women: Their Recruitment, Integration and Behavior" by Irwin Gertzog.

Beside secrecy, another club rule is once a Chowder member, always a Chowder mem-

ber. Lawmakers who leave the House for the Senate or governorships—or even the private sector—are forever welcome at meetings.

That explains why former Senate Majority Leader Trent Lott of Mississippi, now a lobbyist, is often spotted in the halls of the Capitol late Wednesdays.

Meetings take place in a conference room in the suite of House Majority Leader Kevin McCarthy of California. Sitting House members have priority to address the meeting, one of the few places in Washington where senators defer to the lower chamber.

Members take turns providing the chow, which leans casual—sometimes from a local fast-food joint, paper napkins included. Sometimes, meals are shipped from a member's district.

Its select membership is heavy on Republican traditionalists and power brokers, including the House committee chairs and members of the Senate GOP leadership. Its 1970s rolls included luminaries



CORBIS/GETTY IMAGES

Richard Nixon, Gerald Ford pose with Chowder and Marching Club.

like Jack Kemp, Melvin Laird and Robert Michel as well as Messrs. Nixon and Ford.

The club is a refuge for old-guard Republicans in President Donald Trump's Washington, one old-time member said, a place for politicians with a now-unfashionable love of politics and governing.

"These are the people who are institutionalists, not dis-

rupters," the member said. "If the president walked in and looked at this group he'd say, 'This is the Swamp.' They'd look at him and say, 'This is amateur night at the Bijou.'"

Meetings provide these Republicans a weekly escape from the political storms that sweep daily across D.C.

Just asking about the club makes its members squirm

and sputter denials or no-comments. "If I were in Chowder and Marching, I would think it would be a place some folks could go and talk about what's going on politically in their state and district," said one lawmaker.

Ms. Ros-Lehtinen, a centrist Republican who is sometimes at odds with her increasingly conservative party, is retiring from Congress after this year. Still, she was reluctant to dish about the club.

"You know, I'm already so unpopular with the GOP leadership, with the Trump White House, I don't think I can get another arrow in my back," she said, reaching for an elevator button to get away from a reporter.

She paused to reflect on how the party has changed since she was inducted more than 20 years ago. "Once upon a time, I was looked upon with good light," she said, "but now I don't think I could have made it." Then, as the elevator doors closed, she delivered a non-denial denial: "I love that imaginary organization."

# Amazon Invades the Capital

*Continued from Page One*  
quarters will generate 50,000 jobs and more than \$5 billion in investments over nearly two decades.

The change of heart tracks the transformation of Amazon from a scrappy entrepreneurial outfit to one of America's most powerful companies, with multiple businesses potentially affected by aggressive lobbying and others for which the government is a primary customer.

The potential rewards are clear: By some estimates, the U.S. government spends up to \$90 billion a year on information technology. Yet so is the potential political blowback, both from rivals in Washington and politicians, including in the White House, who see the company as too powerful.

Amazon has squared off with Alphabet Inc.'s Google, Oracle Corp. and Microsoft Corp. over lucrative government cloud-computing contracts. It is scrapping with firms such as Home Depot Inc. and W.W. Grainger Inc. over office supplies and other products, and has fought with companies like Walmart and eBay Inc. over tax policies.

Inside the government, President Donald Trump is among the company's biggest challenges, regularly attacking Mr. Bezos and Amazon for a range of sins—avoiding taxes, shutting down traditional retailers and using the U.S. Postal Service "as their delivery boy." Vermont Sen. Bernie Sanders has recently taken on the company for how it treats workers. Amazon has launched a charm offensive with congressional leaders to try to show that the company is good for Main Street.

To aid its battles, Amazon now has an army of nearly 100 lobbyists at more than a dozen lobbying firms working on a list of issues including taxes, trade, government procurement, internet policy, drone regulation, grocery rules, music licensing and, more recently, food stamps.

Last year, the company spent \$13 million on lobbying, five times as much as it spent five years earlier, putting it just behind some of last year's biggest corporate lobbyists, including Google and AT&T Inc.

## Personal ties

Mr. Bezos, building his own personal ties in the area, spent \$250 million of his own money to acquire the Washington Post Co. in 2013, where he is occasionally spotted in the offices. In January, he attended an exclusive black-tie dinner given by the Alfalfa Club, which mixes media, government and corporate elites. Other attendees this year were Ivanka Trump, former President George W. Bush, Defense Secretary Jim Mattis, Bill Gates, Warren Buffett and Mitt Romney.

In 2016, he spent \$23 million for one of the largest homes in the city's Kalorama neighborhood, a 27,000-square-foot former textile museum. Barack and Michelle Obama live nearby, as do Jared Kushner and Ms. Trump.



the president say that he and his friends in the commercial real-estate business believe Amazon has destroyed brick-and-mortar retailing.

Amazon last year contributed about 4% of total U.S. retail sales, while its portion of e-commerce totaled about 43%, according to eMarketer.

At a conference in October 2016, Mr. Bezos said he shouldn't have joked about sending Mr. Trump to space. Still, trying to "chill the media and sort of threaten retribution, retaliation, which is what he's done in a number of cases," he said, "it just isn't appropriate."

Mr. Trump's behavior "erodes our democracy around the edges," Mr. Bezos added. Through an Amazon spokeswoman, Mr. Bezos declined to comment.

## Trump's tweets

Since Mr. Trump won the election, Mr. Bezos and other Amazon executives haven't responded publicly to Mr. Trump's tweets. Amazon executives believe a public reaction would draw more attention, according to people familiar with their thinking. Amazon's strategy for Mr. Trump is to respond to inaccurate tweets by speaking directly to lawmakers and reporters with correct information.

"Don't poke the bear," said one person familiar with Amazon's strategy, "even if the bear is chewing on your arm, because he might eat your head."

"We are working with this administration the same way we have every other administration—we share our perspective on issues that are important to serving our customers and to our employees, and we work together where there is common ground," said Brian Husman, Amazon's vice president of public policy.

The president has directed his anger at Amazon's use of the Postal Service, which, according to analyst estimates, handled roughly half of Amazon's estimated more than one billion U.S. deliveries last year. Mr. Trump decries what he calls the company's "sweetheart" delivery deals and has ordered an audit of the Postal Service's business with Amazon, though, sales went up.

The Postal Service loses money, but its disclosures show that its deals with Amazon and other package shippers are a net benefit. Losses are due to a decline in first-class mail and other problems.

Still, if Postal Service rates go up by even \$1 a package, it could cost Amazon an estimated \$1.8 billion, according

to Deutsche Bank analysts. Amazon spent \$21.72 billion on shipping world-wide last year.

A spokeswoman for Mr. Trump declined to comment, but referred the Journal to prior comments in which the White House has said that the Postal Service wasn't intended to be used as a mass distribution system by Amazon.

In his tweets, Mr. Trump often complains that Amazon avoids taxes, highlighting a fight over whether states should be able to require online retailers to collect sales tax. A case expected to be decided this month before the Supreme Court, as well as legislation in Congress, could give states more leeway to do that. While Amazon sells many products to consumers directly, independent merchants also sell on the site. Amazon collects state sales taxes on its own sales, but in most states doesn't collect on behalf of its merchants. Amazon has lobbied for a uniform legislative decision.

Perhaps a bigger risk for Amazon is the perception among many legislators that the online retailer is growing into a giant that destroys malls, retail outlets and jobs. Amazon is seeking to change the perception, with the aim of heading off possible antitrust scrutiny.

Last year, Sen. Mike Lee, a

President Donald Trump is among the company's biggest challenges.

Utah Republican, took a walking tour of Spanish Fork, Utah, to meet with local business owners and discuss the impact of the internet and online retailing. Afterward, the senator spoke with Caleb Light, the co-founder of home state company Power Practical.

Mr. Light told the senator that his company, which started out making power generators that use heat to charge devices, had almost shut down because it was unable to sell its products in retail stores. When it signed a deal to sell exclusively through Amazon, though, sales went up.

Mr. Light was invited by Amazon officials to the event, which was set up by one of Amazon's Washington trade groups, the Internet Association. Mr. Lee chairs the Senate's antitrust subcommittee, which has power over antitrust regulators.

Despite Amazon's efforts, Vermont's Mr. Sanders took aim at Mr. Bezos last month with a video that illustrated the extraordinary wealth of Mr. Bezos. "Thousands of Amazon employees are forced to rely on food stamps, Medicaid and public housing because their wages are just too low," Mr. Sanders says in the video.

The company sent two tweets to Mr. Sanders, saying it had created more than 130,000 full-time jobs in the past year, and touting good pay and benefits for its warehouse workforce.

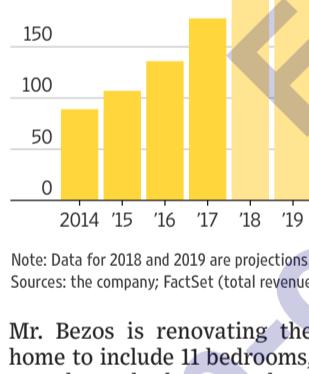
"Please compare our median pay & benefits to other retailers," the company said, adding an invitation for Mr. Sanders to visit one of its warehouses.

Mr. Sanders accepted. They have not yet scheduled a visit.

## In the Cloud

As Amazon grows, its profitable cloud-computing division in particular has seen government business soar.

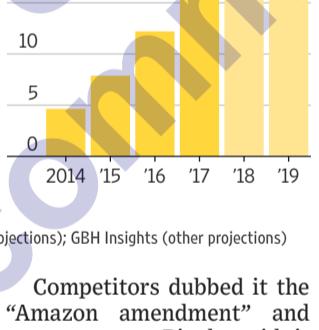
### Amazon total revenue



Note: Data for 2018 and 2019 are projections.

Sources: the company; FactSet (total revenue projections); GBH Insights (other projections)

### Amazon Web Services revenue



### Estimated government contracts for Amazon Web Services



THE WALL STREET JOURNAL.

Mr. Bezos is renovating the home to include 11 bedrooms, two dozen bathrooms, three kitchens, five staircases and a pair of elevators.

Amazon's advance on Washington began more than a decade ago with fights over internet neutrality rules and sales taxes for online purchases. It took off in the past few years, around the time the government ramped up its use of cheaper, efficient cloud-based services, which are remote servers available for hire to store data and functions.

Lawmakers have since expanded the proposal to allow federal employees to buy supplies through multiple online retailers. Final details are still being hashed out.

Competitors dubbed it the "Amazon amendment" and went to war. Rivals said it could give Amazon a near-monopoly on billions in sales and complained about the lack of congressional hearings and careful study of the consequences.

They made such a fuss that senators on the Armed Services Committee called a meeting so critics could voice their complaints—a rare occurrence. Lobbyists for Amazon's rivals took turns criticizing the measure.

Lawmakers have since expanded the proposal to allow federal employees to buy supplies through multiple online retailers. Final details are still being hashed out.

## Political spending

Campaign donations by Amazon's political-action committee, funded by its employees and directed by the company, have grown in recent years, according to campaign-finance data collected by the nonpartisan Center for Responsive Politics. In this year's campaign, it has donated \$637,500, with half going to Democrats and half to Republicans. That is up from \$515,000 in 2016 and \$179,500 in 2012, with a similar political split.

Meanwhile, Amazon's spending on advocacy groups is on the rise, disclosures show. In 2015, it reported giving \$10,000 or more to about 47 groups. In 2017, it donated to 82 groups, including conservative-leaning entities that could help in battles with Republicans, such as the American Enterprise Institute and the Competitive Enterprise In-

stitute. In 2015, it hired Jay Carney, Mr. Obama's former press secretary, as senior vice president of corporate affairs.

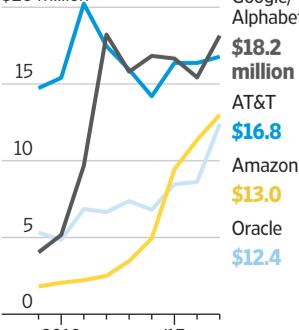
Around the same time, as a presidential candidate, Mr. Trump began attacking Amazon, writing on Twitter that Mr. Bezos was using the Washington Post as a tax shelter. Mr. Bezos responded by saying he'd reserve Mr. Trump a seat on a Blue Origin rocket ship, adding "#sendDonaldToSpace."

Mr. Trump's attacks on Mr. Bezos have increased in recent months, in part because he believes Mr. Bezos uses the Washington Post to criticize his presidency, according to people familiar with the president's thinking. Fred Ryan, publisher and chief executive of the Washington Post, has said, "It is preposterous and disingenuous to suggest that The Post is used to advance Jeff's other commercial interests." Mr. Trump remains fixated on the company's online-retail business. People close to

## Growing Persuasion

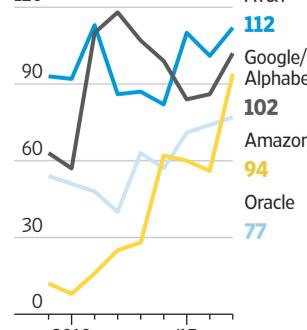
In recent years, Amazon has built one of Washington's biggest lobbying operations.

### Lobbying expenditures



Source: Center for Responsive Politics

### Number of lobbyists hired



# GREATER NEW YORK

## Mayor Wants Answers on Migrant Children

De Blasio says federal officials have withheld information about youngsters in the city

BY MELANIE GRAYCE WEST  
AND KATIE HONAN

New York City Mayor Bill de Blasio on Wednesday called on the federal government to "come clean" and detail the locations of the more than 2,000 migrant children who have been separated from their parents after illegally crossing the U.S.-Mexican border.

At least 350 children who recently were separated from their parents have passed through an East Harlem social-services agency during the last two months, according to Mr. de Blasio. Of that group, more than 230 children currently are receiving schooling, medical and mental-health care at the East Harlem location of the nonprofit Cayuga Centers. The children have been as young as 9 months old, he said during a press conference after visiting the site Wednesday.

"This has all been happening without the people of New York City being told it by our federal

government," he said. "We are learning for the first time today the extent of this in the city."

Mr. de Blasio, a Democrat, said his administration hasn't been given any information about the hundreds of children coming through the city. On Tuesday, Steven Wagner, acting assistant secretary at Health and Human Services' Administration for Children and Families, said the agency "would tend not to want to put separated children in New York because we want to keep them closer to their parents."

Cayuga Centers is just one of 10 nonprofits in New York

state that have contracted with the federal government to provide services and housing for separated or unaccompanied migrant children.

The social-services organization, founded in 1852 as a home for orphaned children, operates the country's largest transitional foster-care program for unaccompanied children, with 396 short-term foster care beds in Manhattan and the Bronx, according to a recent annual report. The organization also has sites in Florida and Delaware.

During his visit to the center, Mr. de Blasio said he saw a classroom of roughly 40 chil-

dren, mostly from Guatemala. The teachers at the site were compassionate and warm, but operating under adverse circumstances, he noted.

Officials of Cayuga Centers told him that children come to the agency with physical challenges. The city has offered medical, mental-health and legal support to Cayuga Centers and all others operating in the city, the mayor said. The children go to the center during the day, and live in foster homes, he said.

A spokeswoman for the Office of Refugee Resettlement, an arm of the federal Adminis-

tration for Children and Families, didn't respond to a request for comment. Cayuga Centers didn't return requests for comment Tuesday.

Mr. de Blasio said the East Harlem Cayuga Center was the largest provider of these services in the city, and officials planned to visit the other centers that are contracted to take in children. The 10 groups that provide services to separated and unaccompanied children house them in either foster homes or group-care settings, according to a person who works for one of the agencies that has a federal contract.

## Alumni Fight School Admissions Changes

BY LESLIE BRODY

As soon as Albany posted provisions that would eliminate the admissions test for eight specialized public high schools in New York City at about 10 p.m. one recent Friday, heads of the alumni associations of Stuyvesant, Brooklyn Tech and Bronx Science began trading late-night emails and phone calls.

They sprung into action to keep the test. They released a joint opposition memo. They dispatched a lobbyist to plead their case with state lawmakers. Brooklyn Tech alumni have sent legislators thousands of emails to argue for the test, says Larry Cary, a labor lawyer and head of the Brooklyn Tech Alumni Foundation.

Their argument: The sought-after schools should be far more diverse but the proposed changes would introduce subjective measures and could admit students who aren't prepared for the schools' academic rigor.

Mayor Bill de Blasio is championing the bill, saying that using only one exam to select students has been an unjust barrier to talented black and Latino teenagers. The Democratic mayor, whose son graduated from Brooklyn Tech, wants to admit applicants based on a mix of course grades and state exam scores, so that the top 7% of eighth-graders from each middle school citywide would get offers. In time, by Mr. de Blasio's estimate, about 45% of offers to these eight schools would go to black and Latino students, up from 9% now.

The measure is expected to be debated in the winter legislative session. The alumni groups say they will devise a battle plan. "We want to make sure we have a seat at the table to craft a viable solution that preserves the academic integrity of specialized schools," said Christina Bater, president of the Bronx High School of Science Alumni Foundation.

Advocating to keep the test  
Please turn to page A10B



**Brooklyn Technical High School is one of New York City's eight selective secondary schools opposed to eliminating admissions testing.**



*'We want to make sure we have a seat at the table to craft a viable solution that preserves the academic integrity of specialized schools.'*

**Christina Bater, managing director of Barrett Asset Management, went to Bronx High School of Science**

*'I feel very strongly about it. In the course of reading many hundreds of comments... I have learned more about how we ended up here.'*

**Boaz Weinstein, a hedge-fund manager, went to Stuyvesant**

*'The mayor's legislative push concerning how eight well-performing schools operate isn't a serious policy proposal; it's a headline.'*

**U.S. Rep. Grace Meng, a Queens Democrat, went to Stuyvesant**

*'Hopefully, more children in underserved areas will be identified and given the opportunity for enriched... academic programs.'*

**State Sen. Toby Ann Stavisky, a Democrat, went to Bronx High School of Science**

## Former Senate Leader Skelos's Retrial Kicks Off

BY GERALD PORTER JR.

The retrial of former New York state Senate Majority Leader Dean Skelos began Wednesday with arguments about whether a father's advocacy for his son was politics as usual or a federal crime.

Mr. Skelos, a Nassau County Republican, and his son, Adam, are being tried for a second time in federal court in Manhattan. They were convicted in 2015 of extortion, bribery and other crimes.

During opening statements Wednesday, Assistant U.S. Attorney Douglas Zolkind said Dean Skelos threatened and intimidated three businesses that could benefit from laws he pushed as a senator. Prosecutors said the companies feared he could take official government action against them if they didn't help his son.

"It wasn't just wrong—just business as usual—it was corrupt," Mr. Zolkind said. "Sen. Skelos added pressure; Adam got paid. It was a golden oppor-

tunity."

Prosecutors said Glenwood Management, a real-estate developer, paid Adam Skelos more than \$200,000; AbTech Industries, an Arizona-based environmental-technology company hired him and later won a \$12-million Nassau County contract for storm water products; and Physicians' Reciprocal Insurers, a medical-malpractice insurance company, paid him more than \$70,000 to "barely show up."

AbTech and Glenwood didn't respond to requests for com-

ment. A spokesman for Physicians' Reciprocal Insurers declined to comment.

Defense lawyers said the Skeloses' behavior wasn't criminal. Attorney Robert Gage said Dean Skelos never intended to intimidate anyone and that the companies could have declined his requests to help his son.

Attorney Julian Broad said Adam Skelos relied on his father's contacts in his career. "This is how politics works," Mr. Broad said. "Was there a criminal exchange? No."

Mr. Rechler told board members that some MTA contracts for major projects such as new stations, tracks and tunnels are overly onerous. As a result, he said contractors apply a 25% "MTA premium" to projects. He also criticized the agency's inefficient planning, weak project management and overly lengthy process for making changes to construction projects.

Commissioner Charles Moerdler said New York City Transit, which oversees the subway and buses, has a procurement timeline that could be shortened by 53%, to 132 days from 278 days, without legislation or regulatory changes. Future proposals include introducing an electronic system to expedite the agency's paperwork approval process.

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## GREATER NEW YORK

# 'Caddyshack' Actor Looks Back

Michael O'Keefe reflects on the goofball comedy and his return to the New York stage in 'First Love'

BY CHARLES PASSY

Michael O'Keefe may forever be identified with the role of Danny Noonan, the young caddie in "Caddyshack."

But in the nearly four decades since the release of the goofball comedy that starred Chevy Chase, Bill Murray and Rodney Dangerfield, the actor has built a solid career that makes the part seem more like a pause on the green.

Mr. O'Keefe, 63 years old, has worked in dozens of films, playing alongside everyone from Jack Nicholson in "Ironweed" to George Clooney in "Michael Clayton." He has been on the small screen as well—as a regular on the original "Roseanne" and, more recently, on series ranging from "Homeland" to "Masters of Sex."

But the actor, who was raised outside New York City and now calls upstate New York home, has also found a place for himself in the theater, with several appearances on Broadway. He is returning to the stage for a new work, "First Love," by veteran playwright Charles Mee—or "Chuck," as Mr. O'Keefe refers to him—that being staged at the Cherry Lane Theatre. True to its title, the play looks at first romance, but through an unlikely lens—the lovers, played by Mr. O'Keefe and actress Angelina Fiordellisi, are in their 60s.

The Wall Street Journal caught up with Mr. O'Keefe at the Cherry Lane. Here are edited excerpts from the conversation.

**Do you look back on "Caddyshack" with fondness or do you think, "What the heck was**



Actor Michael O'Keefe at the Cherry Lane Theatre, where he is starring in the play 'First Love,' and below right with Chevy Chase in a scene from 'Caddyshack.'

**I doing?"**

About 10 years ago, I did a TV pilot and the wardrobe designer said, "I'm a big 'Caddyshack' fan," and I was like, "Thanks...whatever."

But then she said, "My father just died of leukemia. And the last two months that he was in the hospital, we would all gather in his room and watch 'Caddyshack.' And it was one of the few chances for him to get over the fact he was dying and have some laughs. It bonded us as a family."

I really lost it when she told me that. And ever since then my whole inner land-

scape about my connection to the movie has changed.

**Regarding "First Love," you don't see too many works about romance in later life. Why is that?**

We live in a youth-obsessed culture. And most mainstream media is geared to those types of audiences that have those types of expectations. And I think Chuck is an expert at subverting people's expectations.

**What drew you to the play?**

I was already a huge fan of Chuck's as a writer and a person. And the history of



the Cherry Lane in New York theater and world theater is impeccable. It's seen the first productions of plays by Tennessee Williams and Eugene O'Neill and Edna St. Vincent Millay and W.H. Auden and Samuel Beckett and Sam Shepard. That doesn't get any better.

And the part is, in a way, the most challenging part I've had in the theater. My goal as an actor is to try and bring a certain authenticity and verisimilitude to what I do. And Chuck's writing is so powerful and far-reaching that you really have to dig deep to reach those goals.



## District Is Eyed As Diversity Model

New York City school officials pitched a new plan to diversify public middle schools on Manhattan's Upper West Side on Wednesday as a model for the city.

The Department of Education plan for District 3, which includes southern Harlem, came after months of heated public meetings. It requires each middle school to give priority for a quarter of its seats to low-income, low-performing students who apply, starting with sixth-graders entering in fall of 2019.

It is the city's first district-wide middle school plan for diversity. Brooklyn's District 15,

which includes Park Slope, is exploring ways to diversify its middle schools as well.

The change would expose more children to peers from different backgrounds and give disadvantaged students better access to high-performing schools, said some parents who support the plan. But others worry the proposal would reduce the number of seats available for their high-achieving students in sought-after schools.

Many parents have questioned how students who are far behind grade level would fare in schools with accelerated classes, and how teachers would adapt. Education officials said faculty would get new training on academic interventions, and some schools would offer more tutoring and Saturday programs.

## Alumni Challenge School Plan

*Continued from page A10A* has brought together alumni associations from three high schools that have long been rivals.

Asian-American civil-rights groups also have rallied to save the exam, saying the proposed overhaul would unfairly squeeze out their hardworking, high-achieving children. Now, 62% of the 15,540 students at the eight schools are Asian.

The alumni associations aren't typically out protesting. They raise money for student enrichment, facilities upgrades

and alumni outreach.

Soo Kim, an investment manager at Standard General and president of the Stuyvesant High School Alumni Association, said the bill's quick rollout this month allowed for too little input from alumni and affected families. "There's nobody on our side that doesn't value diversity," he said. "But this is not how good policy is made."

Assemblyman Charles Barron, a Brooklyn Democrat sponsoring the bill, said there is plenty of time for public hearings, the details could still be revised, and many alumni and students backed him. "There are a lot of supporters who believe in equal access and multiple measures" of academic ability, Mr. Barron said. "We're winning people over."

Jaclyn Rothenberg, a City Hall spokeswoman, said officials

will continue to meet with some alumni. Prominent graduates have written editorials, including Boaz Weinstein, a hedge-fund manager who sits on the Stuyvesant alumni board. U.S. Rep. Grace Meng, a Queens Democrat who went to Stuyvesant, weighed in with a statement supporting the test, and State Sen. Toby Ann Stavisky, a Democrat who graduated from Bronx Science, joined a recent rally.

The alumni associations see other steps the city could take to increase student diversity.

The Brooklyn Tech Alumni Foundation points to its pipeline program that attracts low-income black and Hispanic middle schoolers for two-years of training on Saturdays and during summers in science, technology and math.

Pamela Davis-Clarke, an attorney and a founder of the

Stuyvesant High School Black Alumni Diversity Initiative, is calling for universal screening of pre-kindergarteners in underrepresented communities for gifted programs. Parents of high performers could get counseling on options that would put the children on a path to specialized high schools.

All neighborhoods should have accelerated instruction for advanced students in middle school, Ms. Davis-Clarke said, adding there aren't enough gifted programs in predominantly black and Latino areas.

The Brooklyn Tech Alumni Foundation points to its pipeline program that attracts low-income black and Hispanic middle schoolers for two-years of training on Saturdays and during summers in science, technology and math.

Pamela Davis-Clarke, an attorney and a founder of the

## GREATER NEW YORK WATCH

### NEW YORK CITY

#### Teachers Will Get Paid Parental Leave

New York City will provide six weeks of parental leave at full salary for all of its public school teachers.

The agreement was announced Wednesday by Democratic Mayor Bill de Blasio, union and school officials.

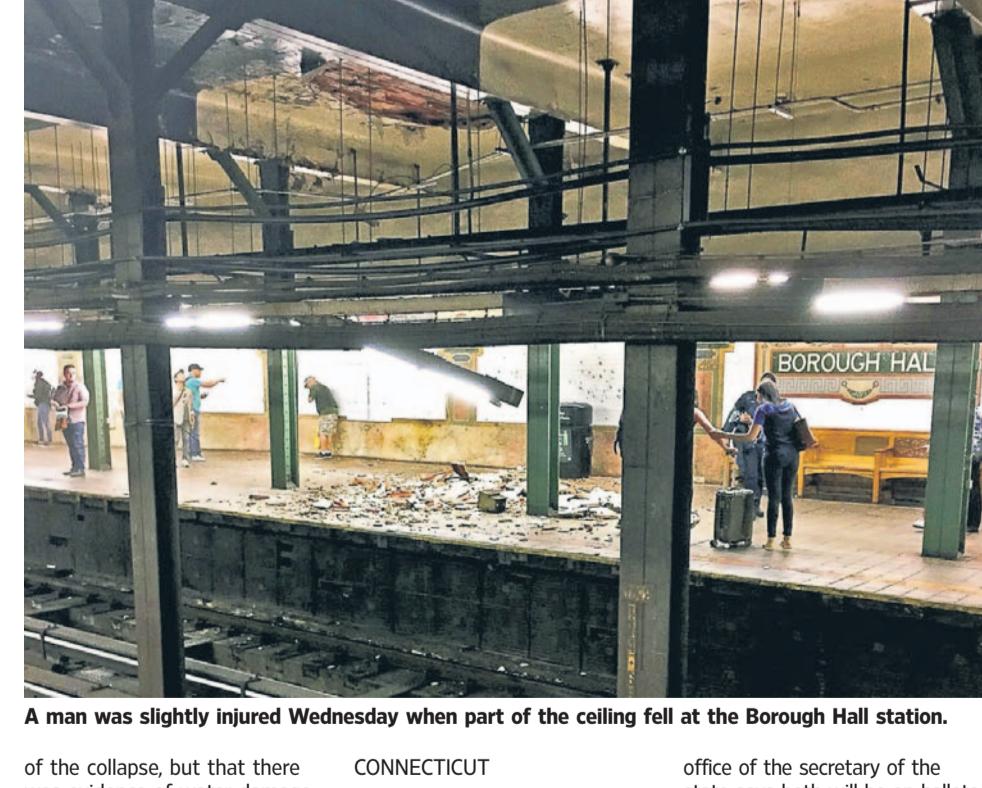
The contract covers about 120,000 workers. They include 79,000 teachers, plus United Federation of Teachers-represented school nurses, therapists, guidance counselors, secretaries and others.

The benefit will take effect on Sept. 4.

Birth parents and non-birth parents will get the paid leave for the birth of a child. It also will apply to the adoption or fostering of a child under the age of 6.

The city estimates that more than 4,000 new parents a year will use the benefit.

—Associated Press



A man was slightly injured Wednesday when part of the ceiling fell at the Borough Hall station.

of the collapse, but that there was evidence of water damage. He said structural engineers were assessing the ceiling.

A Metropolitan Transportation Authority spokesman said a man suffered a minor shoulder injury because of the collapse, which happened just before 3:20 p.m. on the northbound platform for the 4 and 5 line.

The man declined medical attention and left the station, the MTA said.

—Paul Berger

### CONNECTICUT

#### Two More Hopefuls Make Primary Ballots

Two more names will be on the ballot for governor when Connecticut voters turn out for the primaries in August.

Bridgeport Mayor Joe Ganim, a Democrat, and former hedge-fund manager David Stemerman, a Republican, each gathered enough signatures through petition drives

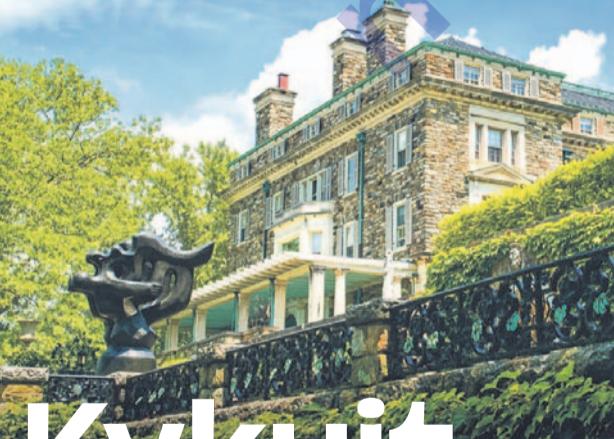
to compete in the primaries. The office of the secretary of the state says both will be on ballots for the Aug. 14 primaries.

Mr. Ganim is forging ahead with a political comeback after serving seven years in prison for public corruption. He will face Ned Lamont, the Democrats' endorsed candidate for governor.

Mr. Stemerman will compete in a five-way race with others including the Republicans' endorsed candidate, Danbury Mayor Mark Boughton.

—Associated Press

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### TRANSIT

#### Part of Ceiling Falls At Subway Station

A chunk of ceiling collapsed at the Borough Hall subway station in Brooklyn on Wednesday afternoon, sending debris raining down onto a platform and slightly injuring one person.

The head of the subway system, Andy Byford, said it was too early to determine the cause

of the collapse, but that there was evidence of water damage. He said structural engineers were assessing the ceiling.

A Metropolitan Transportation Authority spokesman said a man suffered a minor shoulder injury because of the collapse, which happened just before 3:20 p.m. on the northbound platform for the 4 and 5 line.

The man declined medical attention and left the station, the MTA said.

—Paul Berger

# LIFE & ARTS



PEP MONTSERRAT

THE MIDDLE SEAT | By Scott McCartney

## What the Airline Knows About The Guy in Seat 12A

### YOUR FLIGHT ATTENDANT

wishes you happy birthday. Is that cute or creepy?

Airlines know a lot about you, from date of birth and home address to travel patterns, vacation preferences, beverage purchases and whether your last flight was good or bad. Now the latest generation of hand-held devices used by flight crews has an overhead bin full of information about each passenger.

Carriers are using it in an effort to improve customer service. They can congratulate customers on reaching 3 million lifetime miles or toast a couple's wedding anniversary. At some airlines, they can tell if you really paid extra for that extra-legroom seat or are traveling on a restricted basic economy

ticket. Someday soon it may be, "Having the usual vodka tonic tonight, Scott?"

Right now, airlines are trying to figure out when personalized interactions could be considered invasive, amid growing concerns about how companies like Facebook and others are using personal data.

While many travelers are pleased to see their loyalty acknowledged, they'd all rather have upgrades. And plenty of others prefer a bit of anonymity once they get on an airplane and leave town.

United rolled out a new app to its flight attendants earlier this year with so much information about people, the airline has been reluctant to turn on all the functionality. The tool can show flight

attendants information on each frequent flier's five previous flights—green if it was a good flight, yellow or red if something went wrong, like a delay. But United is worried some customers might consider that stalking.

"There's a point where you don't want to make people feel like, 'Gee they know everything about me and they're tracking everything I do,'" says John Slater, United's senior vice president of inflight services.

Personal milestones like birthdays are left to the judgment of flight attendants. They can decide whether they think a customer would appreciate the recognition or recoil, he says.

The information is added to

phones and tablets used to charge customers for food and beverage purchases. The devices can give flight attendants real-time information on tight flight connections for passengers, confirm whether a wheelchair has been ordered for a customer and help keep track of unaccompanied minors.

Many now allow flight attendants to offer instant compensation for maladies like spilled coffee or broken entertainment screens.

Better service onboard in coach will go to those with higher status. Top-tier frequent fliers, as well as those with special needs, will get more personalized attention, airlines say.

Carriers say they don't flag "problem" passengers—perhaps frequent complainers or people involved in confrontations in the past. Airlines do ban people from their flights for altercations or abuses, and the Transportation Security Administration flags problem travelers.

But airlines are making it easier for flight crews to report problems with passengers. Instead of paperwork completed after a trip, American Airlines' third-generation handhelds can submit all kinds of

reports, from catering goofs to onboard incidents, says Jill Surdek, vice president for flight service.

Alaska Airlines says that earlier this month it gave its flight attendants an app on their hand-held devices specifically to report sexual harassment, making it quicker and easier to alert the company to problem passengers. Alaska has had several high-profile issues involving passengers accused of harassing flight attendants, as well as a case of a passenger accused of harassing another passenger.

The airline investigates every situation, says Andy Schneider, Alaska's vice president of people, and decides whether to take action, including banning someone from flights either temporarily or permanently.

United's new system has a color-coded seat map showing status—a black seat is a Global Services frequent flier, United's top tier. The seat map has icons for wheelchairs and lap children. A seat with a dog face means the customer has a pet onboard. Million-mileage levels are also depicted—seat 7C has "3M" on it for 3 million miles.

Connecting flight information can be shown. Green seats have good connections, yellow seats have connections that could be in jeopardy and red is reserved for very tight connections.

Letting flight attendants know something about each passenger "allows them to engage with customers in a meaningful way," United's Mr. Slater says.

JetBlue uses tablets mounted on the top of beverage-service carts so flight attendants get a hands-free visual picture of who's who. "The ability for crew members to view a customer's name is huge, especially in coach," says Chris McCloskey, JetBlue's director of inflight experience.

The seat map will show a birthday cake in a celebrant's seat. Flight attendants can offer a complimentary buy-onboard product or a card signed by the crew.

More personalization is coming. One goal: tracking onboard purchases. If a customer orders the same drink repeatedly, offer the usual. "There is definitely an opportunity for us to leverage the data that we have on customers a little bit more," Mr. McCloskey says. At the same time, the airline is analyzing how far it can go.

Airlines acknowledge the devices have made the job more complex for flight attendants.

Sara Nelson, president of the Association of Flight Attendants union, says the devices can reduce situational awareness.

If flight attendants have to study the screen to correctly recognize each customer, they may not be spending as much time staying alert to what's going on in the cabin.

She says flight attendants generally like these new tools because they let them do their jobs more effectively.

Still, Ms. Nelson says, "I'm a little shocked there hasn't been more backlash. I think the public has generally decided they like the personalized service, they like to be able to resolve their issues faster, not have to tell people as much. And they've sort of sacrificed their privacy for those conveniences."

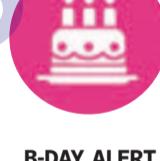
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**CHAIR AWAITS**  
They know if you need a wheelchair.

FILM REVIEW | By Joe Morgenstern

## 'JURASSIC': REASONABLY EDIBLE AND CREDIBLE

BY JOE MORGENSEN

**THINK OF "JURASSIC" World:** Fallen Kingdom" as a display of devoted animal husbandry—a motion-picture studio doing every damn thing it could think of to keep its most profitable menagerie from going extinct. After a quarter-century the franchise may be terminally long in the teeth; much of this fifth iteration is absurd, both intentionally and unintentionally. Yet it's also funny, intriguingly dark and visually sumptuous. The first word of dialogue is "relax," which serves as good advice, since the special effects look special once again, and all the bad guys get eaten eventually.

An imminent threat of extinction drives the narrative. It's three years after the previous film, "Jurassic World," and the collapse of the theme park on Isla Nublar. The dinosaurs have the island to them-

selves, but a volcanic eruption threatens to wipe them out. That renews a crucial question for dinosaur lovers, chief among them Owen Grady, the trainer/whisperer played slyly/sweetly by Chris Pratt, and Bryce Dallas Howard's Claire Dearing, the operations manager of the defunct park. Do these animals, cloned from ancient DNA, deserve the same protection as the rest of the planet's species? The question takes on a certain, dare I say it, gravitas as the movie manages to evoke plenty of empathy for the plus-size creatures. They've been brought to the screen this time around through elegant puppetry more often than computer-generated imagery, with impressive results. When Owen returns to the island with Claire, he reconnects with Blue, the supersmart raptor who figured importantly in the previous installment, and a convincingly deep

Please turn to page A12



## LIFE &amp; ARTS

## FILM

# Mamma Mia, How Can I Resist Two?



Lily James, center, stars in 'Mamma Mia! Here We Go Again.'

BY ELLEN GAMERMAN

**A "MAMMA MIA!" sequel** seemed inevitable. The film was the highest-grossing live-action movie musical when it debuted in 2008. The stage show that inspired it still runs around the globe. The title song even says: "Here I go again."

Instead of arriving overnight, though, it took a decade.

The wait for "Mamma Mia! Here We Go Again" speaks in part to the brand

control that has sustained the "Mamma Mia!" machine for nearly 20 years. The sequel, featuring songs by the Swedish pop group ABBA, opens July 20.

"There's always a Swedish caution there," producer Judy Craymer said of working with ABBA on the stage and screen ventures. "Everyone was like, 'Don't do another 'Grease 2,'" says

a producer.

tional Greek island, it has grossed more than \$2 billion world-wide. The film adaptation, premiering nearly a decade later, grossed more than \$600 million globally.

One reason for its longevity: Creators of "Mamma Mia!" have maintained tight oversight of the content from the start. Ms.

Craymer—who came up with the idea for an ABBA musical and enlisted the band's songwriters Benny Andersson and Björn Ulvaeus—insisted on keeping the

original creative team of writer Catherine Johnson and director Phyllida Lloyd for the first film.

"I never dared let it out of my sight," said Ms. Craymer, a 60-year-old producer who in the 1990s funded her quest for the musical by selling her London apartment.

Despite approaches by studios in the early 2000s, Ms. Craymer said she, Mr. Andersson and Mr. Ulvaeus never sold the film rights. In 2006, they forged a partnership with Universal Pictures.

Describing Ms. Craymer, actor Pierce Brosnan said:

"She is 'Mamma Mia!' She is

the Mamma and she is the Mia." Mr. Brosnan, who appeared in the first "Mamma Mia!" film alongside Meryl Streep, said as soon as he heard that Ms. Streep was returning for the second movie, he was on board as well.

Sequels can be risky ventures, and an original film's alchemy can't always be re-created. "I think a lot of fans are anxious that this mustn't spoil the legacy of 'Mamma Mia!'" said Chris Williams, a 30-year-old Londoner who started the fan group ABBAtalk, adding that he does not expect to the sequel to disappoint.

Producers secured a new lineup of stars to appear in the sequel alongside the original cast. The new movie features Cher as the mother of free-spirited Donna—a role originated in the first film by Ms. Streep. Lily James portrays Donna as a young woman in the film's flashback sequences. "The story is very much about three generations of women and motherhood," Ms. Craymer said.

The movie will feature some songs that weren't in the first film, including Cher's take on the 1970s hit "Fernando," about a Mexican freedom fighter, as well as crowd-pleasers from the original movie.

"Mamma Mia!" has persisted in ways that stage

and screen productions featuring the Beatles and other classic music acts haven't. ABBA has never been treated with much gravitas, so there's no built-in outrage about messing with its music, said Stockholm-based ABBA expert Carl Magnus Palm. "ABBA songs weren't really regarded as sacred," said Mr. Palm, who has written or co-written eight books about the group. "There wasn't this mythology around them."

Ms. Craymer had met Mr.

"Mamma Mia!" thrives on nostalgia for a band that built a global audience while it lasted from 1972 to 1982 but never staged a big comeback.

During ABBA's run, Mr. Andersson and Mr. Ulvaeus were married to Ms. Lystad and Ms. Fältskog, respectively. Both couples divorced while the band was still together. The foursome declined interview requests for this article.

Ms. Craymer had met Mr.

Andersson and Mr. Ulvaeus in 1982 while the ABBA songwriters were working on the musical "Chess," which she would eventually help produce in London. ABBA had been the soundtrack to Ms. Craymer's teens growing up in north London. She began to pursue a possible musical after meeting the songwriters and worked to convince Mr. Andersson and Mr. Ulvaeus to run with her idea. Her inspiration for an ABBA musical was initially sparked by the theatricality of the band's heartbreak anthem "The Winner Takes It All."

"I couldn't get the song out of my head—I felt it had a big story there about a woman and a breakup," she said.

Once "Mamma Mia!" debuted in 1999 in London, where it is still running, New York beckoned. But Mr. Andersson and Mr. Ulvaeus were in no hurry to return to Broadway after "Chess" closed two months after opening there in 1988, Ms. Craymer said.

Instead, "Mamma Mia!" went to Toronto. A touring company performed it in San Francisco. When it got to Broadway in October 2001, ticket lines snaked around the block from the theater. The musical, which closed in 2015, became Broadway's ninth-longest-running production. The stage musical has opened in more than 440 cities worldwide in 16 languages.

"There wasn't a particular master plan," Ms. Craymer said of the musical's origins. "I remember thinking, 'If it runs nine months, I'll just about be OK.'"



Meryl Streep, who starred in the first 'Mamma Mia!', appears in the sequel.

FROM TOP: UNIVERSAL PICTURES; EVERETT COLLECTION

## A Most Profitable Menagerie

*Continued from page A11*  
relationship resumes on both sides of the species divide. (Neal Scanlan was the creature supervisor.)

The director was the Spanish filmmaker J.A. Bayona ("The Orphanage," "The Impossible"). He is good with action—fireballs and lava flows send all creatures nasty and nice into headlong flight—and allows human moments to breathe and resonate. The first half—much stronger in dramatic terms than the second—starts with an evacuation on a scale slightly more modest than Dunkirk. The plan is to move the scaly evacuees to a sanctuary financed by Benjamin Lockwood (James Cromwell), an invalid millionaire who has a lot to answer for since the days when he partnered with Richard Attenborough's John Hammond in the ill-fated company that created Jurassic Park. (The script, by Derek Connolly and Colin Trevorrow, has no answer for the question of why Lockwood wasn't part of the action way back then.) But the lure of these fabulous beasts leads more dubious

characters to devious deeds (chief among the villains is Rafe Spall's Eli Mills) and bends the plot back toward the goal of the previous film—weaponizing the dinos, or worse.

The culmination of this section is a cattle auction crossed with "King Kong," with one caged monster after another put on roaring, head-tossing display for an audience of arms dealers, animal traffickers and as-

Harris in "The Rock" set \$100 million as his price for not attacking San Francisco with nerve gas.

Mr. Pratt's charm would have been the saving grace in "Jurassic World" if that film hadn't been beyond saving. In this one he is charming, once again; delicate in his approach to physical comedy (slowly rotating one leg, as if in a ballet, out of the way of a slithering lava field) and

what to do. Here, in flats, she gets a lift from Claire's clear focus—save the dinosaurs no matter what—and becomes a strong, attractive force in the process.

All of that said, the latter stretches of "Fallen Kingdom" fall into "Night at the Museum" chaos, with most of the island's displaced population rampaging through a vast gothic mansion. It's as if all concerned on the creative side threw up their hands, then tossed in anything that might lead to a setup for film number six.

The scattershot quality is crazy-making, but still entertaining if you keep your expectations in check. I laughed a lot (though not at a horrific vision of dinosaurs packed into a kind of gas chamber), appreciated the scenery and enjoyed the presence of Benjamin Lockwood's granddaughter, Maisie (Isabella Sermon), a moral force in her own right and a linchpin of the plot. Jeff Goldblum makes little more than a cameo appearance as the chaos theoretician Ian Malcolm, who hasn't been seen in Jurassic precincts since "The Lost World" in 1997. But Dr. Malcolm, now an *éminence grise*, gets to warn that we've entered a new era in which genetic power has been unleashed. Meaning watch out, this old franchise hasn't gasped its last gasp.

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The Indoraptor from 'Jurassic World: Fallen Kingdom'

sorted international trash. The sequence looks great—the cinematographer, Oscar Faura, makes most of the movie look great—but contains a bizarre bafflement; one prominently exotic specimen goes for a winning bid of \$10 million. Really? A mere 10 mil for a literally priceless prize? It's the most flagrant lowballing since the crazed general played by Ed

## LIFE &amp; ARTS



DURMEI

## MUSIC REVIEW

# Kamasi Washington: Musical Miracle Worker?

BY TED GIOIA

**NO ONE CAN ACCUSE** Kamasi Washington of lacking confidence. The cover of his latest recording depicts the saxophonist literally walking on water. That's a bit too smug for my tastes, but perhaps a suitable marketing angle for an artist who has been lauded as the savior of jazz.

I don't think jazz needs saving—dozens of rising stars in the genre are creating fresh, exciting music that deserves to be heard—but if Mr. Washington delivers on his potential to bring hip-hop and rock fans into the jazz camp, he will have earned some claim to the title of miracle worker.

It's been a long time since pop culture embraced a serious jazz saxophonist (Kenny

G doesn't fall into this category), but now Mr. Washington is changing that. In 2015, the previously unheralded saxophonist showed up on Kendrick Lamar's megahit "To Pimp a Butterfly" and released his breakout album, "The Epic." This comparative newcomer, previously limited to low-profile sideman stints and self-produced projects, suddenly started appearing at rock festivals and on TV shows, in some cases reaching audiences that may never have seen a saxophone before.

I can only applaud the mastermind who came up with the title "Heaven and Earth" for Mr. Washington's new release, a recording that is every bit as all-inclusive as its name implies. If I ran a record store I wouldn't know where to put Mr. Washington's recordings on display: Is this stuff jazz,

or R&B, or some new kind of classical music? Can we invent a genre called "all of the above"?

Close your eyes, put on some headphones and sink into this expansive project, which will take you on a mini-tour of the world of music. Along the way, you will encounter Afro-Cuban vamps, seraphic choir interludes, catchy pop melodies, funky old-school grooves, soundtrack-style mood music, high-octane saxophony, tinkly ambient sounds, military march beats, spoken-word exhortations, prog-rock riffs, and in-your-face bursts of noise.

Mr. Washington has built his reputation on large-scale endeavors of just this sort. "The Epic" included 173 minutes of music on three discs. I note that the average Major League Baseball game lasts 172 minutes—

**Saxophonist Kamasi Washington's new album is 'Heaven and Earth.'**

draw your own conclusions from that. In any event, our saxophonist needs a larger roster than the New York Yankees. For "The Epic," he supplemented a 10-piece jazz band with a 32-piece orchestra, and a 20-person choir. His new two-disc release is just as labor intensive—the personnel listing supplied by his record label fills up an eight-page document—and makes clear that Mr. Washington's musical vision may be evolving but certainly isn't downsizing.

Listening to "Testify" from Mr. Washington's "Earth" disc, I thought for a moment I was hearing an old Earth, Wind and Fire hit. In fact, the chords and groove aren't much different from "That's the Way of the World." On the other hand, "Will You Sing," from "Heaven," could accompany some sci-fi religious ritual from an-



other planet, and showcases the powerful Afrofuturist vibe that is a recurring theme in this artist's work. But Mr. Washington is most compelling when he features his sax front and center. On "One of One" he matches his horn against the supersized ensemble in a battle to see who can achieve the greatest intensity—and Mr. Washington's saxophone proves more than capable of besting the other 40-plus musicians on the track.

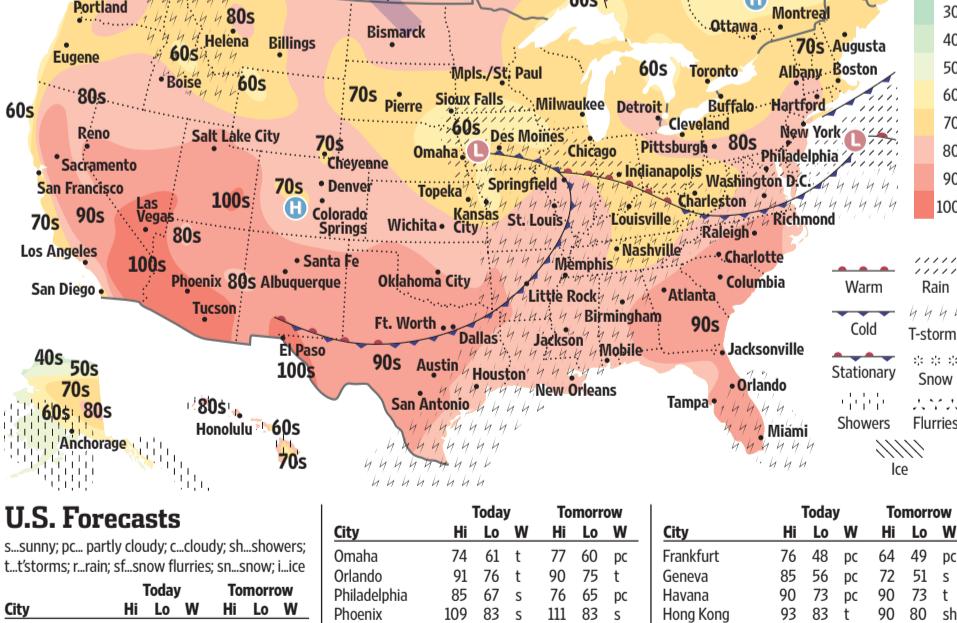
Not many artists have risen to the challenge of combining dozens of contrasting styles into a coherent musical vision. The Beatles pulled it off, incorporating everything from British music-hall entertainment to Indian sitar into their kaleidoscopic soundscapes. In the jazz world, Miles Davis built his legacy on an ever-changing style, but never tried to put all of his postures into a single album. Charles Mingus perhaps came closest to turning a grab bag of approaches, from Dixieland to atonality, into a unified jazz stance. Mr. Washington is on a similar mission, aiming for a style that transcends styles.

I see Mr. Washington as a kind of ambassador reaching across the boundaries that divide the music world into isolated niches and genres. Everybody wins in this game of aural diplomacy. The jazz world always benefits from a dialogue with popular music. In fact that's how the art form started more than a century ago. And commercial genres gain in vitality and expressive force by learning from what jazz has to offer.

Can this ambitious saxophonist really pull off such a high-stakes détente? That's a tall order for a musician still in the early stages of his career. But if anyone can do it, it's Kamasi Washington. Keep him in your sights, because a miracle may be about to happen.

*Mr. Gioia writes on music, literature and pop culture. His next book, "Music: A Subversive History" (Basic Books), will be published next year.*

## Weather



## U.S. 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
Anchorage	60	51	c	59	50	c
Atlanta	90	73	t	87	73	t
Austin	93	74	c	98	74	pc
Baltimore	84	67	pc	74	66	c
Boise	84	59	pc	87	56	pc
Boston	75	58	pc	72	58	s
Burlington	73	48	s	81	60	s
Charlotte	92	70	t	89	71	t
Chicago	72	60	r	65	58	r
Cleveland	79	66	pc	77	65	t
Dallas	96	77	pc	101	77	pc
Denver	84	58	s	84	54	t
Detroit	81	63	pc	74	64	sh
Honolulu	89	76	pc	88	75	pc
Houston	88	76	t	93	76	pc
Indianapolis	76	69	r	78	65	t
Kansas City	69	60	t	77	59	pc
Las Vegas	111	82	s	109	83	s
Little Rock	87	68	t	87	68	pc
Los Angeles	83	63	pc	82	65	pc
Miami	90	77	t	90	77	t
Milwaukee	68	57	pc	64	56	sh
Minneapolis	75	62	c	79	64	pc
Nashville	79	68	t	86	67	t
New Orleans	89	78	t	91	78	pc
New York City	84	65	s	77	63	pc
Oklahoma City	90	63	pc	88	65	s

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	61	53	pc	60	51	pc
Athens	87	70	s	89	71	s
Baghdad	103	81	s	103	78	s
Bangkok	92	80	t	94	79	t
Beijing	77	71	c	91	70	c
Berlin	76	49	pc	64	52	t
Brussels	62	47	pc	61	46	pc
Buenos Aires	60	38	s	60	43	pc
Dubai	105	88	s	102	87	s
Dublin	62	42	pc	64	46	pc
Edinburgh	62	42	pc	63	45	pc

## The WSJ Daily Crossword | Edited by Mike Shenk



**BACK-TO-BACK** By Samuel A. Donaldson

- |   |   |   |
|---|---|---|
| Across  | 24 Saucer occupant                      | 43 "Silver Bells" lyricist Ray          |
| 1 Uproar  | 27 Reader (alternative magazine)        | 44 Hall of Fame Cub Sandberg            |
| 5 Idle in Hollywood                                   | 29 Goes with the wind                   | 46 JFK or LBJ, e.g.                     |
| 9 Goes with the wind                                  | 31 12-territory section of a Risk board | 47 Gatsby's portrayer in 1949           |
| 14 Capital that will host the 2019 Pan American Games | 34 Image of Pluto, say                  | 50 Game VIP                             |
| 20 Sea lettuce, for one                               | 36 Contest venues                       | 54 Remnants of a toad's skin treatment? |
| 22 Sea lettuce, for one                               | 37 Minor no-nos involving party salsa?  | 55 Printer's anti-embellishment policy? |
| 23 Reader (alternative magazine)                      | 40 Exercise in the pool                 | 60 Item on a card                       |
| 24 Saucer occupant                                    | 42 Sea lettuce, for one                 | 61 Promising place                      |
| 27 Reader (alternative magazine)                      | 43 "Silver Bells" lyricist Ray          | 62 Sea lettuce, for one                 |
| 29 Goes with the wind                                 | 44 Hall of Fame Cub Sandberg            | 63 Fill up                              |
| 31 12-territory section of a Risk board               | 46 JFK or LBJ, e.g.                     | 64 Slip settings                        |
| 34 Image of Pluto, say                                | 47 Gatsby's portrayer in 1949           |   |
| 36 Contest venues                                     | 50 Game VIP                             |   |
| 37 Minor no-nos involving party salsa?                | 54 Remnants of a toad's skin treatment? |   |
| 40 Exercise in the pool                               | 55 Printer's anti-embellishment policy? |   |
| 42 Sea lettuce, for one                               | 60 Item on a card                       |   |
| 43 "Silver Bells" lyricist Ray                        | 61 Promising place                      |   |
| 44 Hall of Fame Cub Sandberg                          | 62 Sea lettuce, for one                 |   |
| 46 JFK or LBJ, e.g.                                   | 63 Fill up                              |   |
| 47 Gatsby's portrayer in 1949                         | 64 Slip settings                        |   |

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

## Previous Puzzle's Solution

A C T S S H A G M I S E R

S H I P P A C E A L R E D

H O P O N A N A I R P L A N E

O P T I C G I G O L O S

R I O L O B O T E L E G I S T

E N E O V A R Y I D L E

P O M E S C I C E I N

S K I P P B R E A K F A S T

P R E E N S A V A I L

F R E E E N T E R O A T

C A P A B L E R O M A N C E

S P R O U T S E L E C T

J U M P I N T H E S H O W E R

U V U L A E A T S N A D A

G A M E R R I O T E Y E D

## SPORTS

## WORLD CUP

## RONALDO STRIKES AGAIN

BY JONATHAN CLEGG

Moscow

**THE WORLD CUP** isn't big on sentimental goodbyes for soccer's all-time greats. So it's by no means certain that this tournament will end in a blaze of glory for Cristiano Ronaldo. But it's sure starting to look that way.

In the second game of what is likely the final World Cup of his career, the 33-year-old Ronaldo scored his fourth goal of the tournament, sending Portugal on its way to a 1-0 win over Morocco that leaves the team on the brink of the knockout round.

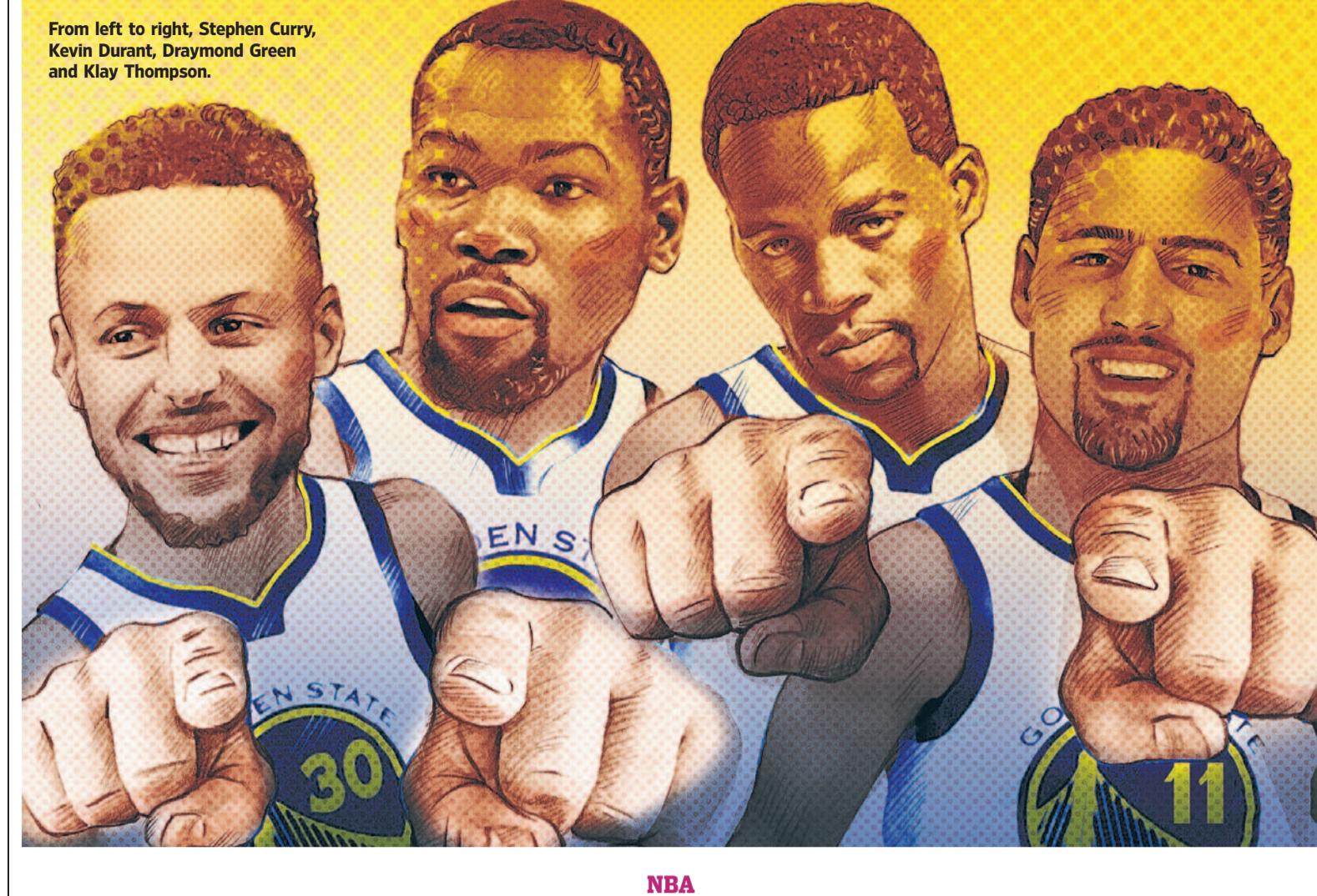
Just as in his first game, when a stunning hat trick secured a draw against Spain, it didn't take Ronaldo long to make his mark. Four minutes in, Portugal won a corner, and when the ball was pumped into the box, Ronaldo muscled free of his marker and planted a stooping header high into the net.

It was a goal emblematic of the player he has become in the twilight of his career. Though Ronaldo broke onto the scene as a jet-heeled, gel-haired winger with speed to burn, he has morphed into an apex penalty-box predator. The opener here was his second goal of the tournament from 12 yards or closer.

Late in the game, a free kick on the edge of the Morocco penalty area offered Ronaldo a chance to put the game to bed. This time, the spectacular finish eluded him. Ronaldo's low shot hit the defensive wall and when he challenged Morocco's Nourredine Amrabat for the loose ball, he threw himself to the floor despite minimal contact. Despite his protestations to the contrary, no penalty was given and, as play was allowed to continue, Ronaldo allowed himself a wry smile. The defining moment of another World Cup game already belonged to him.

In other action in Group B, Spain edged Iran 1-0, following a 54th minute goal by Diego Costa, his third goal of the tournament.

From left to right, Stephen Curry, Kevin Durant, Draymond Green and Klay Thompson.



## NBA

## The Warriors Want to Win the Draft

The most important picks: The Suns at 1, the Kings at 2, the Hawks at 3 and...the Warriors at 28

BY BEN COHEN

**ONE MORNING** last week, the Golden State Warriors held their championship parade. Their coaches and executives were back in the office by that afternoon. They had an NBA draft workout to attend.

The squeeze between their latest title and the draft on Thursday night left them almost no time to celebrate. The Warriors were scouting prospects and plotting draft strategies while they were still in the playoffs, and it became their exclusive focus as soon as the NBA Finals were over. "Right away," Warriors president of basketball operations Bob Myers said. "Like, the flight home."

The draft is a powerful tool for the league's awful teams since it allows them to be less awful with a single decision. But it's oddly imperative for the best team in the league, too. That is the peculiar thing about this draft: There has never been a more intriguing No. 28 pick.

"We're looking for a guy that can play," Myers said. "Which is a little unusual."

OK, we know what you're thinking: Is this really a story about the Warriors on the exact day of the NBA calendar when the Warriors are supposed to be irrelevant? And we get it. You're tired of the War-

riors. The entire league is tired of the Warriors. Even the Warriors are tired of the Warriors.

But their pick in this draft is too big to ignore. It could help determine how long their dynasty lasts. The player lucky enough to slip to the Warriors at the end of the first round won't be the most talented rookie or the most important rookie in the long term. If all goes to plan for Golden State, though, he will be essential immediately.

This sounds like a strange thing to say about a team that has won back-to-back titles and three of the last four championships, but the Warriors could really use some more talent alongside Stephen Curry, Klay Thompson, Draymond Green and Kevin Durant. One of the lessons of the last NBA season is that they are not infallible. The rest of the league is getting better—the 76ers, the Celtics, the Rockets, the whatever team has LeBron James—and that means even the Warriors have to get better this summer.

The draft is their first chance to improve. It's also one of their last.

The most they can offer any free agent is their taxpayer mid-level exception, a mouthful that amounts to \$5.3 million, and the only method of enhancing their roster otherwise is through minimum contracts to veterans who believe that playing in the Warriors' basketball heaven is

worth the millions they might have to sacrifice. Their options are limited. "Things you'd normally have," Myers said, "we don't have."

But they do have a draft pick. And they're counting on production from that draft pick as soon as possible.

The Warriors have some experience plucking undervalued talent in the draft. It happens to be the reason this budding dynasty exists to begin with.

It only becomes more outrageous every year that Curry and Thompson were drafted after 17 players, including several who no longer play in the NBA, and Draymond Green was somehow the 35th pick in his own draft. But grand larceny is almost required for teams as good as the Warriors. The San Antonio Spurs stole Tony Parker with a 28th pick before they pulled off the heist otherwise known as Manu Ginobili with a 57th pick.

While the stakes are obviously high on Thursday for teams like the Phoenix Suns, Sacramento Kings and Atlanta Hawks—the difference between the right pick and wrong pick for them is the difference between Greg Oden and Kevin Durant—this draft is crucial for the Warriors in a subtle way.

"That's how you keep your window open longer," Myers said. "You may get lucky and get a

Draymond. You never know."

The longer he's in the job, Myers said, the more he appreciates the draft process: the scouting trips that allow him to think about the future, the long days and nights in their war room, the debates with his colleagues in the front office he rarely sees during the season. They have no idea which of their favorite prospects will be around at 28, but the Warriors concentrate on a handful of players and try everything in their power to nab one.

That was tricky last year considering they didn't have a pick when the night began. But the Warriors paid \$3.5 million to the Chicago Bulls for the 38th pick, and there is nothing but lots of money stopping them from buying another second-round pick this year.

It has already paid off for them. The Warriors turned all that cash into Jordan Bell, and he turned out to be worth the splurge. Bell had a clearly defined role as a rookie. He fit. He played key minutes during the playoffs. He made real contributions in their title run. And then he appeared to cost the Warriors another \$3.5 million in champagne and cognac at their championship parade.

The people responsible for drafting him were already back to work by then. They were searching for the next Jordan Bell.

## WORLD CUP

## REST OF THE WORLD DOESN'T MISS U.S.

BY JOSHUA ROBINSON

Moscow

**WHEN THE U.S.** failed to qualify for the World Cup on a damp night in Trinidad and Tobago, it immediately became the country's biggest soccer disaster since the national team took the field in denim-print jerseys in the 1990s.

After making it to the tournament seven straight times over the course of 24 years, the U.S. considered itself part of the World Cup furniture. Broadcasters bought television rights for hundreds of millions of dollars. Missing out, the thinking went stateside, would set back the development of American soccer, cost officials their jobs, and leave the rest of the planet wondering where on Earth those plucky Yanks had disappeared to.

Now, with the tournament in full swing, it turns out the rest of the planet doesn't actually care.

"Nobody's going to miss the United States," said former U.S. national team midfielder Stu Holden, who is in Russia as an analyst for Fox.

The U.S. isn't the only World Cup regular spending the summer at home. Italy, a four-time champion, was knocked out in qualifying after losing a playoff to Sweden. And the Netherlands, a three-time finalist and vastly influential soccer nation, missed the cut last October. But the

absence of the U.S. seems to elicit a particular kind of indifference.

"Does anyone care? Not that much," said the veteran Dutch manager Guus Hiddink, who has coached three different nations at the tournament. "Holland didn't make it either—and that was a big deal."

Americans normally travel to the World Cup in huge numbers. In Brazil four years ago, U.S. jerseys seemed to pop up at every game and in every airport. The same was true in South Africa in 2010. Perhaps due to the frostiness between the U.S. and Russia, U.S. fans are simply harder to pick out here. More likely, they haven't bothered.

The U.S. was second only to Russia in ticket sales, according to FIFA. But spend any time wandering around Moscow bars, Russian airports or stadium concourses and it becomes apparent that those landed in the hands of a different set of American fans entirely: Ones who root for the Americas to the south.

Since the tournament kicked off, Moscow has turned into a fiesta of Mexicans, Argentines, Brazilians, Colombians, Uruguayans, and, improbably Peruvians, who are at the World Cup for the first time since 1982.

If the U.S. had sneaked into the 32-team field, it might have stood an outside chance of surviving the group stage. But would anyone miss the same old team that hasn't



Fans cheer prior to a World Cup match between Sweden and South Korea at Nizhny Novgorod Stadium.

won a World Cup knockout game since 2002?

"We were on a great run with seven consecutive World Cups up until this one," Holden said. "In many senses, it's given us a little bit of a wake-up call. It sucks not to be invited to the party."

So the U.S. is going to hold its own party—even if it is eight years from now and totally a coincidence. Long before it knew that the national team wouldn't pass muster for Russia, the U.S. committed to a joint bid with Canada and Mexico to host the World Cup in 2026. The three-country proposal was chosen by soccer's world governing body last week.

In the present, the U.S. is looking

for silver linings where it can. (Unlike Italy, whose main sports daily marked its defeat with the headline, "Italy, this is the apocalypse.") Because it wasn't a World Cup country, the team became a sought-after opponent for friendly matches, facing off against France earlier this month. The federation is also taking time for a reassessment of the program.

Which is all well and good. But there are 32 other countries in the world, from Brazil to Australia to England, who happily consider it not their problem.

"Not to see countries like that there, it's sad and it's a shame. But at the same time, there's no room for sentiment," said the former England striker Ian Wright,

who watched his national team stay home during the 1994 World Cup. "We've missed tournaments, whether it's because of form or our players aren't good enough. It's something that they have to get over."

—Anatoly Kurmanava contributed to this article.

## TV Listings

Thursday, June 21

(All times Eastern)

8 a.m.: Denmark vs. Australia (FS1)

11 a.m.: France vs. Peru (FOX)

2 p.m.: Argentina vs. Croatia (FOX)

## OPINION

## Kids in Cages

WONDER LAND  
By Daniel Henninger

W.C. Fields, the great and wise film comedian, once said that doing a scene with children was perilous because they will steal it. Someone should have warned the Trump White House.

No doubt buried somewhere inside the administration's "zero tolerance" policy on illegal border crossings is an important issue related to the rule of law or national sovereignty. Just don't expect anything resembling serious thought to compete with images of kids in Border Patrol processing cages.

President Trump signed an executive order Wednesday ending the parental separations. Reassembling these families may slow the bleeding for Republicans, but it won't solve anything related to illegal immigration.

In 1986, after a mighty legislative struggle during the Reagan administration, Congress passed the Simpson-Mazzoli Immigration Reform and Control Act. Its purpose was to control the flow of illegal immigrants into the U.S. More than 30 years later, we are putting them in holding pens.

Neither liberal fixes nor conservative restriction has accomplished anything.

For eight years, the U.S. had a liberal president in Barack Obama, and immigration remained a mess. Conservative talk radio turned it into a political weapon built around one word—"amnesty"—which has

produced one thing: legislative gridlock.

With Mr. Trump, the U.S. has possibly the most restrictionist president since Republican Chester Arthur signed the Chinese Exclusion Act in 1882, banning immigrants from China as a threat to U.S. labor.

Mr. Trump's attorney general, Jeff Sessions, was the most restrictionist member of the Senate during the Obama years. Sen. Sessions's communications director, Stephen Miller, is now President Trump's primary adviser on immigration policy.

It remains a mess. Just maybe, we are doing something wrong.

A strong clue to what's wrong emerged from Homeland Security Secretary Kirstjen Nielsen's press conference at the White House this week. Well, it wasn't a press conference. It was more like a Maoist struggle session, with few straight questions. Example: "President Trump has had a lot to say the last few days about immigration, but he's offered no compassion to the families that are being separated. Do you know why that is?"

Still, a light went on when Secretary Nielsen said the separated children were being cared for by the Department of Health and Human Services. HHS was involved in this, too?

For more than 30 years, our "solution" to the illegal immigration problem has been to throw wave after wave of federal bureaucracies at it. What could go wrong? More accurately, how could it not get worse?

Among the proposals to

emerge from the Senate this week were . . . build more detention facilities and hire 375 more immigration judges. That's the answer: more swamp!

President Trump recognizes what a fiasco this approach is. Arriving Tuesday on Capitol Hill to meet with Republicans, he said: "It's been a really bad, bad system, probably the worst anywhere in the world. We're going to try and see if we can fix it."

### There is a Trumpian solution to illegal immigration: Let the economy control it.

Mr. Trump's well-known alternative is to build a wall between Mexico and the U.S. But another Trumpian solution is available: Let the American economy fix it.

During the Obama years, a recurring complaint by some conservatives was that illegal immigrants had taken jobs from unemployed Americans. Donald Trump, while running for president, could not have foreseen how his economic policies—a rollback of virtually the entire Obama regulatory regime and a large tax cut—would effectively eliminate this issue in 18 months.

Today there are more jobs available than there are unemployed people. The unemployment rate for black Americans 16 or older was 5.9% in May, the lowest since 1972. The overall unemployment rate, at 3.8%, is expected to fall further.

*Write henninger@wsj.com.*

One reality remains, however: Thousands of American employers in agriculture, hospitality, construction, landscaping and manufacturing in virtually every U.S. state still need the kind of labor those immigrants provide, such as fixing roofs, cutting grass, cleaning hotel toilets, and sorting crabs and fish. In the Trump economy, most Americans don't need to do this work. But someone's gotta do it.

We have run the experiment on letting the federal bureaucracies solve the illegal-immigrant problem and have proved conclusively: They can't. So why not give the market a chance to solve it?

Give these adults work visas that let them enter and exit the country at legal entry points as the labor market requires. A reason they bring their children with them is that if they leave the U.S. now, there is no legal way to re-enter for work.

Yes, there are details, but surely this market-based solution would be easier to administer than the never-ending travesty at the Mexican border.

El Salvador, Guatemala and Honduras would benefit socially and politically if more of these working-class people could go home legally. What's left behind there now are the dregs and gangs who drive constant streams of people north.

We can either let the world's strongest economy control the immigration flow, or let politicians and bureaucrats keep trying. The latter will produce another bog of embarrassment, like the one we all stared at in Texas this week.

*Write henninger@wsj.com.*

BOOKSHELF | By Russell S. Bonds

## The Falling Tide of Gray

## Vicksburg

By Samuel W. Mitcham Jr.  
(Regnery, 402 pages, \$29.99)

On July 3, 1863, Gen. George Pickett's famous charge crestred and broke at the Battle of Gettysburg—a moment that tradition would name the "High Water Mark of the Confederacy." At almost the same hour, 900 miles to the southwest, Union Gen. Ulysses S. Grant and Confederate Gen. John C. Pemberton met to discuss terms for the capitulation of the Rebel stronghold at Vicksburg, Miss. The formal surrender would take place the next day, July 4, marking the end of a nine-month campaign that broke the South in two and opened the Mississippi River to Union navigation from source to mouth.

The town of Vicksburg had long been a critical strategic point in the war's Western Theater, situated atop a 200-foot bluff on a bend in the river and held firm by the Confederates into 1863, even as New Orleans and Baton Rouge and Memphis fell. For Abraham Lincoln, Vicksburg was crucial.

"The war," he said, "can never be brought to a close until that key is in our pocket." Jefferson Davis called it "the nail-head that holds the South's two halves together." Other observers were even more grandiose in their description of the river landing turned citadel: "The Gibraltar of the West," they called it.

The struggle for Vicksburg has long been overshadowed by Gettysburg, the war's greatest battle. Grant's own "Personal Memoirs" stand as the most widely read account of the operations in Mississippi, and Edwin C.

Bearss's monumental *Vicksburg* (1985-86) dominated the field for years. This century has brought campaign studies by William Shea and Terence Winschel and by Michael Ballard, as well as renewed focus on strategy in the barrage of recent biographies of Grant—most of them sympathetic to the blue commander. General readers interested in the campaign can enjoy two excellent narrative treatments: novelist Winston Groom's *Vicksburg, 1863* and Shelby Foote's classic *The Beleaguered City*.

In "Vicksburg: The Bloody Siege That Turned the Tide of the Civil War," Samuel W. Mitcham Jr., a retired professor and prolific chronicler of World War II, re-examines the struggle, making clear at the outset his mission. "Here," he says, "the Rebel side will be told." He also seeks to re-evaluate—and defend—the shaky generalship of the Southern commander Pemberton.

Mr. Mitcham's title sells his book short, as he covers not only the seven-week siege that led to the city's downfall but the full, grinding campaign across the bayous and battlefields of Mississippi and Louisiana. "The work of reducing Vicksburg will take time and men," Grant had written in January 1863, "but it can be accomplished." The Confederate officer assigned to block Grant from his goal was himself a Yankee—Philadelphia-born John Pemberton, who "married South" and sided with his wife's people after Fort Sumter.

### The surrender of Vicksburg, Miss., to Union forces the day after the Battle of Gettysburg effectively broke the Confederacy in half.

Mr. Mitcham thoroughly recounts the series of battles leading to the gates of Vicksburg and illuminates some underappreciated aspects of the war, especially the clashes between Federal and Confederate riverboats and ironclads, and the various operations (most of them failures) improvised by Grant and his naval partner Adm. David Dixon Porter that foreshadowed modern amphibious warfare.

Mr. Mitcham's prose is straightforward, and he turns a nice phrase—he describes one faltering infantry charge that "chocked on its own blood." But his arguments and quotations are thinly sourced—the endnotes provide a sort of sidebar commentary, not the detailed citations typical for a scholarly history. The book's maps are sparse and sketchy. In addition, and most unfortunately, Mr. Mitcham's efforts to tell the "Rebel side" and correct the record are themselves an over-correction, and his depictions of Union forces and leaders too often devolve into caricature. Grant is "desperate," not determined; Sherman displays "his characteristic overbearing cruelty"; Federal prisons are "Lincoln's dungeons."

Union forces certainly deserve criticism for their hard-handed treatment of civilians, but the constant aspersions on all things Northern are overkill. Indeed, Mr. Mitcham's book is in danger of being swamped by its agenda at the start: He uses the term "politically correct" or "political correctness" nine times in a bellicose four-page introduction. The view that the war was about slavery is "the politically correct party line," he says. Historical balance requires more than just sectional bias in the other direction, and Mr. Mitcham's charged perspective calls into question his analysis.

The swampy expeditions, riverboat duels and months of maneuvering gave way to a siege whose end seemed inevitable, as Grant finally boxed Pemberton's graybacks inside the city. Mr. Mitcham argues that Pemberton did all he could in the face of overwhelming numbers and limited tactical options. Yet he goes far beyond excuse-making, and his analysis of Pemberton's shortfall crescendos to a full-throated yet weakly supported alternate history. "Had Pemberton's orders been obeyed," he asserts, "Vicksburg would have held, . . . the South might have won its independence, and John C. Pemberton today would be hailed as a hero of the extant Confederate States of America."

Despite the odds and the incoming ordnance, the citizens of Vicksburg retained their pluck and defiance to the bitter end. "The Great Ulysses—the Yankee Generalissimo sur-named Grant—has expressed his intention of dining in Vicksburg . . . and celebrating the 4th of July," the Vicksburg Daily Citizen wrote on July 2. "Ulysses must get into the city before he dines in it. The way to cook rabbit is, 'first catch the rabbit.'"

Two days later Grant caught his rabbit—taking nearly 30,000 Rebel prisoners—and Independence Day turned to ash on the banks of the Mississippi. Pemberton was left at his headquarters, "sitting in a damask-cushioned, armed rocking-chair," Mr. Mitcham writes, one witness recalling him as "the most discontented looking man I ever saw."

Grant, now famous for forcing surrenders, would soon move east to face Robert E. Lee. The residents of Vicksburg would not celebrate the Glorious Fourth for the next 81 years.

*Mr. Bonds is the author of "War Like the Thunderbolt: The Battle and Burning of Atlanta."*

## Make 2018 About Taxes, Not Migration

By Karl Rove

With most primaries over, congressional candidates are now making decisions about the arc of their fall campaigns. For Republicans, the results will turn on how they emphasize the economy, lay out an agenda in sync with their state or district, and attract independent swing voters who like President Trump's policies more than they like him. The immigration maelstrom also looms large over key races.

Republican Senate challengers in red states like North Dakota and West Virginia are competing on favorable terrain: Mr. Trump and his policies are popular. But in both cases the Democratic incumbent is personally well-liked. Republicans can win if they convey disappointment with their opponent more than anger. Rep. Kevin Cramer is showing real skill at this in North Dakota, calmly focusing on the many instances in which he and incumbent Democratic Sen. Heidi Heitkamp have voted the opposite way. This makes it possible for voters to conclude that while they like Ms. Heitkamp, they don't agree with how she votes.

In states like Indiana and Montana, which Mr. Trump carried by double digits, Senate Democrats have launched early personal attacks on their Republican challengers.

The most laughable of these is Indiana Sen. Joe Donnelly's television ad attacking Republican Mike Braun because his auto-parts chain sells items made abroad. One wonders when Mr. Donnelly—whose family-owned business out-sources jobs to Mexico—will introduce a bill making it illegal to have foreign-made components in your car.

### Republicans must sell the booming economy and put the border issue to bed.

These attacks bespeak the Democrats' desperation to bury their challengers before they gain traction. Voters can expect many more such assaults. The Democratic Senate Majority PAC announced last week that it reserved \$80 million in TV ads inside nine battleground states. But the Democrats may have shown their hand too soon. Such early promises can end up derailing campaigns, as in 2016, when the PAC made a similar pledge, only to jerk \$20 million from Ohio and \$6 million from Florida in October. This effectively ended the campaigns of struggling Democratic candidates in those states.

With consumer confidence

at its highest levels since the turn of the century, the strong economy is Republicans' greatest asset. It also has lifted Mr. Trump's approval numbers. According to the Real Clear Politics average, 50.4% of Americans approve of his handling of the economy, while only 43.6% don't. The president's overall approval rating is 43.5%, close to his standing at his inaugural.

Although the GOP tax cut is one of the principal drivers of the strong economy, public opinion remains mixed: The latest Monmouth University Poll found that 34% approve of the tax reform while 41% disapprove. Oddly, approval was down six points from Monmouth's April poll, but disapproval was also down three points. The number with no opinion had grown by half.

This shows Republicans must talk more about their bill. Most Democrats will never be convinced, but the independents who will decide if the GOP keeps its congressional majorities are open to supporting. Republicans must articulate its benefits and describe the consequences if Democrats repeal it. But this is hard to do when the GOP's biggest megaphone—the White House—has been focusing on a defense of separating children from their parents at the southern border.

Congressional Republicans understand the danger from

this issue to the GOP's election hopes. A Tuesday Quinnipiac poll found that 66% of voters opposed the administration's policy, including 68% of independents. Opposition is especially intense among suburban Republican-leaning independent women. While 55% of Republicans support separating children from parents at the border, most also will back the president if he brings this state-sponsored cruelty to an end.

Republicans must avoid making the midterms about a hideously unpopular immigration policy. The best way to do that is to pass the House's compromise legislation. The bill ends family separation, gives Dreamers a path to citizenship, limits chain migration, ends the diversity lottery, and funds the wall. The measure won the president's support Tuesday night. If it passes the House, Republicans will have secured a double-victory: They can take credit for supporting a bipartisan solution to one of America's thorniest issues while clearing the way for a fall election fought principally over the economy. This outcome is within reach, but only with the president's support.

*Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).*

## Depoliticize the Nation's Highest Honor

By F.H. Buckley

Every country has a non-military award for its most distinguished citizens. In Britain it's the Order of Merit or a peerage. France has the Académie française. In the U.S., it's the Presidential Medal of Freedom.

Traditionally, the winners of the medal are announced on July 4. But last year President Trump didn't award any, which did nothing to improve his standing with our country's cultural elite. He also puts ketchup on his steaks. A philistine, in short.

Matthew Arnold popularized the term "philistine" in "Culture and Anarchy" (1869). He was thinking of religious Dissenters with a severely dour sense of pious duty and little use for culture. They had missed all that literature, art and music might contribute to a well-lived life. Today there are plenty of people like the Dissenters around. They're the

ones who see everything in terms of politics.

Robert De Niro has a way with words, as we've discovered, but did he really deserve the Presidential Medal of Freedom in 2016? What about Elton John? What about James Taylor in 2015? Go through the list and it's hard

### The Medal of Freedom shouldn't be an award for right-thinking.

to avoid thinking that this medal is really about politics. At a minimum, winners have gotten a big leg up from their political views, like the writers who win the Nobel Prize in Literature because they're from a Nordic country.

A good way of thinking about prizes for eminent people is to apply the anti-Nobel test. Forget about the winners. Think about all those who

deserved a Nobel but didn't get one. Leo Tolstoy, James Joyce, Marcel Proust, Anton Chekhov, W.H. Auden—losers all. It isn't a list that endears one to the Swedish Academy.

To apply the same test to the Presidential Medal of Freedom, ask of whom in 50 years people will exclaim, "You mean he never won it?" It's easy enough to come up with a list of worthies in literature, music, scholarship and cinema.

In 2068, who among today's writers will be remembered? Not many, I think, but Cormac McCarthy is one. In music, Philip Glass and John Adams deserve the medal. Historian Gordon Wood has watched his discipline be taken over by practitioners of race, class and gender, but he continues to remind his readers of the greatness of the Founders. And if Mr. Trump is looking for an entertainer to recognize, who wouldn't want to hear Clint Eastwood growl "Make my day!" at the White House?

I have one last person in mind. Among other things, the Presidential Medal of Freedom is awarded for especially meritorious contributions to national security, and usually each year's ceremony includes a military leader. This July 4, in recognition of a lifetime of distinguished service and to repair a rhetorical misstep, President Trump should award the medal to Sen. John McCain.

Mr. Trump wants to make America great again. But what is greatness, if not a culture the world admires and heroes such as the ones listed here? When everything else is forgotten in 2068, these are the achievements that will be remembered.

*Mr. Buckley is the author of "The Republican Workers Party: How the Trump Victory Drove Everyone Crazy, and Why It Was Just What We Needed," forthcoming from Encounter.*

## OPINION

## REVIEW &amp; OUTLOOK

## Trump's Immigration Choice

President Trump on Wednesday walked back his policy of separating immigrant children from their parents at the border that had united most of America in opposition. This may mitigate some self-inflicted political damage, but Congress ought to go further and pass a bill that fixes this and other immigration woes.

In classic Trumpian fashion, the President took credit for reversing a policy he had previously said he couldn't reverse. "We've dealt with a lot of different problems. This is one that has been going on for many decades," Mr. Trump said in the Oval Office. "So we're keeping families together and this will solve that problem. At the same time we are keeping a very powerful border and it continues to be a zero tolerance. We have zero tolerance for people that enter our country illegally."

But this was a problem of his own creation, and "zero tolerance" is part of it. In May the Justice Department directed that all immigrants apprehended at the border be prosecuted as criminals. But a 1997 consent decree known as the Flores settlement prohibits the detention of children. So the Department of Health and Human Services took custody of the kids as their parents were charged and processed for deportation.

Homeland Security had previously kept families together in detention centers for a few weeks and then released them with ankle monitors. Restrictionists claimed letting immigrants go encouraged illegal immigration, though border apprehensions had been falling for years until a modest surge in recent months.

About 2,300 kids have been separated from their parents since May, and pictures of caged toddlers and recordings of crying babies have resulted in the biggest public backlash of the Trump Presidency.

Mr. Trump's executive order is clever in trying to duck the Flores settlement by assigning the Defense Department to house the detained families, presumably in barracks. Meanwhile, the order instructs the Attorney General to ask the court to "modify" the Flores settlement to allow other detention solutions that keep families together. All of this should get the trauma-

tized toddlers out of the headlines.

But the President will face another defeat of his own making on Thursday if the House rejects a compromise immigration bill negotiated by GOP leaders. The bill tries to satisfy competing GOP factions by toughening enforcement while granting legal status to the 1.8 million so-called Dreamers

who were brought here illegally as kids.

Restrictionists as ever are playing their "amnesty" song, though the bill fulfills all of Mr. Trump's priorities including cutting family-based migration, ending the diversity lottery and authorizing \$25 billion for a border wall. Their main gripe is that Dreamers could eventually qualify for green cards and thus have a pathway to citizenship. The claim is that this supposedly rewards "lawbreakers," though someone else brought them here.

Even President Trump has endorsed a pathway to citizenship for Dreamers. Restrictionists also claim that the bill doesn't eliminate family-based migration in toto, but that isn't a majority position even in the GOP. The bill re-allocates 88,000 visas for family preferences and the diversity lottery to Dreamers.

What the GOP restrictionists really want is to deport all illegal immigrants, no matter the harm to families or how long they've been here. They also want to reduce *legal* immigration, as legislation sponsored by Judiciary Chairman Bob Goodlatte would do. His bill includes an e-Verify mandate on employers, slashes family-based preferences and boosts interior enforcement. This is unacceptable to Members who represent immigrant communities or farm families that need more workers.

The leadership's bill has a shot if Mr. Trump would offer some full-throated protection to Members against the restrictionists. The President huddled with Republicans on Tuesday and endorsed both bills, but that is a cop-out. It's an excuse for conservatives to vote for Goodlatte, though they know it will fail.

If Mr. Trump wants a solution for Dreamers and his border wall, he needs to say publicly and clearly that the "amnesty" charge is a distortion. Otherwise he'll get nothing and Democrats will run against GOP failure in November.

## A Spending Embarrassment

Rеспubicans have had a rough week, mostly of their own making, and on Wednesday they added to their self-punishment with a spending fiasco in the Senate. Two GOP Senators blocked the Trump Administration's rescissions package that would claw back \$15 billion, much of which wasn't even likely to be spent under current policy.

A Senate procedural vote to move the rescissions package failed 48-50 after defections from Susan Collins of Maine and Richard Burr of North Carolina. From what we've heard Ms. Collins wanted to keep the money on ice so if it isn't spent as part of its current program she could spend it later on other things. Finding fake "savings" to spend elsewhere is a bipartisan tradition. Ms. Collins has helped to defeat a health-care bill that reformed Medicaid, death-tax repeal, and now the rescissions package.

Mr. Burr revolted over a line item about the Land and Water Conservation Fund, a rescission he wanted stripped from the package, and

so he blocked even a debate. Mr. Burr could have moved to strike the item on the floor and he might have succeeded. The conservation program is largely a slush fund for government land grabs, but it's politically untouchable because it reminds people of Old Faithful and camping trips.

Mr. Burr thus tanked a \$15 billion package over a \$16 million rescission, and only after putting his GOP colleagues on the record for a tough vote. The House narrowly passed the rescissions package, and many vulnerable Republican members now will be attacked by Democrats as having voted to slash spending without having accomplished any fiscal discipline that excites the right.

Congress's window to pass rescission requests with a simple majority under the Congressional Budget and Impoundment Control Act of 1974 expires on Friday. As with other projects this Congress, the GOP almost succeeded, only to see it blow up at the eleventh hour thanks to self-serving Senators.

## Japan Wants Guest Workers

Immigration is a sensitive issue everywhere and especially in Japan, where many citizens fear foreigners will bring crime and disorder. So why did Prime Minister Shinzo Abe, a nationalist, right-of-center leader, decide last week to admit 500,000 blue-collar guest workers by 2025?

In a word, demographics. Japan's persistently low fertility rate, 1.43 last year, caused the work force to shrink by 13% since 2000. Companies are screaming for workers, with an average of 1.59 jobs available for each applicant. The unemployment rate was 2.5% in April, the lowest among G-7 nations.

The labor shortage is one reason Mr. Abe's program of economic reform hasn't revived animal spirits, with GDP contracting 0.2% in the first quarter. The lack of hotel staff is holding back a boom in tourism. The average age of the Japanese farmer is 67. The lack of workers is hampering construction projects for the Tokyo Olympics in 2020.

Mr. Abe's plan will grant visas to workers in hotels, construction, shipbuilding, farming and elder care. The latter need is especially acute given Japan's aging population. Some 28% of Japanese are 65 or older, up from 24% in the past five years, and the government expects a shortfall of 380,000 nurses by 2025.

Many firms already employ foreigners on student or trainee visas. Visitors to Tokyo can practice their Chinese with the cashiers at convenience stores, while Vietnamese toil in factories, and restaurant waitresses hail from Nepal. The number of foreign workers in Japan has nearly doubled over the past five years to 1.3 million or 2% of the workforce largely due to short-term visas. By comparison, 17% of U.S. workers are foreign-born.

## The GOP Senate gives Democrats more to cheer about.

The aging nation is embracing foreigners out of economic need.

relatively easy for professionals to gain residency. But only a few thousand applicants have taken advantage. A 2016 survey by the IMD World Competitiveness Center found that high-skilled workers ranked Japan the least attractive among 11 Asian nations.

Part of the reason is Japan's insular culture and low level of English. South Korea, which is at an earlier stage of the same demographic transition, already welcomes foreign blue-collar workers. It also seems to be doing a better job of assimilating high-skilled immigrants.

Unless Japanese have more babies, the country has little choice but to embrace immigration. Government statistics show that to stabilize the population at 100 million, Japan needs 200,000 immigrants annually. The population is declining by more than 1,000 people per day. That is a serious threat to government finances, which are already in tatters with a national debt more than 2.5 times annual GDP.

Prime Minister Abe deserves credit for touching one of the third rails of Japanese politics. But it's telling that the Justice Ministry mooted the need to admit blue-collar workers in 2015 and the government only now worked up the courage to send a policy to parliament. Public attitudes are slowly shifting as Japanese realize that barriers to immigration pose a greater threat to their way of life than accepting foreign workers. Mr. Abe could do more to lead that change.

## Does he want his border wall and a Dreamer solution, or not?

## OPINION

## LETTERS TO THE EDITOR

## Legalizing Marijuana: The Pros and Cons

Patrick Kennedy and Kevin Sabet's "This Is No Time To Go to Pot" (op-ed, June 15), at long last, takes on several key deceptions about marijuana, and these men have the credentials to speak.

But where are the others? The neurologists? The pediatric psychiatrists? The Business Roundtable groups and chambers of commerce which also are competent and which should have a passionate professional interest in maintaining drug-free workplaces and safeguarding our youth? It is high time they joined in allocating resources to stop this juggernaut.

Why is it important to keep off-duty marijuana use illegal? Because, while there is a strong and demonstrated relationship between off-duty drug use and productivity, quality control, absenteeism, workers' comp claims, workplace accidents and other business metrics that affect profitability, it is difficult and expensive to prove from an evidentiary perspective a specific correlation in any specific case.

Human resource departments and employers will lose the ability to take reasonable employment action in reliance on a no-drug-use policy rule against marijuana and will no longer be able to decide not to hire those who flunk the pre-employment drug tests or who happen to show marijuana after being tested after an on-duty accident or random screen.

NANETTE RUTKA HIKADE

*Ann Arbor, Mich.*

The authors suffer from the same confirmation bias and first-order thinking that begot the demonstrably unsuccessful war on drugs and has sustained it, to tragic effect, for nearly 50 years. Despite enormous expense and countless American lives lost to street violence and incarceration, access to and abuse of marijuana and other drugs remains as prevalent as ever. Why, then, do intelligent people refuse to accept that the goals of the antidrug crusade haven't been, and cannot be, achieved by prohibition?

The authors' parade of horrors is uncompelling when compared with the actual devastation wrought by the war on drugs. Do Messrs. Kennedy and Sabet really prefer the gangs that have defiled neighborhoods and blighted inner cities, and the drug cartels that have terrorized whole countries, to a few marijuana dispensaries engaging in unsavory business practices? And what about the trade-off between a small uptick in marijuana-related traffic fatalities on the one hand, and tens of thousands of murders committed by drug pushers and traffickers, enriched and enabled by America's misbegotten drug policies, on the other? Should the profits of the drug trade flow to murderers and narco-terrorists, or to the coffers of state and federal governments?

In their hubris, American policy makers have selected the wrong answer to each of these questions. Fortunately, we seem to be at an inflec-

tion point, with more and more Americans opening their eyes to the futility of marijuana prohibition and its appalling unintended consequences. It's time for prohibitionists to face the fact that all we have to show for the war on drugs is collateral damage. It's past time to end it.

JAMES LIDDELL

*Washington*

What's understated is the potential major negative health effects, particularly in connection with developing brains (into the middle 20s), such as permanently impairing brain functioning and cognition and increasing the likelihood of serious psychotic disorders like schizophrenia, bipolar disorder and paranoia. Is severely damaging the health of our nation's youth and causing major injury to society worth tax revenue and income to the self-serving marijuana industry?

STANLEY A. COOK, PH.D.

*McLean, Va.*

In 1994 as a NYPD narcotics detective, I did a study of prisoners arrested for drug crimes for a statistics class I was taking at night. Nine of 10 users stated they started with marijuana, 70% started using between ages 10-15, and 92% before the age of 21. Society must educate our youth before the ravages of drugs become irreparable.

AL SCHILLE

*Staten Island, N.Y.*

It makes sense to make marijuana readily available as a less harmful alternative to truly harmful drugs such as opiates. Why would a drug pusher carry marijuana in his inventory when you can buy it over the counter?

Messrs. Kennedy and Sabet are behind the times.

MATT RYAN

*Bremerton, Wash.*

In Colorado the number testing positive for marijuana in fatal crashes has risen each year from 2013 (47) to 2016 (115), more than doubling (145%) in those four years. Of the 547 traffic fatalities in 2015, 99 were due to marijuana, 187 to alcohol and 35 to both. The most common drug in all fatal crashes is marijuana.

There are also other health-related issues to consider. The cardiovascular and cancer risks inherent in smoking tobacco also apply to marijuana. While cigarette smokers inhale more smoke, marijuana smokers hold it longer in their lungs. Marijuana can also demotivate individuals. They lose their ambition and competitiveness.

RYAN SEARLE, M.D., ABEM  
*Newburyport, Mass.*

According to Messrs. Kennedy and Sabet, cannabis legalization is "a failed experiment." But in Washington state, which like Colorado legalized in 2012, support has increased from 56% to an astounding 78%. Some failure!

PAUL KUHN

*Nashville, Tenn.*

## Suicide Not Just About the Depressed Person

Karl Rove's compelling "My Mom's Suicide Was Preventable" (op-ed, June 14) explores the complex reasons leading to suicide and the "personal and solitary" decision process involved.

Additionally, the prevention of suicide can be surprisingly variable, as was the case with my 53-year-old patient suffering from a painful and just-diagnosed metastatic pancreatic cancer. "I gotta gun, Doc," he said as I walked into his hospital room on

## Judge Right in AT&amp;T Case Because of Consumer Cost

Profs. Michael D. Smith and Rahul Telang argue that the Justice Department should not have objected to AT&T's acquisition of Time Warner, because the \$85 billion deal wasn't "merely to gain control of a business in obvious decline [cable TV]." This argument is off-base ("Godspeed to AT&T-Time Warner," op-ed, June 13).

Regardless of the purpose(s) of the acquisition from AT&T's perspective, if a result would have been an increase in the cost of cable TV to consumers, the acquisition would have violated U.S. antitrust law, notwithstanding that cable TV is a declining business.

U.S. District Judge Richard Leon properly found that the transaction doesn't violate U.S. antitrust law because there is no good reason to believe that it will increase the cost of cable TV to consumers.

JEFFREY I. ZUCKERMAN

*Washington*

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## Pepper ... And Salt

THE WALL STREET JOURNAL



## OPINION

# The ACLU Retreats From Free Expression

By Wendy Kaminer

**T**he American Civil Liberties Union has explicitly endorsed the view that free speech can harm "marginalized" groups by undermining their civil rights. "Speech that denigrates such groups can inflict serious harms and is intended to and often will impede progress toward equality," the ACLU declares in new guidelines governing case selection and "Conflicts Between Competing Values or Priorities."

**The organization declares that speech it doesn't like can 'inflict serious harms' and 'impede progress.'**

This is presented as an explanation rather than a change of policy, and free-speech advocates know the ACLU has already lost its zeal for vigorously defending the speech it hates. ACLU leaders previously avoided acknowledging that retreat, however, in the apparent hope of preserving its reputation as the nation's premier champion of the First Amendment.

But traditional free-speech values do not appeal to the ACLU's increasingly partisan progressive constituency—especially after the 2017 white-supremacist rally in Charlottesville. The Virginia ACLU affiliate rightly represented the rally's organizers

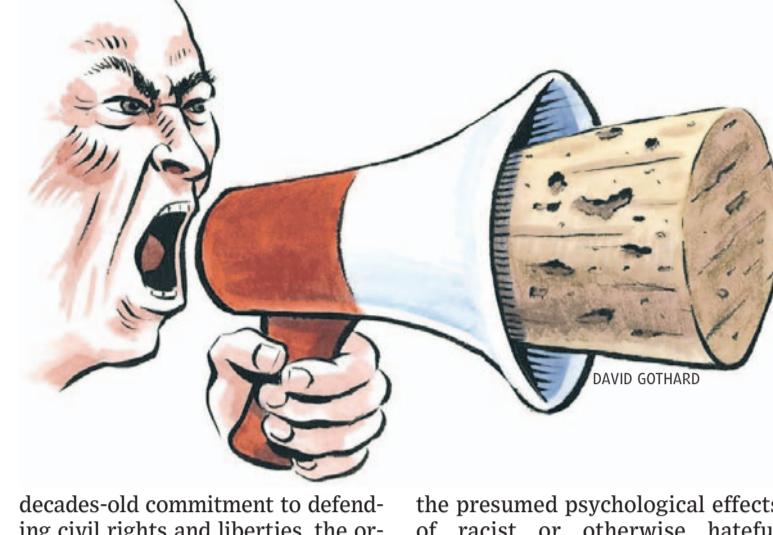
when the city attempted to deny them a permit to assemble. Responding to intense post-Charlottesville criticism, last year the ACLU reconsidered its obligation to represent white-supremacist protesters.

The 2018 guidelines claim that "the ACLU is committed to defending speech rights without regard to whether the views expressed are consistent with or opposed to the ACLU's core values, priorities and goals." But directly contradicting that assertion, they also cite as a reason to decline taking a free-speech case "the extent to which the speech may assist in advancing the goals of white supremacists or others whose views are contrary to our values."

In selecting speech cases to defend, the ACLU will now balance the "impact of the proposed speech and the impact of its suppression." Factors like the potential effect of the speech on "marginalized communities" and even on "the ACLU's credibility" could militate against taking a case. Fundraising and communications officials helped formulate the new guidelines.

One half of this balancing test is familiar. The "impact of suppressing speech"—the precedents that suppression might establish, the constitutional principles at stake—is a traditional factor in case selection. But, traditionally, the ACLU has not formally weighed the *content* of speech and its consistency with ACLU values in deciding whether to defend it.

Tension between competing values isn't new to the ACLU. Given its



DAVID GOTTHARD

decades-old commitment to defending civil rights and liberties, the organization has long navigated conflicts between equality rights and freedoms of religion, speech and association. The guidelines assert that "no civil liberties or civil rights value should automatically be privileged over any other." But it's clear that free speech has become second among equals. Where is the comparable set of guidelines explaining when the ACLU should decline to defend gay-rights claims that infringe on religious liberty or women's-rights cases that infringe on due process?

The speech-case guidelines reflect a demotion of free speech in the ACLU's hierarchy of values. Their vague references to the "serious harm" to "marginalized" people occasioned by speech can easily include

the presumed psychological effects of racist or otherwise hateful speech, which is constitutionally protected but contrary to ACLU values. Faced with perceived conflicts between freedom of speech and "progress toward equality," the ACLU is likely to choose equality. If the Supreme Court adopted the ACLU's balancing test, it would greatly expand government power to restrict speech.

In *Brandenburg v. Ohio* (1969), for example, the ACLU defended the First Amendment rights of a Ku Klux Klan leader prosecuted for addressing a small rally and calling for "revenge" against blacks and Jews. The U.S. Supreme Court reversed Clarence Brandenburg's conviction, narrowly defining incitement to violence as speech both intended and likely to cause imminent illegal action.

Brandenburg made an essential distinction between advocacy and action, which progressives who equate hate speech with actual discrimination or violence seek to erase.

The ACLU would be hard pressed to take Brandenburg's case today, given its new guidelines. The organization hasn't yet endorsed a ban on hate speech, or a broader definition of incitement. The guidelines affirm that "speakers have a right to advocate violence." But even if Brandenburg managed to pass the new balancing test for speech cases, some participants at his rally were armed, and, according to the guidelines, "the ACLU generally will not represent protesters who seek to march while armed."

All this is the ACLU's prerogative. Organizations are entitled to revise their values and missions. But they ought to do so openly. The ACLU leadership had apparently hoped to keep its new guidelines secret, even from ACLU members. They're contained in an internal document deceptively marked, in all caps, "confidential attorney client work product." I'm told it was distributed to select ACLU officials and board members, who were instructed not to share it. According to my source, the leadership is now investigating the "leak" of its new case-selection guidelines. President Trump might sympathize.

*Ms. Kaminer, a former ACLU board member, is author of "Worst Instincts: Cowardice, Conformity and the ACLU" (2009).*

## Trump's Tariffs Are a Defense Against China's Aggression

By Peter Navarro

**T**he Chinese government's Made in China 2025 blueprint reveals Beijing's audacious plans to dominate emerging technology industries. Many of these targeted sectors, such as artificial intelligence and robotics, have clear implications for defense. China seeks to achieve its goal of economic and military domination in part by acquiring the best American technology and intellectual property. President Trump's new tariffs will provide a critical shield against this aggression.

China acquires American technology in multiple ways. Theft, both physical and cyber, occurs through orchestrated industrial espionage campaigns. For years the U.S. intelligence community has acknowledged China as a persistent leader in economic espionage.

Many American companies are forced to accept technology transfers to gain access to the Chinese market. China's foreign-ownership restrictions require American firms to enter into joint ventures as minority partners in sectors that Beijing considers strategic. Other more indirect tools to coerce technology transfer include adverse licensing processes, discriminatory patent restrictions, security reviews, discriminatory catalogs that restrict inbound foreign investment, and intrusive testing requirements.

Once a foreign company enters a joint venture in China, technology and IP transfers may occur through joint manufacturing. A Chinese partner could even use its access and proximity to steal the technology outright. All too often the Chinese "partner" becomes a direct competitor, first in regional markets, then in global ones.

In 2010, for example, General Electric formed a joint venture with the state-owned Harbin Electric to manufacture wind turbines. The venture ended after three years of sharing technology. As a result of deals like this—and at least one conviction of a Chinese wind-turbine maker for trade secret theft—Chinese firms' share of the international wind turbine market rose from 9% to nearly 25% over the past decade.

China's extralegal efforts to acquire critical technologies are typically spearheaded by Chinese companies and their agents, often with the assistance of legal U.S. residents or citizens. A poster child is Amin Yu. In 2016 she pleaded guilty to acting as an illegal agent of the Chinese government and conspiring to commit international money laundering. Ms. Yu illegally exported commodities that help in the production of unmanned underwater drones. China is particularly interested in this technology as it tries to gain control of critical waterways, including the South China Sea.

China's investment in strategic

technologies may ultimately pose the gravest danger to America's manufacturing and defense industrial base. Through years of unfair trade practices and industrial espionage—building on its already massive trade surplus—China has accumulated trillions of American dollars. Now the Chinese government is embarking on a high-tech shopping spree in the U.S.

### Beijing seeks economic and military domination by taking U.S. technology and intellectual property.

Since 2012 China has made more than 600 investments in advanced American technology, worth close to \$20 billion, according to the data aggregator CB Insights. Artificial intelligence, augmented and virtual reality, and robotics receive particular focus. China's biggest sovereign-wealth fund, the China Investment Corp., has deployed a significant fraction of the \$800 billion of assets under management for a venture fund focusing on Silicon Valley. The state-backed venture fund Sinovation "has invested in almost 300 startups—including 25 in artificial intelligence," according to a January 2018 report from Defense Innovation Unit Experimental.

These investments will lead to the U.S. being "colonized by purchase rather than conquest," as Warren Buffett warned in a 2003 essay criticizing trade deficits. It is precisely because China has launched a sustained attack on America's innovation base that Mr. Trump is imposing defensive tariffs. At the same time, there is bipartisan consensus for strengthening and modernizing the Committee on Foreign Investment in the U.S. The committee must be able to review a broader range of investment from China and other countries to address national and economic-security concerns. As President Trump has said: Economic security is national security.

The 25% tariffs recently announced on \$50 billion of China's exports to the U.S. are targeted at high-tech industries. These tariffs will form a critical line of defense against predatory trade practices China has used to the detriment of American industries.

Consider solar energy. China's unfair industrial policies have created excess global supply of solar panels and displaced American firms. Where China had no companies in the top 10 producers of solar panels, it now has six, including the top two. China's industrial and military planners want to do the same for other industries. The president simply won't stand for that.

How China responds to the White House's actions defending America's

technological crown jewels will define the future U.S.-China economic and national-security relationship. Unfortunately, Beijing has initially responded with \$50 billion of retaliatory tariffs, aimed partly at American farmers. As the president noted, this clearly signals China's determination "to keep the United States at a permanent and unfair disadvantage." That is why the president has directed U.S. Trade Representative Robert Lighthizer to identify \$200 billion of Chinese goods for additional tariffs at a rate of 10%.

It has taken vision and courage for the president to take these steps. The far easier course would be to continue the relationship with China as his predecessors did. If China continues to escalate this trade dispute rather than treat the U.S. fairly, Americans may finally wake up to an economic and national-security threat that the president has seen coming for decades. With its huge trade surplus with the U.S., China must know it has far more to lose in this trade dispute.

The president won't back down when America's economic prosperity and national security are at stake. This is no time for miscalculation by China—and past time for China to end its economic aggression.

*Mr. Navarro is assistant to the president for trade and manufacturing policy and director of the White House National Trade Council.*

## To Help Iran, Angela Merkel Tries to Pull a Fast One With Swift

By Richard Goldberg and Mark Dubowitz

**A**s the U.S. moves to reimpose sanctions on Iran, German Chancellor Angela Merkel is working behind the scenes to undermine the effort. How President Trump responds could determine whether his strategy to put maximum pressure on the Islamic Republic will succeed or fail.

During briefings in Washington, German officials have indicated their goal: to ensure that Iran remains connected to the Swift system—formally called the Society for Worldwide Interbank Financial Telecommunication—that facilitates global financial transactions. By protecting Iran's access to the Swift network, Germany hopes to preserve Europe's ability to

pay for Iranian oil, and receive payment for European exports, in contravention of U.S. sanctions. The Germans know that any maximum-pressure campaign against Iran cannot succeed if Iran remains connected to Swift.

Last month, in light of "U.S. sanctions which could target EU entities active in oil transactions with Iran," the European Commission encouraged European Union members to explore the idea of sending direct payments to the Central Bank of Iran. Access to the Swift network makes this possible. If such a payment were transmitted, the U.S. could designate the European country's central bank as a violator of sanctions, blocking its access to dollars and isolating it from the international financial system. German leaders are betting the

Treasury Department would not take the economic risk of doing so.

German leaders may not have considered, however, the American alternatives. Treasury could designate individual central-bank officials as sanctions violators, freezing their U.S.-based assets and denying them entry to the country. Or other U.S. law-enforcement and regulatory bodies could take action. For example, federal prosecutors from the Southern District of New York, as well as prosecutors from the Manhattan District Attorney's Office, have imposed serious penalties against European banks for facilitating illicit Iran-related financial activities. New York State's Department of Financial Services could pursue similar action.

If a European central bank became a channel for payments to Iran, the

risk is that other countries—China, Russia, India—would adopt a similar approach to evading U.S. sanctions. The Trump administration's strategy to put pressure on the Iranian regime would slowly unravel.

### U.S. sanctions won't bite until Tehran can no longer accept oil payments from European buyers.

The solution is to cut off Iran's access to the Swift network. The Treasury Department has given Swift until Nov. 4 to disconnect Iran's central bank and other Iranian financial institutions that are under sanctions for illicit activities. This action is perfectly appropriate. Swift's corporate rules prohibit its users from engaging in "conduct which is not in line with generally accepted business conduct principles." In the case of Iran, flagrant examples include financing the Assad regime in Syria, subsidizing terrorism through the Quds Force, building ballistic missiles, and abusing human rights.

Since Swift provides the financial messaging service for the European Central Bank's Target2 settlement platform, ECB regulations should apply here as well. The ECB's terms and conditions for Target2 require users to comply with all obligations to prevent money laundering, terrorism financing and nuclear proliferation. If Iranian banks are under sanctions for these activities, they should not be allowed to clear euro transactions.

In 2012, facing pressure from Congress, Swift asked the EU to issue a regulation ordering it to disconnect

Iranian banks. The EU obliged but rescinded the order in 2015, as reconnection to Swift was a key concession of the Iran nuclear deal. This time around, Swift won't have the face-saving luxury of an EU order, since Germany would block any such initiative. So what else can the Trump administration do to force Swift's hand?

Swift is a cooperative, and its board is made up of banks from around the world. That gives the Treasury Department enormous leverage. Under American law, the Treasury can impose sanctions on Swift's staff, officials and directors. That could include freezing their personal assets and restricting their travel to the U.S. The U.S. could cut off their employers from the American financial system. The Trump administration could create legal trouble for the two American banks represented on Swift's board, Citigroup and JP Morgan.

Swift operates under the laws of Belgium, and the National Bank of Belgium is responsible for its daily oversight. The Treasury could declare either of them an entity of money-laundering concern. Unless Belgian officials order Swift to disconnect designated Iranian banks, the U.S. could hold them personally responsible for aiding and abetting the evasion of sanctions.

Such steps may seem draconian. But Mr. Trump's strategy to put maximum pressure on Iran depends on the robust enforcement of sanctions. As such, the U.S. has no choice but to move aggressively against noncompliance—in Berlin, in Brussels and around the world.

*Mr. Goldberg is a senior adviser to the Foundation for Defense of Democracies, where Mr. Dubowitz is chief executive.*

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## Notable & Quotable

*From a Monday Southern Poverty Law Center statement accompanying a \$3.375 million legal settlement:*

The Southern Poverty Law Center was wrong to include Maajid Nawaz and the Quilliam Foundation in our Field Guide to Anti-Muslim Extremists. . . . We have taken the time to do more research and have consulted with human rights advocates we respect. We've found that Mr. Nawaz and Quilliam have made valuable and important contributions to public discourse, including by promoting pluralism and condemning both anti-Muslim bigotry and Islamist extremism. Although we may have our differences with some of the positions that Mr. Nawaz and Quilliam have taken, they are most certainly not anti-Muslim extremists.

The solution is to cut off Iran's access to the Swift network. The Treasury Department has given Swift until Nov. 4 to disconnect Iran's central bank and other Iranian financial institutions that are under sanctions for illicit activities. This action is perfectly appropriate. Swift's corporate rules prohibit its users from engaging in "conduct which is not in line with generally accepted business conduct principles." In the case of Iran, flagrant examples include financing the Assad regime in Syria, subsidizing terrorism through the Quds Force, building ballistic missiles, and abusing human rights.

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In 2012, facing pressure from Congress, Swift asked the EU to issue a regulation ordering it to disconnect

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# BUSINESS & FINANCE

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## Guggenheim, Munich Re Talk Deal

**U.S. firm wants to buy asset-management arm of insurer, doubling size of that business**

BY JUSTIN BAER  
AND MARGOT PATRICK

**Guggenheim Partners LLC** is in talks to buy the asset-management arm of German insurer **Munich Re AG**, in a deal that would double the firm's investments business, people familiar with the matter said.

Guggenheim is one of the biggest U.S. money managers, running or consulting on roughly \$305 billion in assets

said.

As part of the agreement, Munich Re would receive equity in Guggenheim, the people said. Munich Re, whose investments business manages \$290 billion, is one of several European and Asian firms that Guggenheim has talked to in its bid to broaden the reach of its asset-management business outside the U.S., the people said.

Guggenheim is one of the biggest U.S. money managers, running or consulting on roughly \$305 billion in assets

for insurance companies, pension funds and all types of investors. A major acquisition would help the firm bring in more fees, insulating it from the profit-margin pressures all managers have faced as exchange-traded funds and other low-cost, index-tracking investments gained popularity.

Guggenheim has grown rapidly in the past decade, thanks in part to its investment arm's performance. But regulatory scrutiny and internal battles have overshadowed those highlights in recent years.

The talks with Munich Re are still preliminary, and it is unclear they will lead to a deal, the people said. Potential terms couldn't be learned. Guggenheim is privately held, and it isn't known how big of a stake the firm would be willing to sell to Munich Re or other potential investors.

Asset-management firms' values can range widely, based on the fees they earn on the assets they oversee. Bankers estimated that firms typically command eight to 10 times their annual earnings in a deal,

excluding interest, taxes, depreciation and amortization.

A spokesman for Guggenheim said the firm listens to people who propose acquisitions of stakes from time to time, adding "we have no further comment."

A spokeswoman for Munich Re declined to comment.

The deal with Munich Re is similar to one of the most important transactions in Guggenheim's history.

Guggenheim entered the asset-management business *Please turn to page B2*

## Author to Run New Health Venture

BY ANNA WILDE MATHEWS

**Berkshire Hathaway Inc., Amazon.com Inc. and JPMorgan Chase & Co.** named prominent surgeon and researcher Atul Gawande as chief executive of their new venture that aims to overhaul workers' health care.

The appointment of Dr. Gawande is effective July 9, and the still-unnamed health-care initiative will be based in Boston, the companies said.

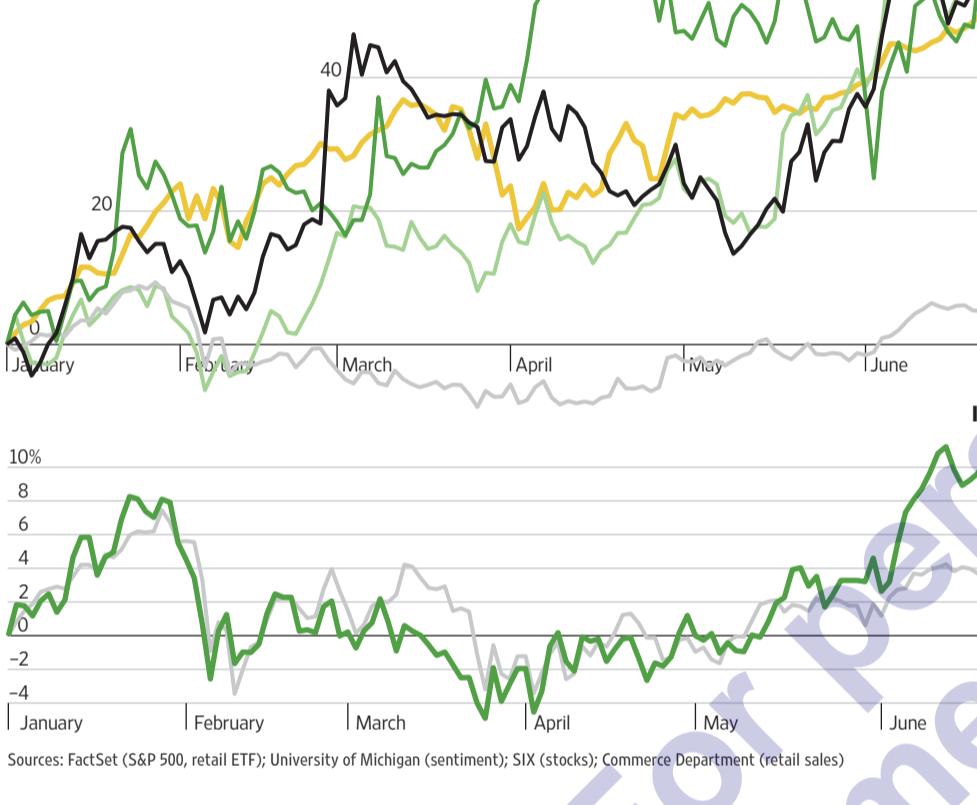
The selection of Dr. Gawande, a best-selling author known for his work on health-care quality, ensures the effort will remain under a spotlight, and provides the most concrete signal so far that the partners' ambitions go beyond conventional tweaks to employer health-benefit plans. Dr. Gawande has little background in the nitty-gritty of health insurance or running a major corporate operation, but he is well regarded across the health industry and has moved his ideas forward through nonprofits he founded.

The leaders of the three partner companies, including Warren Buffett at Berkshire Hathaway and JPMorgan CEO James Dimon, have spoken about the need to rein in health-care costs and improve care using new approaches. "We said at the outset that the degree of difficulty is high and success is going to require an expert's knowledge, a beginner's mind, and a long-term orientation," said Jeff Bezos, founder and CEO of Amazon, in prepared remarks Wednesday. "Atul embodies all three, and we're starting strong as we move forward in this challenging and worthwhile endeavor."

Dr. Gawande practices general and endocrine surgery at Brigham and Women's Hospital in Boston and is a professor at the Harvard T.H. Chan School of Public Health and *Please turn to page B5*

## Retailers Defy Predictions of Their Demise

Shares of some apparel and department stores have kept pace with Amazon.com despite expectations the online giant would drive old-line rivals out of business. Some specialty retailers have surged while Home Depot has failed to cash in on a hot U.S. housing market.



Sources: FactSet (S&P 500, retail ETF); University of Michigan (sentiment); SIX (stocks); Commerce Department (retail sales)

BY AKANE OTANI

Everyone knows that **Amazon.com** has left retailers for dead. Just don't tell investors in some stocks of big store chains.

Shares of retailers are enjoying their biggest rally in years, an unexpected turnaround fueled by strong earnings, buoyant consumer confidence and a nationwide shopping spree.

The SPDR S&P Retail ETF is up 11% this year, more than tripling the S&P 500's 3.5% gain. During Tuesday's market rout, the retail ETF fell less than the

broader market. Share prices of department stores such as **Macy's Inc.** and **Dillard's Inc.** have risen more than 55% this year, even edging out Amazon.com Inc.'s 50% advance.

The sector's big gains represent an abrupt reversal from previous years, when competition from e-commerce giants like Amazon pounded many traditional retailers, from teen apparel to auto-accessory makers.

The S&P Retail Index underperformed the S&P 500 in four of the past five years.

Retail's sudden resurgence

is sparking a debate over whether flush-feeling consumers can keep the rally going, or if a series of temporary factors boosted the stocks in a way that is likely to fade in the second half of the year.

Some investors have found reasons to be optimistic. For one, many retailers posted better-than-expected earnings reports: Macy's, **Home Depot Inc.** and **Walmart Inc.** all reported same-store sales rising in the latest quarter. That has lifted share prices for some stocks whose valuations had

fallen to single digits last year.

Retail sales—a measure of what Americans spend on everything from cars to clothing to sporting goods—rose 5.9% from a year earlier, according to the Commerce Department.

Analysts attributed the gains, which marked the biggest one-month jump since November, to a combination of rising wages, low unemployment and tax cuts that have left many Americans with more money to spend—all things that retailers hope will keep business at their stores humming.

"It is nice to see that consumer confidence is improving...and that [consumers are] voting on apparel certainly is a help in the industry," said Fran Horowitz-Bonadies, chief executive officer of **Abercrombie & Fitch Co.**, on the firm's earnings call at the start of the month.

Still, some analysts caution that retail's recent rebound could be temporary, driven heavily by factors such as one-time gains from the U.S. tax overhaul rather than fundamental changes in the industry. *Please turn to page B2*

HEARD ON THE STREET | By Elizabeth Winkler

## Don't Count Comcast Out Yet



If Walt Disney is hoping that its newly juiced bid for 21st Century Fox assets

will crush Comcast into submission, it is likely to be disappointed.

The new offer, more than \$70 billion in cash and stock, represents a 9% premium over Comcast's offer of \$65 billion and a 36% premium to Disney's original offer of \$52.4 billion. But Comcast won't be cowed so easily. With its pay-TV business under pressure, it wants to diversify and gain scale. There are no other media assets as desirable as those at Fox.

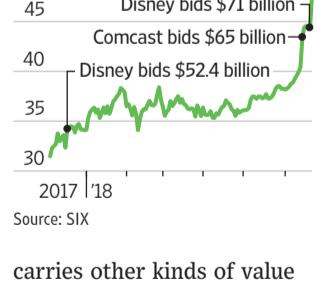
So Fox and Disney can expect Comcast to come running back with a new offer. The question is how high it will go.

Bidding could reach up to \$80 billion, according to analysts. That could mean Comcast counters with a 10% premium or so on Disney's latest bid, dangling Fox an offer in the low-to-mid \$40s a share. (Disney's new bid is \$38 a share.) Fox shares rose nearly 8% on Wednesday in anticipation.

That will put pressure on Disney. But Disney's offer

### Wish Upon a Star

21st Century Fox's share price



carries other kinds of value that Comcast can't match—namely, time value and certainty value. Disney has a six-month head start on Comcast in terms of regulatory review, which means the deal could close much sooner than it would with Comcast. Disney also should have an easier time with regulators.

Comcast's consent decree with the Justice Department, which placed restrictions on the company following its acquisition of NBCUniversal, is about to expire. If it acquires Fox, Comcast will have increased incentive and ability to raise prices. And Disney is offering stock and cash, which can lower Fox shareholders' tax burden.

Fox Executive Chairman

Rupert Murdoch clearly prefers to sell to Disney for these reasons. But a sky-high Comcast bid will make that tricky. Is it worth it to Disney to top \$80 billion, endangering its credit rating? That depends on how well it manages the Fox assets.

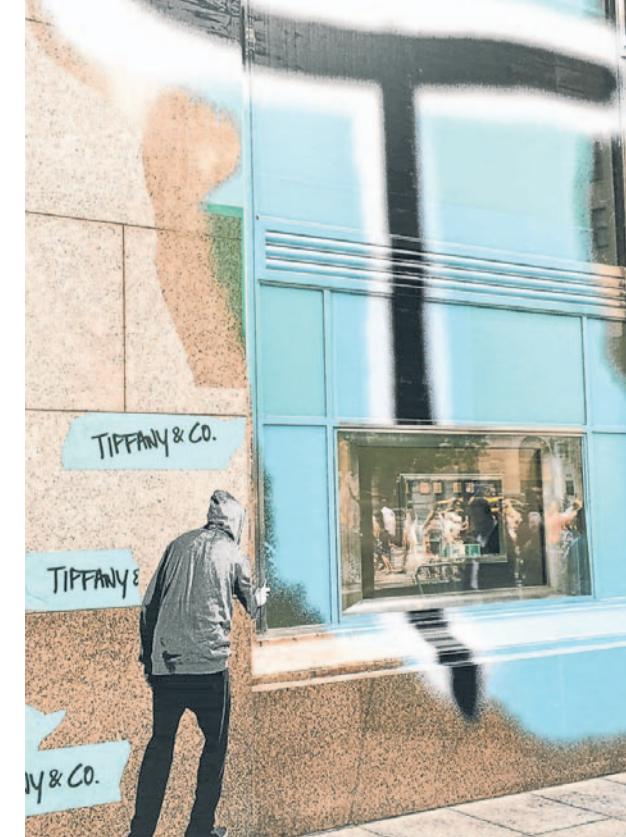
If Disney doesn't want to reach above \$80 billion, one option may be to look for detente with Comcast by splitting up Fox's assets.

The obvious one to let go is **Sky**, the British broadcaster, which is 39%-owned by Fox. Fox is bidding to acquire the remaining 61%, which would then be handed over to Disney in a deal. But Comcast also has bid to buy all of Sky at £12.50 (\$16.46) a share, higher than Fox's proposal of £10.75 a share.

Comcast is eager to go international, and with Sky it could. If Comcast Chief Executive Brian Roberts is feeling very jilted, he could also demand **Star India**, Fox's business in India. By relinquishing them, Disney could get what it most wants—the film and TV studios—at a decent price, rather than engaging in a destructive bidding war.

If everyone can't be perfectly happy, then at least they can get close to it.

## INSIDE



### TIFFANY'S NEW CAMPAIGN RINGS UP SALES

MARKETING, B2

BRENDA CRONIN/THE WALL STREET JOURNAL

## Changes On Way For VIX Auction

BY GUNJAN BANERJI

**Cboe Global Markets Inc.** is revamping a feature of one of its most lucrative products, futures on the Cboe Volatility Index, which have come under scrutiny because of manipulation allegations.

The exchange operator is making changes to a monthly auction that determines final prices of futures tied to the VIX, also known on Wall Street as the "fear gauge." The changes amount to tweaks to its architecture.

Cboe has already made some adjustments to the technology that underpins the monthly auction and is planning to implement other changes that require regulatory approval. The VIX measures investor anxiety by looking at the prices they are willing to pay for options tied to the S&P 500 index. Because the VIX tends to rise when stocks fall, and vice versa, its derivatives are popular among traders to hedge portfolios or bet on the future direction of market volatility.

The moves by Cboe come after allegations of manipulation that have plagued the monthly auction in 2018. Volumes on VIX futures and options dwindled after hitting records this year. Fears of regulatory scrutiny have swept trading desks as lawsuits emerged over Cboe's marquee VIX products. The allegations have weighed on the company's stock. Cboe's shares are down 16% this year. *Please turn to page B2*

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## Guggenheim And Insurer Seek Deal

*Continued from page B1*  
nearly two decades ago by acquiring the investing operations of another insurer, Sammons Enterprises. As part of the deal, Sammons became the firm's largest shareholder. Guggenheim has since ex-

ments and out of active managers. Strong performance and a focus on fixed income, where investors have been less willing to spurn funds for exchange-traded funds, have helped insulate Guggenheim.

Guggenheim has faced some internal issues, too. The firm named Alexandra Court, a rising star at the firm's European business, to global head of institutional distribution in 2016, but changes imposed by Ms. Court, including restrictions on how investment staff could interact with investors, and a personal relationship with Guggenheim Chief Executive Mark Walter, ranked employees. The Wall Street Journal has reported. She went on leave last summer and left the firm earlier this year, Guggenheim has said.

At the same time, the Securities and Exchange Commission has opened a formal investigation into Guggenheim's asset-management arm and is probing certain transactions tied to the firm and its executives, the Journal has reported. Guggenheim said it is cooperating in the inquiry.

Guggenheim appointed Jerry Miller, a former Deutsche Bank executive, as president of its investments arm in 2017. Later that year, the firm sold its exchange-traded funds business to Invesco Ltd. for \$1.2 billion, narrowing its focus.

Munich Re is similarly looking to narrow its focus after last year produced record payouts by many insurance companies for hurricane damage and losses.

The firm is one of the world's largest providers of property-and-casualty insurance and reinsurance.

2017, a number of those names are doing better," said Jim Tierney, chief investment officer of concentrated U.S. growth at AllianceBernstein.

He remains cautious on retail in the longer term, likening its recent performance to a "dead cat bounce": a short rebound following a sharp and prolonged selloff.

Macy's, which fell 30% in 2017 even as the S&P 500 jumped 19%, is up 57% this year after closing dozens of stores while sales at its remaining stores have rebounded. In May, its same-store sales surpassed analysts' estimates, thanks to a pickup in spending by international tourists, revamped shoe and fine jewelry departments and customers' increased spending on full-priced goods.

Specialty retailers also have fared well. **Dick's Sporting Goods** Inc. is up 28% after losing 46% in 2017, buoyed by reports showing profits growing even as its hunting business suffered following a decision to tighten gun policies.

Teen retailers Abercrombie & Fitch and **American Eagle Outfitters** Inc., which both posted better-than-expected same-store sales for the latest quarter, are up 58% and 31%, respectively.

"Sesame Street" isn't part of the agreement. That show airs on AT&T Inc.'s HBO and on PBS

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## BUSINESS & FINANCE

# Makeover Rings True for Tiffany

BY SUZANNE KAPNER

The U.S. marriage rate is stuck at historic lows, but sales of engagement rings at **Tiffany & Co.** have jumped 11% this year, snapping three years of declines.

The reversal has little to do with new products or prices. Instead, the 181-year-old jeweler has changed the way it talks to customers, with advertisements that feature more minorities and same-sex couples. It is a big departure from the Tiffany ads of yore, with model-perfect Caucasians in poses of marital bliss.

"We had played it a bit too conservatively," said Alessandro Bogliolo, a retail-industry veteran who took over as Tiffany's chief executive in October. "You have to take some risks and evolve the brand."

According to the U.S. Census Bureau, 48% of American households are married, down from 78% in 1950. That has been a challenge for a business that gets one-quarter of its sales from engagement rings and wedding bands.

So far, the new CEO's efforts to breathe life into the brand seem to be working. Tiffany's comparable sales from e-commerce and stores open at least 12 months rose in the most recent holiday period, the first quarterly gain since October 2014. They picked up steam in the quarter ended April 30, gaining 10%, while net income jumped 53% to \$142 million.

The strong results have pushed Tiffany's stock to all-time highs, although Mr. Bogliolo warned that profit is unlikely to grow as fast for the remainder of the year, as the company invests in technology, marketing and store displays. Shares are currently changing hands above \$135, up from about \$90 a year ago.

The turnaround comes as high-end jewelry sales are surging. The category was among the fastest-growing in the luxury industry last year, according to **Bain & Co.** And the pace is continuing this year, with **LVMH Moët Hen-**

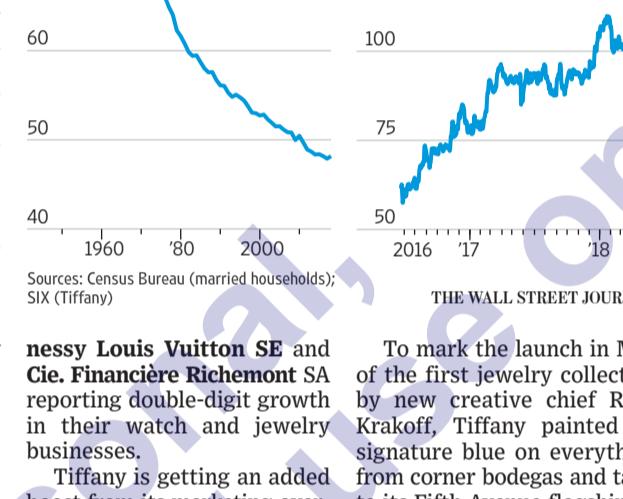


High-end jewelry sales were among the fastest-growing categories in the luxury industry last year.

### Thinking Outside the Blue Box

A change in Tiffany's marketing strategy has helped revive sales of engagement rings despite historically low marriage rates.

#### Percentage of households headed by married couples



Sources: Census Bureau (married households); SIX (Tiffany)

#### Tiffany & Co. share price



SIX (Tiffany)

Hepburn sang in the 1961 movie "Breakfast at Tiffany's."

Some consumers aren't sure what to make of the new, edgier Tiffany. "Their latest campaign is shocking," said Ima Mamaliga, a 27-year-old freelance copywriter in New York. "It's really cool, but it's not their style. Before, they didn't need to show off so much."

Mr. Bogliolo, a former Bulgari executive who was most recently CEO of clothing company Diesel SpA, said he is modernizing rather than upending Tiffany's image. Unlike its European rivals, Tiffany "has always been a place where everybody is welcome," he said.

To a certain extent, he is riding on the coattails of his predecessor, Frederic Cuminal, who had hired Mr. Krakoff, the designer who helped turn Coach into a retail juggernaut; recruited Lady Gaga to star in a series of ads; and tested some same-sex marriage marketing before he was ousted last year. At the time, Tiffany said it was disappointed with its financial results and needed to move faster. Mr. Cuminal said he is gratified that strategies set in motion under his tenure are working.

## Deutsche Fined for Currency Failings

BY JENNY STRASBURG

to the fine in a consent order

with New York's Department of Financial Services. In a statement Wednesday, the regulator said Deutsche Bank traders and salespeople sought to skew foreign-exchange prices and charge excessive spreads.

The regulator cited other control failures that it said had

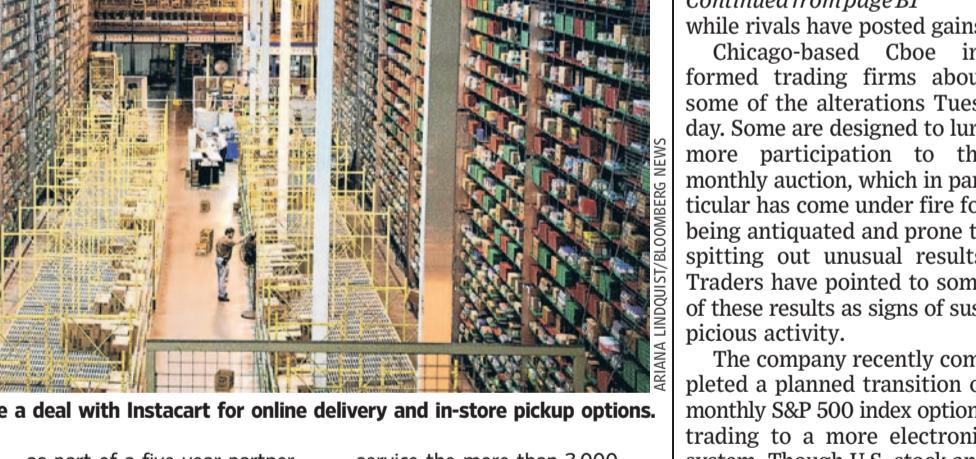
"the potential to improperly disadvantage customers and improperly affect markets."

The civil investigation covered the years 2007 to 2013, during which Deutsche Bank was the world's largest currency trader.

Deutsche Bank said the settle-

ment, the bank said it "is pleased to resolve the NYDFS' investigation into historical practices relating to its FX business and that the NYDFS has recognized our extensive cooperation and remediation."

The settlement resolves the last active regulatory probe into Deutsche Bank currency-trading practices.



ARIANA LINDQUIST/BLOOMBERG NEWS

Food wholesaler Supervalu made a deal with Instacart for online delivery and in-store pickup options.

#### APPLE

### Sesame Workshop Forms Partnership

Apple Inc. said it is forming a partnership with Sesame Workshop to create children's programming for its planned subscription video service.

The pact is the latest in a slew of deals Apple has struck for content including an agreement last week for Oprah Winfrey to create programming for the as-yet unnamed video service.

Under the terms of the contract, Apple has ordered multiple series from Sesame Workshop, the nonprofit media and educational organization best known for the long-running show "Sesame Street." Shows will be live-action, animated as well as one featuring puppets, according to a person close to Apple.

as part of a five-year partner-

ship struck in 2015.

The Sesame agreement indicates that Apple's service will be broad-based. It has also ordered sitcoms and dramas aimed at an adult audience, including a program about the morning TV news business starring Jennifer Aniston and Reese Witherspoon.

Apple has committed to spending \$1 billion on content. Its video play is being overseen by former Sony TV executives Jamie Erlich and Zack Van Amburg. The pair were involved in the development of several successful shows at Sony, including "The Crown" and "Breaking Bad."

—Joe Flint

#### SUPERVALU

### Instacart to Provide Service for Stores

Supervalu Inc. said it reached

an agreement with online grocery provider Instacart Inc. to

service the more than 3,000 grocery stores supplied by the food wholesaler.

The third-party service will

provide online delivery and in-

store pickup options.

—Heather Haddon

#### AUTOS

### South Korean Cars Top a J.D. Power List

South Korean auto makers topped an annual survey of car brands that have the fewest problems within the first few months of a purchase.

**Hyundai Motor** Co.'s luxury division Genesis Motors ranked first on J.D. Power's Initial Quality Study, followed by **Kia Motors** Corp. and Hyundai-branded vehicles. Genesis sold 20,000 vehicles in the U.S. last year, but Hyundai-brand vehicles are more popular, with nearly 665,000 units sold

## BUSINESS NEWS

# China Shipper Faces U.S. Scrutiny

Potential buyer offers to put terminal in a trust to allay concerns about national security

BY COSTAS PARIS

Chinese state-run **Cosco Shipping Holdings** Co. has offered to put a large container terminal in Long Beach, Calif., in a U.S.-run trust to allay national-security concerns about Chinese ownership of the facility, according to people familiar with the matter.

The terminal is part of Cosco's proposed \$6.3 billion purchase of an Asian shipping rival, which holds a long-term concession to operate the facility at the Port of Long Beach, one of the biggest gateways for imports into the U.S. Cosco intends to sell the terminal if the deal goes through.

Its takeover of **Orient Overseas International** Ltd., announced in July 2017, is undergoing a review by the Committee on Foreign Investment in the U.S., a federal panel that vets foreign purchases of American companies on national-security grounds.

Cosco executives met with CFIUS officials last week in Washington and proposed to place the Long Beach terminal in a third-party trust under U.S. management for up to a year until it is sold, one person directly involved in the matter said. "Cosco will have no involvement or influence in the trust," this person said. "It also filed a number of amendments previously required by CFIUS."

It isn't clear if that would satisfy concerns at CFIUS,



The Long Beach, Calif., terminal is part of Cosco's proposed deal for an Asian rival, which holds a concession to operate the facility.

which is led by the Treasury Department. A spokesman for the Treasury didn't immediately provide comment.

The Long Beach terminal is one of the few in the U.S. that is almost fully automated and can handle some of the largest container vessels. The terminal is expanding to accommodate ships carrying more than 20,000 boxes each.

Cosco is looking for a buyer for the facility, another person said. Global port operators estimate the terminal is worth up to \$1.5 billion.

CFIUS has scuttled several recent transactions, including

Broadcom Ltd.'s \$117 billion takeover of chip rival Qualcomm Inc. and the sale of MoneyGram International Inc. to Chinese billionaire Jack Ma's Ant Financial Services Group.

Its review of the shipping deal comes at a tense time between the U.S. and China, with leaders threatening to impose new tariffs and regulators on both sides of the Pacific weighing in on more matters.

President Donald Trump escalated a trade conflict with China this week, asking his administration to identify a new list of \$200 billion in Chinese

goods that would be penalized with tariffs.

"We don't expect the tariffs issue to become a barrier in the Cosco-OOIL deal," said a senior Cosco official, who asked not to be named. "We have fulfilled what CFIUS has asked."

A takeover of Orient Overseas would make Cosco the world's third-biggest container operator in terms of capacity, behind Denmark's Maersk Line and Switzerland-based Mediterranean Shipping Co. It also would create the second-biggest mover of U.S. imports with an 11.8% market share, ac-

cording to the Journal of Commerce.

Cosco has minor investments in other U.S. ports, including another pier at Long Beach as well as at the ports of Los Angeles and Seattle. These assets haven't been part of the discussions, the people said.

The proposed Cosco deal also would need approval from China's Ministry of Commerce, which is waiting for CFIUS's ruling. Cosco expects the Ministry of Commerce to approve the deal by the end of June.

—Joanne Chiu  
and Kate O'Keeffe  
contributed to this article.

## TECHNOLOGY



Five Barrel Brewing is testing out sensors that transmit data about a keg's location using a new mobile network in Australia.

# SoftBank's Pace Of Investment Vexes Director

By MAYUMI NEGISHI

TOKYO--A SoftBank Group

Corp. director told the Japanese giant's shareholders that its breakneck investment pace worries him, highlighting tensions over Chief Executive Masayoshi Son's penchant for big bets in loss-making startups.

"Please don't think you can rest easy," Tadashi Yanai, who leads clothing retailer Uniqlo and serves as an outside director on SoftBank's board, said at the company's annual meeting.

The \$92 billion SoftBank Vision Fund that Mr. Son started last year with Saudi help has invested in some of the world's most valuable startups, including Uber Technologies Inc. and WeWork Cos. SoftBank also controls Sprint Corp. in the U.S.

At SoftBank's annual meeting in Tokyo on Wednesday, Mr. Son said the group would unlock new value through loose alliances among its disparate investments, comparing it to self-propagating bacteria.

"I want to create a group of top-ranked companies," he said. "This is how we win, how we succeed."

Mr. Son said SoftBank's shares were undervalued compared with the value of its holdings in tech companies such as Alibaba Group Holding Ltd. and Yahoo Japan Corp. Likening the group's share price to a garden vine that twists and turns but ultimately heads upward, he said shareholders could relax.

That statement drew a quick retort from Mr. Yanai, a longtime friend of Mr. Son's who has positioned himself as an in-house skeptic of SoftBank's strategy.

"I get so worried when I watch what Mr. Son does. I worry if things will really be all right, just like all of you," Mr. Yanai told shareholders. "Please don't think you can rest easy after today's presentation."

Mr. Yanai, who is also chairman of Uniqlo parent company Fast Retailing Co., didn't spell out his worries on Wednesday, but he has previously taken issue with SoftBank's favoring of technology investment over "real business."

ness," such as the company's cash-cow mobile-phone service in Japan.

Since Mr. Yanai joined SoftBank's board in 2016, Mr. Son has spent \$32 billion to acquire U.K. chip designer Arm Holdings and started the Vision Fund with help from Saudi Arabia's sovereign wealth fund.

SoftBank has a market capitalization of ¥9.1 trillion (\$83 billion) based on Wednesday's closing price of ¥8,259 in Tokyo. The shares closed up 2.3% after Mr. Son's presentation.

Mr. Son said there was plenty of room to grow, calling shared-workplace provider WeWork "the next Alibaba."

*'I get so worried when I watch what Mr. Son does,' shareholders are told.*

And he asked investors to trust his instincts. "The premonition that something will work bubbles up inside me," he said.

For startups, he said, cash flow was less important than leadership and a stellar business model. "You have to feel it, like in 'Star Wars'—feel the force."

Shareholders interviewed after the meeting echoed both Mr. Son and his critic Mr. Yanai, saying they believed in the SoftBank chief but worried he was moving too fast.

"I agree with Mr. Son that some of these investments will bear fruit over the long term," said Hisako Yonemura, a retiree living in western Tokyo. "But I want to know where SoftBank will be in a couple of years."

Alibaba founder Jack Ma, an outside director at SoftBank, defended Mr. Son, noting that he made an early investment in the Chinese e-commerce giant in 2000, which has grown thousands of times over.

"I respect Masa's courage and vision," Mr. Ma said, using Mr. Son's nickname. "Most people think we are crazy, but I don't think we are crazy. We believe the future."

# Tech to Track Errant Kegs

Startups aim to help breweries save money by reducing loss rates for the containers

By MIKE CHERNEY

WOLLONGONG, Australia—New technology could help brewers hold on to kegs until their usefulness is truly tapped out.

Kegs frequently go missing en route from brewery to bar and back again. Now startups from the U.S. to Australia are developing sensors to help beer companies track their property.

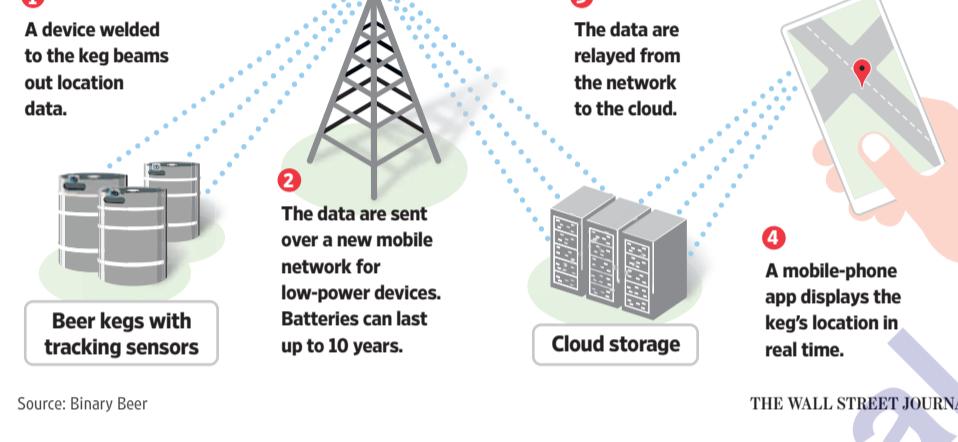
"I think that most of the time people don't understand that kegs are really valuable to breweries," said Phil O'Shea, owner of Five Barrel Brewing in this city south of Sydney. "If a keg is looked after, then it can last 10 years or more."

Large breweries buy tens of thousands of steel kegs every year, at about \$100 apiece. As many as 10% go missing annually, brewers say. The barrels, often stored outside when empty, can be mistakenly collected by another brewery or stolen for home brewing or other purposes. Internet videos show how to make a fire pit, a pot and even a urinal out of a beer keg.

Mr. O'Shea, whose brewery has about 300 kegs, said 20 to 30 kegs have gone missing since it opened more than two years ago. That loss led him to help Binary Beer, a Wollongong startup, test an early

## Bar Crawl

Several startups, including Binary Beer in Australia, hope new technology can reduce the number of kegs that go missing.



Source: Binary Beer

prototype of its keg sensor.

Designed to run on batteries that will last up to 10 years, Binary Beer's sensor transmits data about a keg's location using a new mobile network from Vodafone Group PLC for low-power devices. Brewers can track the locations of their kegs in real time on a computer or smartphone, while also accessing information like temperature so they can tell whether their beer is being stored correctly.

Some investors think the results so far are promising. Binary is backed by global venture-capital fund Artesian, while C-Keg, a startup based in Kirkland, Wash., has support from Seattle-area tech investors, according to C-Keg Chief Executive Greg Herlin. Kegstar, a Sydney-based keg-rental

business owned by logistics giant Brambles Ltd. that recently expanded to the U.S., is looking to develop a similar sensor.

Mr. O'Shea said he is interested in the technology but that cost will determine whether he purchases any sensors.

The sensors must also broadcast from diverse environments: a refrigerated storage area, a basement cellar or an alley behind a bar where empty kegs are often stashed. And "security of data would be an overarching concern," said Costa Nikias, a brewery consultant who founded La Sirène Brewing near Melbourne. A competitor with unauthorized access to the data might be able to see where a rival is selling beer, said Mr. Nikias, who isn't involved with any of

the startups.

Kegstar said it reduced its keg-loss rate to about 2% by using radio-frequency ID tags and bar codes on its more than 400,000 kegs. An average brewer "doesn't have a team of people sitting there ringing up venues, ringing up warehouses and chasing up empty kegs," said managing director Adam Trippe-Smith.

Still, Kegstar's trackers must be hand-scanned by a device and they don't broadcast locations in real time. So-called active tags, which automatically send data in real time and might use Wi-Fi and Bluetooth technology, can cost significantly more than passive tags that need to be scanned. Mr. Trippe-Smith said his company expects to invest in higher-tech sensors.

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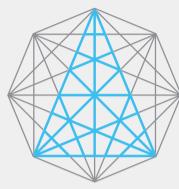
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## MANAGEMENT

# At B-Schools, Leaders Are Hard to Find

Some of the nation's most prestigious M.B.A. programs are seeking deans who are willing to run them

BY KELSEY GEE

There is something missing at dozens of business schools where high-profile corporate chiefs and prominent government officials have gone to polish their management credentials: a leader.

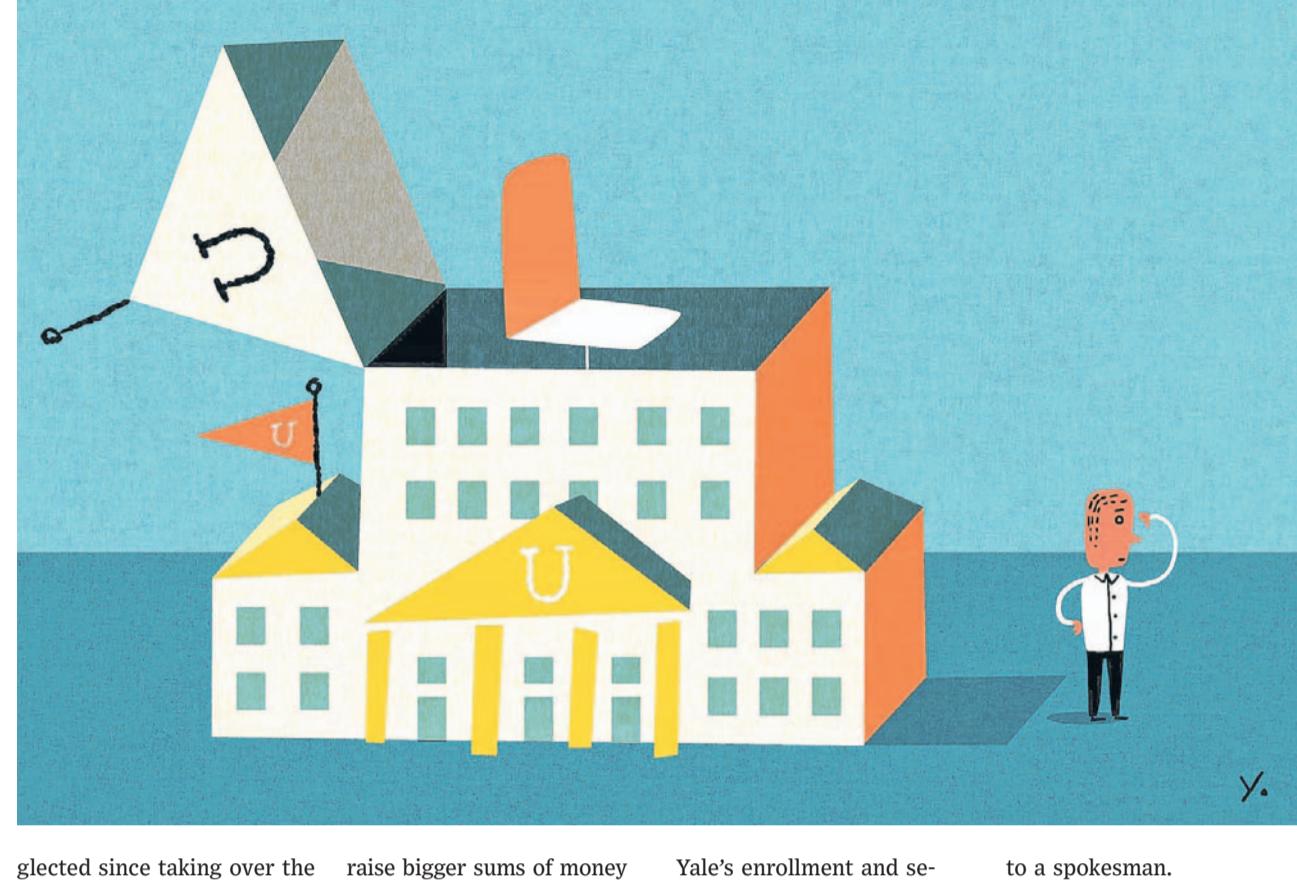
Elite M.B.A. programs at Northwestern University, Yale University and the University of California's Berkeley and Los Angeles business schools, are all searching for new deans, as longtime administrators return to teaching or take positions outside academia.

Through the start of June, job listings for 28 business-school deans were advertised with the accrediting body Association to Advance Collegiate Schools of Business in 2018, up nearly 50% from this time last year.

Business-school leaders typically serve four- or five-year terms, which many will complete this summer. A handful of early exits this year and prolonged searches for a replacement dean are exacerbating the industry shortage. The stakes are higher than ever for top administrators, who are now under pressure to overhaul degree programs and create new revenue streams because of waning student interest in the traditional M.B.A.

Last month, Dean Roger Huang announced his return to the finance faculty at Notre Dame's Mendoza College of Business, whose alumni sit on corporate boards including Marathon Petroleum Corp. and General Mills Inc.

Rich Lyons also has committed to another year of teaching at Berkeley's Haas School of Business, where his term as dean ends this month. He called the position "the most fulfilling job I've ever had in my life," but he is eager to write a book and delve more deeply into two hobbies he has ne-



glected since taking over the school in 2008: playing guitar and advising startups.

Mr. Lyons, 57 years old, said he isn't interested in dean jobs outside of Berkeley, his alma mater; he said he took a pay cut of more than 50% to join the school from his C-suite position at **Goldman Sachs Group Inc.**

Not everyone shares Mr. Lyons's view of the dean job as a "passion project." Early in the search for his successor, Mr. Lyons recommended economics professor Catherine Wolfram raise her hand. She said she was too much of an introvert, and couldn't give up the research that first drew her to academia. "Rich is the rare academic who also has great people skills, and can give an inspirational, rousing speech," Ms. Wolfram said.

Deans must now work to

raise bigger sums of money while building new degrees in fast-growing fields, such as data analytics, as they search for untapped revenue. Some schools, including the University of Iowa and Wake Forest University, are cutting traditional M.B.A. programs, despite opposition from graduates who are saddened to see a treasured piece of their school and résumé disappear.

"Being the dean is becoming harder," said Edward Snyder, who in March announced the coming school year would be his last running Yale University School of Management. "The expectations of the various constituencies you serve have all dialed up, and it keeps getting a little more difficult to meet those expectations."

Since taking over in 2011, Mr. Snyder has boosted

Yale's enrollment and secured major gifts from alumni donors like Indra Nooyi, chief executive of PepsiCo Inc. Before Yale, Mr. Snyder led similar business-school turnarounds at the University of Chicago and University of Virginia.

Many deans have had a tough run. Soumitra Dutta's abrupt resignation from the top post at Cornell University's SC Johnson College of Business prompted administrators to lure a former dean out of retirement to take over.

Wisconsin School of Business has yet to restart its search for a dean to replace Anne Massey, who resigned in December, after four tumultuous months on the job. It cost the school \$188,000 to recruit Ms. Massey from a professorship at Indiana University last year, according

to a spokesman.

At least three recent deans discussed axing the expensive program after a sustained drop in Wisconsin's M.B.A. applications, according to past and current administrators of one of the nation's oldest business schools. Tuition and university-transferred funds amounted to half of the school's \$65.4 million in revenue for 2016. Adding philanthropic gifts and alumni donations, Wisconsin was still short of its \$68.7 million in expenses, which included nearly \$20 million in salaries for nonfaculty staff and student-support personnel, according to financial statements obtained by The Wall Street Journal.

Ms. Massey, who didn't respond to requests to comment, led a proposal in October to halt M.B.A. admissions while reviewing Wisconsin's degree programs, striking a nerve with alumni and donors. She dropped the proposal one week after a Wall Street Journal article broke the news to many outside the Madison campus, and left the job two months later.

Most deans are former professors who swap research for a packed schedule of recruiting and networking events and a \$100,000 pay raise, and are earning \$279,000 on average, AACSB data show.

Brigitte Madrian, a public-policy professor at the Harvard Kennedy School of Government, will take over Brigham Young University's business school as its first-ever female dean in 2019. She will succeed Lee Perry, who at 67 said he is planning a brief return to teaching, after 20 years in various professor and administration roles there. "Although I feel young and hearty, I know I have a short runway ahead of me, and I want it to end teaching here," he said, noting his long-held preference for the classroom.

## Health Venture Gets CEO

*Continued from page B1*  
Harvard Medical School, as well as a writer for the New Yorker magazine. He founded Ariadne Labs and has been executive director of the nonprofit center, which focuses on efforts to improve care and reduce medical errors, for six years.

In addition to running the new venture, Dr. Gawande will continue to practice surgery and keep his position as a professor at Harvard, as well as retain a role at Ariadne Labs as chairman, according to Ariadne Labs.

In January, Amazon, Berkshire and JPMorgan announced they teamed up to figure out how to reduce health-care costs and improve care for their hundreds of thousands of U.S. employees. The companies said the entity

would operate independently and be free from profit-making incentives and constraints. Together, Amazon, Berkshire and JPMorgan have more than one million employees, though not all of them are in the U.S.

The three partners in the joint venture had an in-depth process to select the new CEO. Todd Combs, an investment officer at Berkshire and a JPMorgan board member, did initial interviews with CEO candidates by phone in February, according to people familiar with the discussions. Candidates later were asked to deliver a white paper on how they would create a model for the way employers buy health benefits, what team the CEO would need to execute that strategy and how the new enterprise would use data analysis, the people said.

The new model should lower costs and serve as a template for other employers, but interviewers set few other criteria for the enterprise, the people said. However, CEO candidate interviews did focus on the use of data analytics, the cost of prescription drugs and chronic

care management, they said.

Executives from the three companies were interested in Dr. Gawande based on his experience at Ariadne Labs, as well as his role as a surgeon witnessing the successes and failures of the medical system, a person familiar with the matter said. Ariadne Labs has about 100 employees and about \$20 million revenue projected for fiscal 2018, according to the nonprofit. Dr. Gawande is also chairman of Lifebox, another nonprofit he founded, which focuses on making surgery safer globally, particularly in low-income countries.

The son of physicians, Dr. Gawande grew up in Athens, Ohio. Much of his prominence stems from his New Yorker articles and books, which have focused on a range of topics including care for those with very serious illnesses, the complexity of the health-care system and practical efforts to improve treatment, such as checklists for physicians.

—Emily Glazer  
and Melanie Evans  
contributed to this article.

## Borrowing Benchmarks | WSJ.com/bonds

### Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

#### Inflation

May Index Chg From (%)

level April '18 May '17

**U.S. consumer price index**

All items 251.588 0.42 2.8

Core 257.469 0.17 2.2

**International rates**

Latest Week -52-Week-

ago High Low

**Prime rates**

U.S. 5.00 4.75 5.00 4.25

Canada 3.45 3.45 3.45 2.70

Japan 1.475 1.475 1.475 1.475

**Policy Rates**

Euro zone 0.00 0.00 0.00 0.00

Switzerland 0.50 0.50 0.50 0.50

Britain 0.50 0.50 0.50 0.25

Australia 1.50 1.50 1.50 1.50

**Overnight repurchase**

U.S. 1.93 1.78 2.18 1.01

**U.S. government rates**

Discount 2.50 2.25 2.50 1.75

**Federal funds**

Effective rate 1.9500 1.7300 1.9500 1.0700

High 2.1500 1.9500 2.1500 1.3125

Low 1.9000 1.6900 1.9000 0.9700

Bid 1.9000 1.7100 1.9200 1.0500

Offer 2.1500 1.7200 2.1500 1.0700

#### Treasury bill auction

4 weeks 1.815 1.790 1.815 0.850

13 weeks 1.900 1.910 1.910 1.000

26 weeks 2.075 2.075 2.080 1.105

#### Secondary market

##### Fannie Mae

30-year mortgage yields

30 days 4.192 4.232 4.344 3.253

60 days 4.217 4.258 4.371 3.281

#### Other short-term rates

Latest Week -52-Week-

ago high low

#### Call money

3.75 3.50 3.75 3.00

#### Commercial paper (AA financial)

90 days 2.13 2.20 2.31 1.14

#### Libor

One month 2.08363 2.07325 2.08788 1.21556

Three month 2.33188 2.34063 2.36906 1.28944

Six month 2.50088 2.50013 2.52375 1.44500

One year 2.77250 2.76688 2.78031 1.69511

#### DTCC GCF Repo Index

Treasury 1.921 33.390 2.068 1.013

MBS 1.928 89.574 1.994 1.030

Open Implied

Settle Change Interest Rate

#### DTCC GCF Repo Index Futures

Treasury Jun 98.080 unch. 884 1.920

Treasury Jul 97.965 -0.010 839 2.035

Treasury Aug 97.965 -0.015 1309 2.035

Notes on data:

**U.S. prime rate** is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 14, 2018. **Other prime rates** aren't directly comparable; lending practices vary widely by location. **Discount rate** is effective June 14, 2018. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in millions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Life U.S.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

### Help Wanted

Here's a list of some of the universities seeking a dean to run their business school in 2018:

University of California, Berkeley  
University of California, Los Angeles  
California State University, Fullerton  
Cornell University  
Missouri State University  
Niagara University  
Northwestern University  
University of Notre Dame  
University of Wisconsin-Madison  
Yale University

sions while reviewing Wisconsin's degree programs, striking a nerve with alumni and donors. She dropped the proposal one week after a Wall Street Journal article broke the news to many outside the Madison campus, and left the job two months later.

Most deans are former professors who swap research for a packed schedule of recruiting and networking events and a \$100,000 pay raise, and are earning \$279,000 on average, AACSB data show.

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objectionable content

and 48% would consider defecting from that brand

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Contact CMO and EVP Suzi Watford at:  
[s.watford@wsj.com](mailto:s.watford@wsj.com)

Reuters Institute, YouGov Poll, 2018  
Economist/YouGov Poll, Trust News Organizations, 2017  
RJI, Trusting News Project, 2017  
Pew Research Center: Political Polarization & Media Habits, 2014

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24657.80** ▼42.41, or 0.17%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.25 20.84  
P/E estimate \* 16.48 18.10  
Dividend yield 2.21 2.32  
All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Mar. Apr. May June

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2767.32** ▲4.73, or 0.17%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 24.69 24.09  
P/E estimate \* 17.35 18.75  
Dividend yield 1.89 1.95  
All-time high 2872.87, 01/26/18



Mar. Apr. May June

## Nasdaq Composite Index

**7781.51** ▲55.93, or 0.72%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 25.73 25.97  
P/E estimate \* 21.05 21.05  
Dividend yield 0.95 1.11  
All-time high: 7781.51, 06/20/18



Mar. Apr. May June

## Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD % chg	3-yr. ann.
	High	Low	Close	Net chg	% chg	
Dow Jones						
Industrial Average	24804.76	24628.39	<b>24657.80</b>	-42.41	-0.17	11.0
Transportation Avg	10934.66	10807.55	<b>10872.93</b>	9.63	0.09	8.9
Utility Average	690.29	685.93	<b>688.38</b>	0.42	0.06	6.5
Total Stock Market	28970.50	28849.73	<b>28903.75</b>	75.41	0.26	9.3
Barron's 400	761.01	756.25	<b>760.51</b>	5.57	0.74	9.3

## Nasdaq Stock Market

Nasdaq Composite	7806.60	7755.48	<b>7781.51</b>	55.93	0.72	15.0
Nasdaq 100	7309.99	7256.87	<b>7280.70</b>	52.66	0.73	17.3

## S&amp;P

S&P 500 Index	2774.86	2763.91	<b>2767.32</b>	4.73	0.17	9.5
MidCap 400	2003.85	1990.99	<b>2001.79</b>	10.40	0.52	9.1
SmallCap 600	1053.18	1045.15	<b>1052.40</b>	7.27	0.70	12.6

## Other Indexes

Russell 2000	1708.10	1694.04	<b>1706.99</b>	13.54	0.80	9.9
NYSE Composite	12684.66	12634.45	<b>12648.74</b>	9.76	0.08	4.6
Value Line	584.55	581.02	<b>584.13</b>	3.11	0.54	4.3
NYSE Arca Biotech	5019.81	4949.07	<b>5018.28</b>	83.22	1.69	5.9
NYSE Arca Pharma	534.21	531.64	<b>533.02</b>	2.19	0.41	-3.0
KBW Bank	108.79	107.71	<b>107.75</b>	-0.13	-0.12	11.3
PHLX® Gold/Silver	81.98	81.06	<b>81.25</b>	-0.42	-0.52	6.8
PHLX® Oil Service	151.70	149.12	<b>151.25</b>	0.78	0.52	1.1
PHLX® Semiconductor	1405.37	1392.51	<b>1398.60</b>	7.02	0.50	24.6
Cboe Volatility	13.02	12.25	<b>12.79</b>	-0.56	-4.19	-2.9

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Micron Technology	MU	9,929.8	60.55	1.60	2.71	61.00	57.15
SPDR S&P 500	SPY	5,488.4	276.03	0.06	0.02	276.16	275.48
Symantec	SYMC	4,660.9	21.00	-0.01	-0.05	21.02	20.96
ENSCO PLC	ESV	4,260.5	6.25	0.001	0.01	6.27	6.09
MGM Resorts Intl	MGM	4,249.9	30.40	-0.14	-0.46	30.66	30.40
Wells Fargo	WFC	3,497.2	54.48	...	unch.	54.73	54.48
AT&T	T	3,308.5	32.02	0.02	0.06	32.10	31.97
Vanguard Real Estate ETF	VNQ	2,663.7	79.90	0.12	0.15	79.98	79.55

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Micron Technology	MU	9,929.8	60.55	1.60	2.71	61.00	57.15
GDS Holdings ADR	GDS	92.5	44.43	1.00	2.30	44.43	43.43
HP	HPQ	180.2	23.78	0.48	2.06	24.20	23.30
Western Digital	WDC	152.3	81.65	1.43	1.78	82.20	79.90
Bilibili ADR	BILI	67.2	18.85	0.31	1.67	18.87	18.54

## ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
HCP	HCP	58.1	23.57	-0.93	-3.80	24.50	23.57
American Outdoor Brands	AOBC	690.9	12.75	-0.48	-3.63	15.15	12.40
Nova Measuring Instr	NVMI	106.0	29.22	-0.70	-2.35	29.92	29.22
Senseonics Holdings	SENS	241.4	4.77	-0.10	-2.05	4.88	4.77
RSP Permian	RSPP	107.2	41.23	-0.55	-1.32	41.78	41.23

## Trading Diary

## Volume, Advancers, Decliners

	NYSE	NYSE Amer.




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## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, June 20, 2018

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## MONEY &amp; INVESTING

# Getting Oil-Output Pact Is Tricky

Uncertainty on supplies from Iran, Venezuela complicates potential plan to raise production

BY BOEN FAUCON AND SUMMER SAID

VIENNA—Saudi Arabia and Russia have promised they will lead OPEC and other big oil producers in a deal this week to boost output and lower prices.

What if it isn't enough?

International oil prices have eased off 3½-year highs in recent weeks, as Riyadh and Moscow publicly trade views about how to loosen up a two-year pact they struck to throttle back production.

Worries that trade tensions could sap economic growth—and oil demand—have also cooled prices.

Those fears aside, oil demand has actually been growing, and a series of big, unex-

pected supply outages is making the calculations over how much OPEC should boost output particularly tricky.

Iran poses a further risk to an accord after it staked out its opposition this week to any increase. U.S. sanctions against Iran are expected to make many of its barrels unsalable.

All that could test the ability of Saudi Arabia, fellow members of the Organization of the Petroleum Exporting Countries, Russia and a handful of non-OPEC countries to agree on a number—and then ramp up and sustain that higher output.

Russian Oil Minister Alexander Novak recently put forward a proposal for the group to raise production by as much as 1.5 million barrels a day. Russian oil companies have been lobbying hard to open the taps, eager to sell more crude. Saudi officials, meanwhile, spent Wednesday trying to sell

to fellow OPEC members a more modest deal to raise output by 500,000 barrels a day, according to people familiar with the matter.

Late Wednesday, Brent, the global benchmark, settled 0.5% lower at \$74.74 a barrel.

## 1.5M

Increase in barrels a day of oil production proposed by Russia

A crucial consideration is “spare” capacity—essentially idled fields that can quickly be turned on to produce crude. At the end of May, OPEC had about 3.42 million barrels a day of it, or roughly 3.5% of global daily demand. That represents the bulk of the world’s total spare capacity, and much of that—

more than two million barrels a day—is in Saudi Arabia.

That is a formidable arsenal in the very short term. Further out—toward the end of this year and into next—it might not look as robust. Last week, the International Energy Agency, a watchdog of big oil-consuming countries, forecast global demand will grow by 1.4 million barrels a day this year and next, even considering the possibility of a trade war. The level of stored oil in developed countries, meanwhile, is now below average—the first time in years inventories have been so low.

On the supply side, by the end of next year, the IEA forecasts the loss of about 1.5 million barrels of production in Venezuela—where an economic crisis is curbing output—and sanctions-hit Iran.

If OPEC starts to eat into its cushion of spare capacity now, it doesn’t leave much wiggle

room in case of unexpected output outages somewhere else. Libyan officials, for instance, are dealing with rebel attacks on port facilities, which they say have reduced by half the country’s typical output of about one million barrels a day.

“The reduction in spare capacity will trigger more volatility in oil prices,” said Antoine Rostand, president of Paris-based oil-data company Karyros. “Any disruptions such as Libya will push up spot prices immediately.”

Russia, despite its aggressive stance on raising output, could probably boost output only by about 155,000 barrels a day by the end of the year, according to the IEA.

U.S. shale-oil production has become a challenge to OPEC’s influence. But recent bottlenecks in big producing regions have stymied growth somewhat, limiting America’s ability to help cool prices this time around.

# Argentina To Rejoin MSCI Index

BY JULIE WERNAU AND NICOLAS PARASIE

MSCI Inc. returned Argentina to emerging-market status for the first time in nearly a decade, a move that is expected to provide a much-needed boost to the beleaguered country as it struggles to maintain credibility with investors after a widespread selloff in its currency.

Inclusion in the emerging-markets index is expected to draw billions of dollars in passive investment into Argentina’s stock market at a time of vulnerability. The MSCI Argentina index is down 37% this year, the peso has fallen 33% against the dollar and Argentine bonds have dropped 14%.

Separately, MSCI said it would add Saudi Arabia to the emerging-markets index, a move that could attract tens of billions of dollars in foreign investment to the stock market. It also provides a vote of confidence for the Saudi stock market as the government considers taking public the giant state-owned oil company known as Aramco.

Both countries will officially join the emerging-markets gauge in May 2019, MSCI said Wednesday. Only foreign listings of Argentine companies will be included initially. Argentina had been classified as a frontier index and Saudi Arabia was a stand-alone index.

Morgan Stanley estimates the MSCI move could boost Argentine share prices by 20% over the next four months, based on \$4 billion in fresh inflows. If MSCI had excluded the country from its emerging-markets index, that would have triggered another 6% decline in the market, the bank said.

Ehsan Khoman, head of research for the Middle East at Bank of Tokyo-Mitsubishi, estimates that up to \$40 billion of fresh foreign inflows would be channeled into Saudi Arabia’s stock market in the next year.

Argentina still faces an uphill battle as it contends with higher interest rates in the U.S., a rising dollar and other market dynamics that could turn investors away from riskier assets. Some analysts say runaway inflation and high local interest rates could lead the country into a recession.

MSCI said investors’ confidence in Argentina’s ability to maintain accessibility to the country’s stock market was a key factor in the decision. MSCI warned that it would review the reclassification were Argentine authorities to introduce market-accessibility restrictions, such as capital or foreign-exchange controls.

In 2017, MSCI delayed the upgrade based on investors’ concerns that recently implemented market-accessibility improvements needed to remain in place for a longer time to be deemed irreversible.

# Industry Aims to Spread Fracking Boom

BY SARAH KENT

A BP PLC project deep in Oman’s desert shows how big oil companies are taking hydraulic-fracturing techniques perfected in Texas to the global stage, where they had long struggled.

BP’s \$12 billion Khazzan project launched last year on a complex roughly the size of London, surrounded by sand dunes and little else. One of the biggest fracking projects ever completed outside the U.S., Khazzan produces natural gas from rock so dense and deep beneath the desert that it was long thought too difficult and expensive to exploit.

It is a breakthrough for a technology that revolutionized the oil-and-gas industry in the U.S. but failed to gain ground elsewhere with early setbacks in China, Europe and Russia. Now, big oil companies are drawing on expertise gained from their U.S. operations and making investments around the world again.

Such efforts will depend in part on the Organization of the Petroleum Exporting Countries and its allies such as Russia, whose meeting this week in Vienna could have implications for crude prices.

In general, big oil companies are pushing ahead with “short-cycle” projects, such as those involving fracking—where production can be turned on and off depending on the oil price. Traditional projects have long life cycles and produce no matter how low prices go.

Rising oil prices—which breached \$80 a barrel this year—have bolstered fracking projects, though executives say government policy and technological advances can also help make projects work at lower prices.

In Argentina, oil giants including Exxon Mobil Corp., Chevron Corp., Royal Dutch Shell PLC and BP have moved to fracking the country’s massive shale reserves, though high costs have slowed progress.

According to the International Energy Agency, oil production from fracking in the country will more than triple over the next five years to 110,000 bar-



BP's \$12 billion Khazzan project in Oman represents a breakthrough, as it relies on rock once considered too dense and deep to frack.

drels a day.

In Russia, PAO Gazprom Neft is now leading experiments with fracking the Bazhenov shale formation, the largest in the world. Energy consultancy Wood Mackenzie forecasts production of shale gas in China will almost double by 2020, driven by investments from the country’s state-backed oil companies. Even Saudi Arabia has begun efforts to tap its most-difficult-to-pump natural gas by fracking.

These projects are “unconventional today but won’t be unconventional in time,” said Thierry Bros, senior research fellow at the Oxford Institute for Energy Studies.

Until recently, oil companies had made slow, costly progress in applying fracking to unconventional resources beyond

North America. Regulatory hurdles and environmental concerns upended efforts in Europe. Huge gas deposits in China have proved difficult to tap. International production remains a fraction of output in the U.S.

Even in the U.S., it took BP and other big oil companies years to get to grips with fracking.

The shale revolution was initially dominated by smaller, more nimble players.

Now, Khazzan counts among BP’s most valuable assets, according to Wood Mackenzie, and it stands out as an important milestone in BP’s efforts to rebuild production after years of retrenchment following its Gulf of Mexico disaster in 2010.

Oman is an unlikely place to lead the race to globalize

fracking. The Middle East country’s unconventional reserves are dwarfed by those found in China and Argentina, which have so far driven production growth outside North America.

Khazzan’s geology isn’t easy to drill, and Oman initially lacked infrastructure, expertise and drilling data.

“Khazzan was quite a big risk,” said Liam Yates, a research analyst at Wood Mackenzie.

Now, the project is pumping 1 billion cubic feet of gas a day—more than enough to meet the average daily demand of Connecticut. An additional 500 million cubic feet a day will come online in the next phase of the project. In an industry renowned for cost overruns, it came in \$4 billion under budget.

# Europe’s Privacy Law Fails to Stoke Demand for Cyber Insurance

BY MENGQI SUN

One of the biggest data-privacy laws in history was supposed to kick off a new era of surging demand for cyber insurance in Europe. So far, it hasn’t.

Late last month, the General Data Protection Regulation, or GDPR, went into full effect in Europe. The law constituted the largest change to the data-protection regulations in the European Union during the past two decades and one of the largest ever globally. It mandated that all companies, including those that aren’t based in the EU but have European customers, get clients’ consent before collecting and processing their personal data.

The move had many insurance executives and analysts forecasting a sales spike for cyber insurance. Cyber policies vary in their coverage but often provide compensation for repair of a network, recovery of lost data, lost revenue, and damaged reputation caused by data breaches and ransomware. These products also can help companies manage their risks as they work to comply

with new rules. Ransomware is a type of software designed to block or limit access to a computer system until money is paid.

The cost of the policies varies widely, depending on the needs of a company and the industry it is in. Aon PLC, a big brokerage firm, handles policies as small as \$650 in total premium to upward of over \$9 million for stand-alone cyber programs.

But while the regulations have led to more companies examining cyber insurance, there hasn’t been a significant uptick in sales.

“We’re optimistic that we’ll see more,” said Paul Bantick, cyber-focus group leader at Lloyd’s Beazley Insurance Co. in London. “But in the future, it’s not going to be necessarily a huge boom...it would probably be more gradual.”

The expectations for growth largely were driven by an examination of sales in the U.S. during the past year. Amid large-scale data breaches and cyberattacks, cyber insurance has become one of the fastest-expanding markets in the U.S., where 48

states require companies to notify individuals if their data is compromised.

In 2017, cyber premiums in the U.S. climbed 54% to \$2.1 billion, according to a report from Fitch Ratings last month. The U.S. market represents 90% of global premiums in cyber insurance.

In comparison, Aon says its cyber sales in Europe rose 25% in 2017, attributed mostly to an increase in new clients. The company says it hasn’t seen a rise in sales in response to the GDPR, and the U.S. market still represents 65% of its sales, said Shannan Fort, who leads Aon’s cyber-product development in London.

One reason sales haven’t taken off is one detail of the GDPR. As part of the regulation, companies face the risk of hefty fines of up to €20 million (\$23.2 million) or 4% of global revenue. But whether the fines are insurable in each country is unclear, a decision that is up to regulators in each nation.

This lack of clarity in what is insurable and the level of enforcement in each country has made it difficult to stan-

## Held Hostage

Top categories of cyber incidents reported to AIG Europe in 2017

### Ransomware

26%

### Data breach by hackers

12

### Other security failure/ unauthorized access

11

### Impersonation fraud

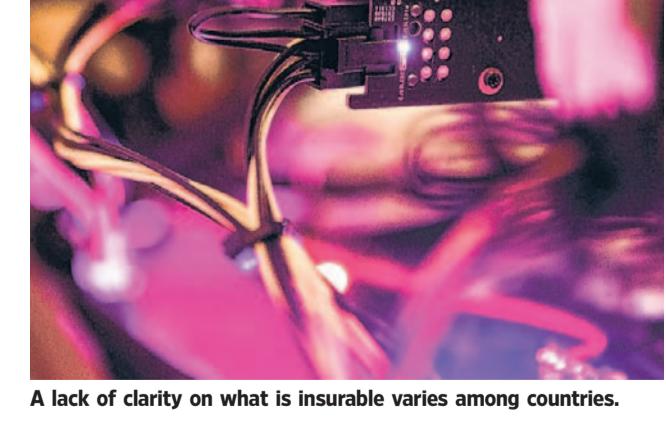
9

### Other virus/malware infections

8

Source: AIG

THE WALL STREET JOURNAL.



A lack of clarity on what is insurable varies among countries.

said. “The market is pretty all over the map and [varies] from country to country.”

Compared with the regulations in the U.S., which came in relatively quickly, the enactment of GDPR spanned eight years. The long runway seems to have given companies more time to enroll in cyber insur-

ance and spread out the increase in demands, Mr. Bantick said.

For many companies, GDPR raises awareness but doesn’t change the fact that many have been looking for more protection from insurance for years, said James Auden, a cyber analyst at Fitch Ratings.

## MARKETS

# S&P Gains As Nasdaq Hits Record

By RIVA GOLD  
AND AMRITH RAMKUMAR

U.S. stocks stabilized a day after trade tensions rattled markets around the world.

The S&amp;P 500 ended a three-session streak of declines on

Wednesday, buoyed by gains in

shares of real-estate firms, and

WEDNESDAY'S MARKETS

the technology-oriented Nasdaq Composite closed at a record.

Concerns have intensified this week that the world's two largest economies could embark on a growth-hindering trade war, but many investors still expect the two countries to ultimately dial down their plans and reach a compromise. Some investors have been encouraged that large companies continue to oppose protectionist trade policies that could hurt their global businesses.

"Our base case is this gets walked back...but it's getting more serious now," said Tim Courtney, chief investment officer at Exencial Wealth Advisors. "The longer it goes on and the further we go down this path, the greater the chances are that this could actually stick."

The S&amp;P 500 added 4.73 points, or 0.2%, to 2767.32. The Nasdaq rose 55.93 points, or 0.7%, to 7781.51. The Dow Jones Industrial Average closed down 42.41 points, or 0.2%, at 24657.80, in a seventh straight session of losses, its longest such streak since March 2017.

Wednesday's moves came as analysts weighed news that Germany's leading auto makers have thrown their support behind the abolition of all import tariffs for cars between the European Union and the U.S. The move comes after President Donald Trump late Monday called for his adminis-

tration to identify \$200 billion in Chinese goods for a fresh round of tariffs.

Despite recent trade fears and anxiety about higher interest rates, some investors think steady earnings growth will boost stocks.

"I'm not too worried," said Chris Bertelsen, chief investment officer of Aviance Capital Management. "If it turns out to be the great trade wars of the 1930s, I will be wrong, but that's a position we're willing to take."

The yield on the 10-year Treasury note climbed to 2.928% from 2.893%. Yields rise as prices fall. Federal Reserve Chairman Jerome Powell said at the European Central Bank's annual policy conference Wednesday that sturdy U.S. economic growth has built a strong case for continuing to gradually lift interest rates.

**Walgreens Boots Alliance** was among the S&P 500's best performers, adding \$3.39, or 5.2%, to \$68, following news that it would be added to the Dow Jones Industrial Average, replacing **General Electric**.**21st Century Fox** rose 3.21, or 7.2%, to 47.50, after Fox and **Walt Disney** announced a new merger agreement, increasing the value of the deal and adding a cash component. Fox and Wall Street Journal owner News Corp share common ownership.**PayPal Holdings** also climbed after the company agreed to acquire financial-technology company **Hyperwallet Systems Inc.** for about \$400 million.

Elsewhere, the Stoxx Europe 600 added 0.3% to snap a three-session losing streak, with bank shares among the best performers.

Early Thursday, Japan's Nikkei was down 0.1%, Hong Kong's Hang Seng Index was up 0.2% and the Shanghai Composite was down 0.2%.

**Leading the Way**

21st Century Fox, Walgreens Boots Alliance and PayPal were among the S&amp;P 500's best performers Wednesday.



## Powell's Rate Remarks Depress Bond Prices

By DANIEL KRUGER

U.S. government-bond prices declined Wednesday after Federal Reserve Chairman Jerome Powell said falling unemployment and faster inflation support additional interest-rate increases.

The yield on the benchmark 10-year Treasury note rose to 2.928% from 2.893% on Tuesday, posting its biggest one-day climb in two weeks. The yield on the two-year Treasury note rose to 2.562% from 2.545%. Yields rose as prices fell.

Yields rose after Mr. Powell, speaking Wednesday at a conference of global central-bank officials in Portugal, said robust U.S. economic growth, low unemployment and inflation near the Fed's target make a strong case for continued interest-rate increases.

The Fed raised rates in March and June, and at its meeting last week, officials penciled in two more increases for the rest of 2018, or a total four for the year. Their forecasts at the December and March meetings were for three.

Over time, the Fed's aggressive approach should lead to a smaller difference between two- and 10-year Treasury yields, a phenomenon known as a flatter yield curve, said Thomas di Galoma, managing director and head of Treasury trading at Seaport Global Holdings. The yield curve Tuesday reached its flattest levels since August 2007.

"If anything, multiple rate increases will produce a flatter yield curve," Mr. di Galoma said.

Investors and economists see the measure as a guide to the economy's direction, with steeper yield curves signaling stronger growth. Two-year yields have risen above 10-year yields in each U.S. recession since at least 1975, a phenomenon called an inverted yield curve.

The yield curve steepened modestly Wednesday as some investors sold longer-term U.S. government bonds to

make room for a wave of corporate-bond sales this week, said Mr. di Galoma.

Fed-funds futures early Wednesday indicated that the chances the Fed will raise interest rates four or more times this year were at 51%, down from 55% Monday, according to data from CME Group.

China smartphone maker **Xiaomi Corp.** is planning to raise up to \$6 billion in its initial public offering next month, lowering its sights dramatically after plans for a dual of-By Julie Steinberg  
in Hong Kong and  
Liza Lin in Shanghai

ferring on mainland China were scuttled, according to people familiar with the matter.

Xiaomi had initially planned to raise \$10 billion in its IPO, with half coming from a mainland listing and the other half from Hong Kong, The Wall Street Journal reported earlier. But the company this week said it would postpone raising money on the mainland because

of uncertainty about China's pending rules for foreign-dominated companies to list.

The handset maker, which is incorporated in the Cayman Islands despite doing the bulk of its business in China, plans to go forward with its Hong Kong listing, offering 2.18 billion shares to investors at a price range of HK\$17 to HK\$22 apiece, the people said.

Xiaomi's valuation has yet to be determined, people familiar with the matter said, though recent estimates have placed it between \$55 billion and \$70 billion.

Xiaomi is likely to float a 10% stake in the company, the people said, and has lined up some cornerstone investors in the IPO, including state-owned

telecommunications company China Mobile Ltd. and U.S. chip giant Qualcomm Inc.

A representative for Xiaomi didn't return a request for comment.

The cornerstone investors are expected to account for 12% to 13% of the deal, said a person familiar with the offering. Such investors agree not to sell their stock for six months after the IPO and can serve to reassure other prospective investors.

Xiaomi is one of Qualcomm's major customers in China, and the U.S. company's Chinese venture-capital arm owns a stake in Xiaomi. China Mobile, one of the nation's largest carriers, has launched several handsets with Xiaomi

domestically in the past. Both companies are buying \$100 million worth of Xiaomi shares, out of the more than \$700 million being purchased by cornerstone investors, according to a document reviewed by the Journal.

The terms of the deal could still change, people familiar with the matter cautioned. Xiaomi's IPO is seen as a bellwether for other Chinese tech companies looking to list, and could shut down the market for such listings if it doesn't go well, market participants say. Plans are on track to speak with institutional investors Thursday, the people said.

—Stella Yifan Xie  
in Hong Kong  
contributed to this article.

## China's Xiaomi Reduces Goal for IPO

Chinese smartphone maker **Xiaomi Corp.** is planning to raise up to \$6 billion in its initial public offering next month, lowering its sights dramatically after plans for a dual of-By Julie Steinberg  
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of uncertainty about China's pending rules for foreign-dominated companies to list.

The prospect that China would use currency devaluation to retaliate against any escalations of U.S. tariffs loomed in the aftermath of a sharp drop in the country's stock markets.

But one gauge of the Chinese currency's strength indicates no efforts to devalue the yuan this year.

On Wednesday, the central bank set its reference rate for the yuan at 6.4586 to the dollar, 0.5% weaker than Tuesday's rate and the lowest since January.

"One would imagine that China will be thinking about currency devaluation again," said Rabobank senior Asia-Pacific strategist Michael Every in a research note. Devaluation is one of Beijing's most powerful economic tools.

China imports far less from the U.S. than it exports to it and could use depreciation as an alternative way to retaliate against U.S. tariff increases.

Though the U.S. dollar has risen 2% against the yuan this year, the trade-weighted measure of the yuan published by the People's Bank of China, the CFETS index, has risen since trade tremors began with the

announcement of U.S. steel and aluminum tariffs in March.

The yuan is stronger this year against the euro, yen, British pound, Australian dollar and Korean won.

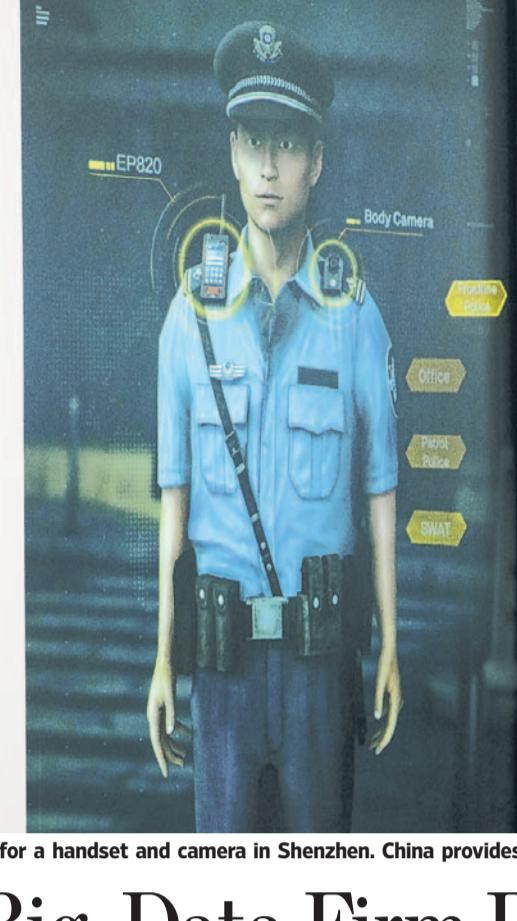
Though the dollar exchange rate is most commonly referenced, those currencies make up around 46% of the basket used to calculate the index, versus the greenback's 22% weighting.

The CFETS index hit a two-

year high in May and was a fraction below that level on June 15, the latest weekly fix for the trade-weighted measure.

The lack of any broad depreciation in the yuan suggests that China isn't attempting to gain an unfair advantage over its trading partners in the foreign-exchange market.

Recall what happened the last time China cut the yuan's value: A rapid weakening in



A Huawei Technologies display for a handset and camera in Shenzhen. China provides less privacy protection than in the West.



GIULIA MARCH/BLOOMBERG NEWS

## Chinese Big-Data Firm Plans U.S. IPO

By LIZA LIN  
AND JULIE STEINBERG

Americans are becoming increasingly suspicious of companies that collect data on individuals and sell it to third parties. They could soon have the opportunity to invest in a Chinese big-data company that does the same.

Shenzhen-based data-aggregation company Jiguang is planning an initial public offering in New York in the second half of this year, according to people familiar with the matter. The company wants to raise \$300 million, which could value it at between \$1.5 billion and \$2 billion, the people said. Global investment banks have been appointed to lead the IPO, they added.

Jiguang, whose name translates to "aurora," is legally known as **Shenzhen Hexun Huagu IT Co.** and domiciled in the Cayman Islands. The company's business lines include providing services to mobile app

developers, such as push notifications, text message identity verification and user analytics.

Jiguang amasses data through app developers, which have to install software allowing the firm to collect user profiles and user habits to receive software services. The company can then mine the collected data to help app developers and other firms conduct user analytics, target marketing and provide tailored industry insights.

The company's investors include **IDG Capital Partners** and a unit of **Fidelity Investments**, the latter of which owned shares valued at about \$20.5 million (\$27 million) as of March 31, according to its annual report. One of its main competitors is TalkingData, a company backed by social-media giant **Tencent Holdings Ltd.**

Jiguang declined to comment on its business model or any listing plans.

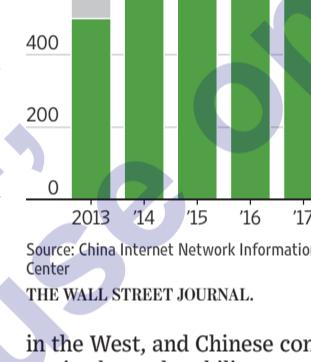
Consumers in China have fewer privacy protections than

### Smartphone Reliance

Most Chinese internet users surf via smartphone.

Total internet users in China

Use phones to go online



THE WALL STREET JOURNAL.

in the West, and Chinese companies have the ability to collect far more information on marriage, contact book details, and even whether customers charge their phones. This gives Chinese companies access to an

—Chunying Zhang contributed to this article.

in Hong Kong contributed to this article.

## Yuan Signals No Devaluation by Beijing

By MIKE BIRD



The yuan has risen this year against the euro, yen, pound, Australian dollar and Korean won.

IMAGINECHINA/ASSOCIATED PRESS

2015 sparked capital outflows as investors attempted to remove money from the country and avoid further depreciation.

The government responded by crimping the ability to move money out of China.

Devaluing again could damage Beijing's long-term goal to open its financial markets and promote the yuan as an international currency, according to Bilal Hafeez, a strategist at Nomura.



A special supplement provided by Barron's magazine, a Dow Jones publication

# BARRON'S

June 21, 2018



## Financial Advisor Directory

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**WE'VE GROWN THROUGH  
THE 1929 CRASH,  
THE 70s OIL CRISIS,  
THE 80s S&L COLLAPSE,  
THE 2001 TECH BUBBLE,  
AND THE 2008 FINANCIAL CRISIS.**

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BARRON'S • SPECIAL SUPPLEMENT



# Who's Got Your Back? Understanding “Fiduciary”

**R**eliable, conflict-free advice. That's what you usually want when you hire a skilled pro to help build and manage your financial portfolio. But there's no guarantee you'll get it. Some investment advisors, motivated by commissions, bonuses, or other financial incentives, steer clients into products that aren't in their best interests, resulting in some \$17 billion

in lost retirement savings per year, according to a 2017 report by the White House's Council of Economic Advisers.

These practices are an ignoble yet legal facet of the financial industry, and led to an effort by regulators to establish a standard to put clients' interests first. The imperfect Obama-era law, proposed by the Department of Labor, would have

by Karen Hube  
Illustrations by Goran Factory

## BARRON'S • SPECIAL SUPPLEMENT



Marty Bicknell, CEO of Mariner Wealth Management, is a big believer in the fiduciary standard.

Jason Dailey

required investment advisors to act as fiduciaries when dealing with retirement investments. But a court ruling in March iced the rule. Meanwhile, the Securities and Exchange Commission is working on a similar proposal.

So where does that leave investors?

You're mostly on your own to discern the great, the mediocre, and the ugly of the investment advisory world (though we offer some help through the Barron's rankings of financial advisors). "If regulators and Congress aren't going to do anything, investors have to take things into their own hands," says Harold Evensky, president of Evensky & Katz in Coral Gables, Fla., and a professor of finance at Texas Tech University.

The first step is to understand that there is a divide in the investment-advisory industry's standard of service. Some advisors adhere to a fiduciary standard, and others to a suitability standard.

The fiduciary standard requires an advisor to put clients' interests first, generally meaning to disclose and avoid any conflicts of interest. Under a suitability standard, advisors have to believe that an investment is a perfectly fine choice for a client, but

don't have to disclose conflicts or that there are cheaper, more tax-efficient or otherwise more competitive products available. Brokers and insurance agents are supposed to adhere to this standard.

For example, under the suitability standard, an advisor with an in-house mutual fund can recommend it to a client on the basis that it is a decent fund, regardless of whether there is a similar, less expensive option run by an outside manager. A fiduciary would be obliged to disclose the conflict of interest, and the cheaper alternative.

"With the fiduciary standard, you have to consider the client's bigger picture," says Jamie Hopkins, retirement income program co-director at the American College of Financial Services. "With the suitability standard, you can consider whether a product is suitable as a single transaction."

While the fiduciary standard is the highest quality of service, its definition can vary among investment professionals. Yet the titles you see on websites and marketing materials tend to look very similar.

"There are so many people that call themselves wealth advisors that I do think

it's confusing for consumers," says Marty Bicknell, CEO of Mariner Wealth Advisors, in Leawood, Kan. So it's important to understand the standards behind an advisor's title.

The only advisors legally held to a fiduciary standard are registered investment advisors, or RIAs. Often referred to simply as "independent" advisors, these are practices made up of an individual or a group of advisors. Practices with more than \$110 million under management must register with the SEC. Smaller practices must register with their state. Consequences for impropriety can range from a censure to crippling fines.

**But the RIA fiduciary** standard applies only to investment management, not to broader financial planning. To compensate, some RIA firms go to lengths to assure clients that they are broadly applying their fiduciary obligations. For example, Evensky & Katz has collaborated with about a dozen other RIA firms to create a Fiduciary Oath, which it signs for its clients, promising loyalty, good faith, prudence, and transparency. "Ask your advisor to sign one. If they don't, it's a huge red flag," Evensky says. The National

Association of Personal Financial Advisors, or Napfa, also requires members to take, and renew, a fiduciary oath.

Certified Financial Planners, or CFPs, are also under obligation to be fiduciaries—not by the SEC, but by the CFP Board of Standards, which issues the CFP designation to those who complete coursework, pass an exam, and complete ongoing educational requirements.

The CFP's fiduciary standard is broader than the RIA's, applying to all aspects of financial planning. Enforcement, however, doesn't have the legal bite of the SEC's. The CFP Board can revoke the CFP designation—certainly a major bruise for a career advisor, but not as dire as paying reparations and fines.

Yet other financial advisors behave as fiduciaries because they feel ethically motivated to do so, or understand that it gives them more credibility. Indeed, many firms that geared up to adhere to the now-void new rules are acting as fiduciaries simply because the industry is heading that way.

So why would any investor want to hire a nonfiduciary advisor? First, there's the issue of fees. Registered investment advisors and CFPs typically charge a percentage of assets, partly to remove the motivation to push one product over another, and to encourage long-term relationships with clients.

This arrangement can make sense for people with substantial investible assets, rather than those with smaller portfolios, Hopkins says. Folks with more-modest portfolios might handle their own affairs, and simply need a commission-based professional to facilitate transactions, he says.

Or, consider a family with \$1 million in 401(k) assets but fairly straightforward financial needs. At the standard fee of 1% of assets, they could find themselves paying \$10,000 a year for very little guidance after their financial plan is in place. To accommodate such situations, some advisors charge an hourly rate or a flat fee.

High-net-worth clients can be attracted to the big financial firms for many reasons, including access to more investment options and the comfort of working with a huge institution and the controls that come with it, such as a vast compliance department. In the unlikely event that something goes wrong, a family with a \$50 million fortune might like to know there's an institution with deep pockets to be held responsible.

Which leads to the question of whom you trust. At the root of an advisor-client relationship is a strong rapport. "There are great folks who work on the broker-dealer side who are terrific advisors," says Grant Rawdin, founder and CEO of Wescott Financial Advisory Group, a Philadelphia-based registered investment advisory.

And it's important to understand that an advisor's claim of adherence to a fiduciary standard doesn't amount to a guarantee. No matter what standard an advisor is working under, investors must be vigilant and ask probing questions.

"The best way investors can protect themselves is to understand the advice they're getting," says Allan Roth, founder of Wealth Logic, a registered investment advisory in Colorado Springs, Colo. "Make sure it's simple, because in almost every case, a complex investment is a bad investment." ■

## How to Invest as Volatility Returns

Here's where top advisors are putting their clients' money now

By Steve Garmhausen

**S**tocks are up modestly this year, but, compared with last year's placid market, these have been hard-won gains. It's during volatile markets, when investors may be tempted to cut and run, that financial advisors can really earn their fees.

So what are they telling their clients now? We asked three Barron's-ranked advisors to each create a portfolio for one of three hypothetical investors: The first investor is 40 years old and has half a million dollars to put to work; the second is 50 and has \$3 million; and the third, age 60, has \$10 million.

Each of the advisors expects the nine-year bull market to continue, even if a correction is sandwiched within the periods of growth. Thus, each recommends an equity exposure of at least 50%. Wealthier investors, with portfolios of at least \$1 million, can access private equity and other so-called alternative investments.

Alternatives, a catch-all name that can apply to a broad range of investments, from plain-vanilla real estate investment trusts to exotic hedge fund strategies, can reduce a portfolio's volatility by adding diversification. Those that require long holding periods may also provide extra return in exchange for locking up your money for months or years.

**Client 1:** Age 40, \$500,000 to invest, and an aggressive posture to build wealth for a cushy retirement, travel, and other goals

**Advisor:** Jeffrey Camarda, Camarda Wealth Advisory Group, Jacksonville, Fla.

Younger investors can afford to be aggressive and patient: If they're 20-plus years from retirement, they can have time to recover from big, short-term losses.

Aggressive may be an understatement. Camarda has his youngish client putting virtually his entire retirement portfolio in stocks—particularly value stocks, which tend to do better late in the market cycle. And he's heavily weighted to foreign shares, with 42% of his equity holdings in developed coun-

tries abroad, and 20% in emerging markets.

"While the U.S. remains a critical component for asset class selection, we believe much better values can be found overseas," he says.

Camarda is concerned about the effect that rising interest rates will have on bond values: With a more conservative client, he might use inflation-protected bonds or floating-rate bank loan funds to manage that risk.

For his young, aggressive client, he's avoiding bonds altogether, though he's positioned to reap dividend income from, for example, his large-cap value holdings.

Camarda believes that actively picking stocks—rather than investing in passive index funds—has the potential to drive considerable outperformance in the current volatile climate. The thinking is that as the performance of different sectors and companies starts to diverge, an adept stockpicker can choose the winners and avoid the losers.

**Client 2:** Age 50, \$3 million to invest, a moderate risk appetite and goals such as a comfortable retirement and leaving a meaningful inheritance

**Advisor:** Andrew Burish, UBS, Madison, Wis.

For comfortable but not especially rich clients, advisors often try to strike a balance between risk and safety. That's what Burish has done for his 50-year-old, \$3 million client.

On the stock side, he has a 45% allocation to U.S. companies. But he expects developed and emerging markets to do more of the heavy lifting in terms of growth: 55% of his stockholdings are in those regions.

"The U.S. is the best market in the world, but not the only market in the world," Burish says. He's aiming for an 8% to 10% annual return from stocks over the next few years, with an assist from Europe and Asia.

Developed foreign regions could even deliver double-digit returns, outperforming U.S. markets, as yawning budget deficits weaken the greenback and inflation picks up, he says.

He points to the S&P 500's sub-2% dividend yield, versus 4% in Europe. European stocks trade at a cheap 12 to 13 times next year's earnings, he says. U.S. stocks, by contrast, are selling just a little under 17 times earnings estimates.

The caveat: Stocks should be of the blue-chip, dividend-paying value variety. "That's how the client sleeps at night," says Burish.

In the bond arena, he is big on government issues. Half of his bond portfolio is in

### Asset Allocation

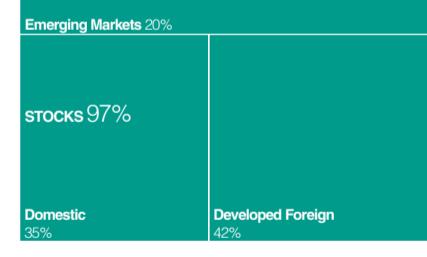
We asked advisors how they would invest different sums for clients at different life stages.

#### Jeffrey Camarda

Camarda Wealth Advisory Group, Jacksonville, Fla.

\$500,000 portfolio

40-year-old client



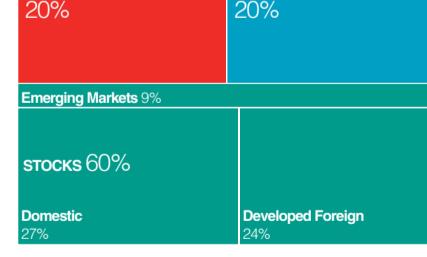
#### Andrew Burish

UBS

Madison, Wis.

\$3 million portfolio

50-year-old client



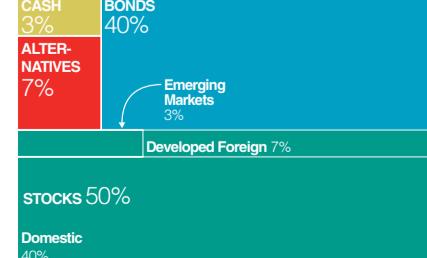
#### Richard Szczel

Neuberger Berman

Dallas, Texas

\$10 million portfolio

60-year-old client



short-term U.S. Treasuries. "The two-year Treasury bond gives you 2.5% and your money back," he explains. High-quality foreign bonds help mitigate risk and are delivering good yields, he adds.

Burish is also a fan of private equity right now, using it for the lion's share of his alternative-investments allocation. Some private-equity real estate trusts can potentially deliver 9% or 10% returns, and they're an attractive hedge against inflation, he says.

**Client 3:** Age 60, \$10 million to invest, a moderate risk appetite and a desire to leave multigenerational wealth

**Advisor:** Richard Szczel, Neuberger Berman, Dallas.

The very wealthy often have simple marching orders for their advisors: I'm already rich, I don't want to have to get rich again. With this year's up-and-down market, Szczel's portfolio aims for a 50/50 balance of offense and defense.

U.S. stocks and master limited partnerships—high-yielding energy infrastructure plays—make up most of the offense. Small-caps are a smart play right now, Szczel believes, because they tend to be domestically focused, which makes them less vulnerable to tariffs and means they are benefiting disproportionately from tax reform. MLPs, meanwhile, have generally underperformed despite rising oil prices—the Alerian MLP Index's yield is up to nearly 8%.

Meanwhile, bonds make up 40% of the portfolio. Bonds are tricky now due to the rising rate environment: A 1% increase in rates, for example, would knock a full percentage point off the value of a bond that matures a year from now. The further out the maturity, the more vulnerable the bond is.

"In the fixed-income world, you really have to manage to credit quality and duration," Szczel says. He's keeping duration as close to three years as possible, and generally holds bonds to maturity so that his clients recoup their capital.

Szczel's favored alternative investment is a long-short strategy, which has the potential to make money whether stocks rise or fall. A pinch of commodities helps to mitigate inflation risk.

In these uncertain times, he wants a generic \$10 million client to have 3% of the portfolio in money-market funds. "We're not big fans of holding cash," Szczel says. "But it's comforting for someone with \$10 million to know they have \$300,000 in cash." Yes it is. ■

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## BARRON'S • SPECIAL SUPPLEMENT

## Do You Need an Advisor?

A good pro can help you solve money challenges you didn't even know you faced

By Carla Fried

**S**ome people have no pressing need for a financial advisor. If you're 26 and single, have no debt, earn more than you spend, and are diligently stashing money away in a tax-advantaged retirement plan while saving money on the side, congratulations.

But whether you're starting a family or starting retirement, there often comes a time when so many factors are in play—current spending needs, future savings and legacy goals, upkeep on a vacation house—that paying a financial advisor to serve as your expert juggler-in-chief will prove to be a far better investment than any hot stock could ever be.

Granted, the price tag can be a bit off-putting. In a world where it's now possible to build a portfolio of exchange-traded funds with annual expenses below 0.10% and no commission when you trade, the typical annual advisor fee of 1% on a \$1 million portfolio (the fee often drifts lower as assets grow) seems pricey. Especially now, when asset-return models are spitting out warnings that, over the next 10 years, the S&P 500 and investment-grade U.S. bonds will have returns below 1% after inflation.

And paying \$10,000 a year to have someone oversee your allocation strategy and periodically hit the rebalance button on a \$1 million portfolio can feel exorbitant when robo-advisors deliver the same basic service at a steep discount. Betterment, for example, charges 0.25% for its basic allocation service; Vanguard Personal Advisor Services, 0.30%; and the fast-growing Schwab Intelligent Portfolios doesn't levy any management fees (instead, it mandates a minimum cash position and makes money on the spread).

"If the only service an advisor provides is investment management, then that 1% fee is probably too high," says Ric Edelman, co-founder and executive chairman of Edelman Financial Services, a network of independent financial advisors who manage more than \$21 billion for more than 36,000 families.

"You should be receiving much more advice," says Edelman, who adds that in a typical one- or two-hour review meeting with clients, about 10 minutes is spent on investment performance. All of the other moving pieces of a client's financial life—including tax planning, insurance needs, estate planning, college savings, and the big kahuna of retirement planning—are where Edelman aims to deliver added value.

With so much at stake, even an inveterate do-it-yourselfer could benefit from having a co-pilot check in from time to time to make sure you are, indeed, on course. An advisor who charges an hourly or flat fee can provide a periodic checkup. That could be once a year, or when life milestones are approaching. The typical hourly fee ranges between \$200 and \$400.

Paying for professional advice can be especially helpful as you begin to move down the backstretch toward retirement. While you may have amassed an impressive portfolio, you need an entirely different set of skills to strategically spend down that nest egg so that it lasts at least as long as you do. The healthier you are, the more that should be a concern. According to the Society of Actuaries, a 55-year-old couple today, if both are in excellent health, faces a 52% probability that at least one spouse will still be alive at 95. While long life is often, of course, a welcome thing, it also poses a financial challenge: You'll need to create an income stream to last many years.

For everyone who lacks the time, confidence, or inclination to be the de facto family financial advisor, hiring a pro to create

Jennifer Marcontell of Edward Jones keeps clients focused on the long term.



Todd Spoth

and maintain a comprehensive plan can be a solid investment.

## How a Top Advisor Can Pay Off

Vanguard estimates that certain advisory services, including portfolio rebalancing and tax-advantaged allocation and withdrawal strategies, could add about three percentage points to a client's annual returns. Granted, that presumes the advisor uses cheap ETFs and mutual funds and expertly executes. But those numbers factor in only the investment aspect of advice. By whipping the rest of your financial plan into shape—insurance, will, trusts—a holistic advisor can further improve your situation.

Vanguard estimates that a series of advisor services, including portfolio rebalancing and tax-smart allocation and withdrawal strategies could add about three percentage points to a client's annual returns.

In the Vanguard study, helping clients avoid buying high and selling low is one of the important benefits that advisors can bring to the table. "A financial advisor keeps you in your seat when you want to get up and run in a bad market, and keeps you from being too optimistic in a good market," says Cheryl Holland, founder and president of Abacus Planning Group, based in Columbia, S.C., which manages more than \$1 billion.

A similar study by Morningstar Investment Management that focused on retirement-income strategies estimates that an advisor can add an average 1.5% in annual return.

An advisor might also help you make more clear-eyed decisions. A 2017 study sponsored by Northwestern Mutual watched the brain patterns of 45 people making financial decisions, both on their own and with guided assistance. The neuroscience experiment found that with assistance, participants were less stressed and better able to absorb information.

Tapping the services of a top advisor is a good way to gain new perspective on your finances. "There is nearly always some motivating, triggering event that gets a potential client through the door," says Ron Sages, an advisor at Eagle Ridge Investment Management in Stamford, Conn., and assistant professor of financial planning at Kansas State University. "But then we frequently find other needs that they haven't even thought about—or they think they have something taken care of, but it turns out it can be improved." Not to mention the inves-

tor tendency to obsess on short-term results as markets zig and zag. "Having someone who's keeping them focused on the long-term goal is really important," says Jennifer Marcontell, a Barron's top-ranked advisor based outside of Houston. "I think there's a lot of value there that people don't realize."

Advisors are also adept at navigating complexity. You may handle most financial challenges with aplomb, such as negotiating with contractors or managing your 401(k). But are you really prepared to compare the solvency of companies that offer long-term care policies? Can you build a portfolio that will provide a lifetime of income? Can you analyze annuities? Advisors have specialized training, knowledge, and resources to help you weigh all of your choices.

A professional advisor is often better able than the layperson to anticipate consequences. It's the rare financial decision that exists in isolation. Make one move and, like Whac-A-Mole, it can set off a reaction elsewhere in your financial life. An advisor should be able to gauge the cascading effect of each decision. For instance, the arrival of a newborn child or grandchild may seem like the perfect time to set aside money for their college education. A good advisor will weigh in on how that decision might impact your ability to fund your retirement or other financial goals. Even when there are sufficient funds, an advisor can steer you toward the best ways to save for college today and minimize the impact on financial-aid eligibility years from now.

Diligence is another key talent that advisors offer. You may be hypermotivated this year to tackle your financial life, but financial planning is an ongoing grind. Just when you get the busiest—a new baby, new job, or new spouse—is when you're most likely to need a pro's guidance. Plus, as laws and regulations change and the economy shifts, you'll need to make adjustments. How much stamina do you have for putting a plan into action, and fine-tuning it forever?

"You go to an advisor for execution," says Holland. "It's like a business where you can have a great strategy, but if you don't execute—and keep executing—your strategy isn't going to work for you. Same with a financial plan. It's all about a lot of little executions."

In addition to helping you stick to your investment plan, an advisor can help you focus on the stuff you'd rather ignore. That can vary based on individual tics, but estate planning seems to be a common blind spot. Holland says some of her firm's wealthiest clients walk in without any estate-planning documents in place.

The human element can be essential when addressing these and other emotionally laden topics. No robo-advisor is going to be able to facilitate a conversation with your siblings about moving Mom to an assisted-living facility or the financial implications of her ongoing needs—or be able to help initiate that same conversation with Mom herself.

A financial advisor can also be a backstop against cognitive decline as you age. Paying estimated taxes, keeping the insurance up-to-date, staying on top of required minimum distributions for retirement accounts, and serving as a line of defense between you and scammers who prey on the elderly are just some of the services an advisor can provide when you're well into retirement.

Edelman suggests that even if you're confident about managing your finances, you need to address the question, "If something happens to you, where does that leave your spouse?" He says his firm's shining moment is often when someone dies and the family is relieved that there is a financial plan—and advisor—in place to ease the transition. ■

## Bringing Buyouts to the (Well-Heeled) Masses

Investor demand for private equity has shot up as the ranks of public companies have thinned

By Carol J. Clouse

**P**rivate equity may never be the asset class of the masses, but it no longer belongs solely to the pension funds and wealthy individuals of the world, either.

With growing numbers of individual investors enamored with the private market and PE firms looking to expand their funding base, a symbiotic demand has developed. And financial-services firms—advisors included—are scrambling to play matchmaker by creating online platforms, funding vehicles, and other strategies to make this pairing possible.

"We saw this democratization happening five or six years ago, and we believe it's in full swing now," says Lawrence Calcano, CEO of financial technology firm iCapital Network.

The New York-based company aims to open up the world of alternative investments by providing high-net-worth investors and their advisors a platform to invest online with as little as \$100,000. iCapital launched the platform five years ago and now manages \$5.3 billion in assets—\$3.7 billion in private equity and \$1.6 in hedge funds—via 115 different vehicles.

High minimum investments—typically in the millions or tens of millions—and a lack of liquidity have made private equity the territory of institutional investors and ultrawealthy individuals, keeping it out of reach for everyone else, including folks considered quite well off by any other measure.

The asset class' appeal has always had a lot to do with the returns, but in recent years demand from high-net-worth investors has shot up, in part because the U.S. public equity market has grown thinner in terms of the number of companies.

"The pool of stocks to invest in is shrinking," says Frank Marzano, managing principal

at GM Advisory Group in Melville, N.Y. "Companies are getting taken out through mergers, or they go private. And for private companies that want to go public, there's been a longer gestation period. So investors aren't seeing a huge steady stream of new public companies."

Indeed, the number of listed companies in the U.S. market fell from 7,322 in 1996 to 3,671 in 2016, according to research by Credit Suisse. As for initial public offerings, there were 706 in 1996 but only 105 in 2016, the lowest number in a decade, according to IPO research firm Renaissance Capital. The market has since showed signs of rebounding with 160 IPOs in 2017. However, despite yearly fluctuations, the IPO market isn't what it used to be. From 1980 to 2000, an average of 310 companies went public each year, compared with 111 annually from 2001 to 2015.

This makes it harder for investors to achieve diversified equity exposure to the U.S. economy without tapping the private market. Moreover, studies estimate that a traditional 60% stock/40% bond portfolio may not pull in even a 5% annualized real return over the next 10 years. Research Affiliates factored in a 14% increase in volatility and found that a 60/40 portfolio still won't get there. So the need for some form of alternative investment seems clear.

The private market appears to offer the diversity that investors need. At the start of 2016, the number of U.S. private companies with revenue from \$25 million to \$1 billion was at 135,000, according to D&B Hoovers. (It should be noted, however, that the downturn in activity in IPO hasn't been a strictly public company phenomenon—there were only 30 IPOs of private equity portfolio companies in 2016, the "lowest level since 2009," according to Credit Suisse.)

More than ever, private equity firms need

High minimum investments and a lack of liquidity have traditionally made private equity the territory of institutional and ultrawealthy investors

to grow and diversify their assets, which is why they're looking to deepen their bench of potential investors. This urgent need for growth stems from the fact that some of the largest private equity firms are now public companies. Since 2007, eight large PE firms have gone public, including Blackstone Group, KKR, Apollo Global Management, Ares Management, and The Carlyle Group.

"When an asset manager goes public, it raises its profile, and it also needs to increase its distribution and grow its assets and earnings," says David Romhilt, founding partner and chief investment officer at Summit Trail Advisors in New York. So while access to a broader pool of capital helps all PE firms, it's even more important for the public ones, because "shareholders are more concerned about asset growth," Romhilt says.

To meet demand from its high-net-worth clients, Summit Trail last year formed its first private equity fund, which uses a fund-of-funds strategy and makes commitments across a particular vintage year (2017-18). The firm, which does not charge an additional fee for the vehicle, plans to launch additional

funds, Romhilt says, increasing exposure to the asset class for clients where appropriate. Summit Trails views PE as part of the equity allocation, rather than an alternative investment, and aims to make it 10% to 25% of the overall equity portfolio.

Still, while private equity has a lot to offer potential investors, and intermediaries are happy to increase exposure for appropriate clients, advisors and their clients should proceed with caution.

While the financial-services industry is finding ways to work around steep minimum investments, private equity remains highly illiquid—once money goes into a PE fund it's locked up for 10 years or more. This can cause problems for high-net-worth investors who allocate too aggressively, and further democratization of the market could spell trouble for less wealthy investors.

This illiquidity, plus other variables, make comparing public and private equity returns tricky. Cambridge Associates provides one measure by creating a hypothetical public stock portfolio and comparing it to a given vintage of PE using that vintage's time frame.

For the period ending on Dec. 31, 2017, the Cambridge U.S. Private Equity Index returned 9.8% annually over 10 years, compared with 8.5% for the S&P 500 public market equivalent. Over 15 years, the Cambridge index returned 14%, while the S&P equivalent returned 9.9%.

That said, investors have to feel comfortable losing money before they make money. "Every private equity firm has failures, and they tend to happen quickly," Marzano says. "The real returns on a private equity portfolio come at the end. So advisors have to talk to their clients about whether the timeline and the risk tolerance are appropriate." ■

## BARRON'S • SPECIAL SUPPLEMENT

# Fire Your Hedge Fund, Hire an Advisor

You'll sacrifice cocktail-party clout, but you'll do far more to improve your financial security.

By Jill Schlesinger

In three decades working on or covering Wall Street, I have held different positions in the hierarchy of hip. When I began as an options trader on the floor of the Commodities Exchange of New York in the late 1980s, that was considered a pretty cool gig. Later, many friends left trading floors and desks to become hedge fund managers, because that was the place to be. But when I handed in my trading jacket to become a financial planner and investment advisor, I was guilty of a decidedly uncool move.

I quickly learned not to care, because the impact that I could make on people's lives as an advisor far outstripped anything my pals were doing running their funds. Sure, they could buy exotic financial instruments while I was toiling away trying to convince clients to squirrel away more for retirement. Sure, they were making way more money by charging 2% of assets under management, plus 20% of any upside gains—the well-known "2 and 20"—versus the measly 1% that most advisors were charging. But were they really helping their clients?

Maybe early on, in the late 1980s and early 1990s, hedge funds were delivering on their promise to provide pension funds, endowments, foundations, and wealthy individual investors with a means to defray—or hedge—some of the risk they carried in their portfolios. Many investors believed these managers had "skin in the game" because of the 20% part of the equation, but as one former hedge manager told me, "the dirty little secret of the hedge fund business is that it's the two, not the 20, that really matters."

In the early days, the funds employed various techniques, like short selling, option strategies, and mathematical models, to mitigate risk for their clients. But as the great tech rally of the 1990s took hold, managers were no longer helping clients manage risk; they were gunning the accelerator, seeking to deliver outsize returns (or alpha) in any asset class or market they could. As the bull market roared, managers found an easy way to juice performance: They used borrowed money.

With a market-friendly Federal Reserve under Alan Greenspan, Ben Bernanke, and Janet Yellen, "hedge funds morphed. They had nothing to do with style or risk management," says Bill Fleckenstein, president of money manager Fleckenstein Capital. "People believe there is something magical about them, but essentially a hedge fund has become an investment manager plus the carry trade." A carry trade is a strategy in which an investor borrows money at a low interest rate to invest in an asset that she believes will deliver a higher return.

Mark Spindel, the CEO and chief investment officer of advisor Potomac River Capital, warns that over the long term, active managers of almost all stripes, whether it's hedge funds or mutual funds, "rarely outperform consistently." Yet investors continue to demand outperformance, so the minute a hedge fund falters, they run in search of the next bright shiny object.

Spindel says the vast majority of investors would be wiser to prepare for an inevitable downturn, or a surprising life event, with a diversified, balanced portfolio. "Sure, good managers can help, but over the long haul, smart asset allocation should help most of all, and that's where you should spend your time," he says.

That's why ditching your hedge fund and hiring an advisor is a better way to build wealth. A certified financial planner (or a CPA/PFS, a certified public accountant who is also a personal financial specialist), whose job isn't to herd you into risky assets, will help you achieve your long-term financial goals.

The uncool CFP will help you avoid pitfalls and attend to the necessary but perhaps boring aspects of your financial life, such as ensuring you have sufficient life insurance or figuring out how to juggle the needs of your aging parents and your young children, all the while making sure you can retire at some point.

**Charles Brighton has moved away from hedge funds because of their high costs and long lockup periods.**



Chona Kasinger

Let me use myself as an example. After a career in trading and then advising clients, I became a financial journalist in 2009. As for my own investing, I had put some money in a couple of those high-sizzle hedge funds, and did a little trading on the side, but mostly I adhered to a plain-vanilla passive index strategy, which was just fine.

Although I was completely capable of managing my financial life, nearly six years ago I found myself out of the time, energy, and discipline to implement and track the progress of my own comprehensive financial plan. I turned to my friend Michael Goodman, the founder and president of Wealthstream Advisors in New York, who forced me to do what I knew I needed to do: relinquish control and go all-in on the planning process.

Goodman concentrated on overall goals and objectives, and he has made recommendations that have been far more beneficial to my financial life than finding "the best" investment manager. For example, a few years ago, he suggested I establish a defined benefit plan, which allowed me to quadruple the amount of money I was contributing on a

"There are so many ETFs where you can replicate a lot of the risk/reward scenarios we used to get from hedge funds."

— Charles Brighton

pretax basis to fund retirement. He scoured my partner's corporate benefits to better take advantage of what was available.

Meanwhile, money continues to pour into hedge funds, which now hold more than \$3.2 trillion, a record, according to Hedge Fund Research. And how did those funds perform? For calendar year 2017, they gained just 8.5% on average (though some did far better) and their managers pocketed billions in

fees. The unmanaged S&P 500, by contrast, returned a total of 21.8%.

Charles Brighton, a *Barron's* top-ranked advisor in Washington State, used to use hedge funds for diversification, but has moved away from them because of their cost and long lockup periods. He argues that he hasn't sacrificed diversification, only saved clients a ton of fees. "There are so many ETFs where you can replicate a lot of the risk/reward scenarios we used to get from hedge funds," he says.

You don't have to chase performance or market-beating investment managers. Instead, hire a comprehensive financial advisor who will put your best interest first by adhering to a fiduciary standard and will caution patience and prudence. Now that would be delivering real alpha. ■

Jill Schlesinger, CFP, is the Business Analyst for CBS News and award-winning host of the "Jill on Money" radio show and the "Better Off" podcast. Her first book, *Thirteen Dumb Things Smart People Do with Their Money*, will be published in February 2019 by Ballantine Books.

## Making It Easy to Find an Advisor

This year's directory features a new, interactive map

**B**arron's began ranking financial advisors in 2004 with the goal of shining a spotlight on the best people in the business. Many stories had appeared in the press over the years about bad financial advisors and the trouble they caused investors. As important as it is for journalists to act as watchdogs for investors, those stories left a void for our readers, who wanted to know: Who are the great financial advisors and what are they telling their clients? That's the question we've tried to answer with our advisor rankings.

We have also just created a new, interactive map populated with all of our ranked advisors at [barrons.com/directory](http://barrons.com/directory). We hope you'll give it a test drive and let us know what you think.

From the outset, the rankings have been a remarkable success. *Barron's* uses a deeply researched, quantitative approach to identify the best in the business. It is now accepted in the industry that the advisors ranked by *Barron's* represent the top 1% of their profession. In fact, it has become a badge of honor to be called a "Barron's advisor," a phrase that has cropped up informally to describe the folks who make our lists. We

began in 2004 with our first ranking of the nation's Top 100 Advisors, working with a small firm called the Winner's Circle, which we acquired in 2008. We published our first list of the Top 100 Women Advisors in 2006. A year after that, we published a list of the Top 100 Independent Advisors, meaning the best advisors not affiliated with the big full-service firms such as Merrill Lynch, Morgan Stanley, Wells Fargo, and UBS.

One problem with all of these lists: They were dominated by advisors in New York, California, Florida, and a few other places where America's wealth is concentrated. We knew that we were missing great advisors in states with smaller amounts of wealth.

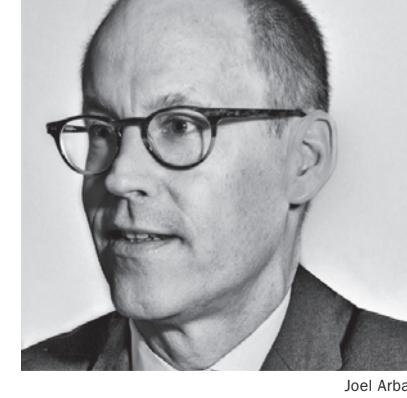
Our solution: the Top 1,000 state-by-state ranking, which we first published in 2009 and expanded in 2014 to 1,200 spots. This list grants each state a minimum of six spots and allows proportionately more spots for states with greater assets.

All of our advisor rankings are based on hard numbers: an advisor's assets under management and annual revenue generated, as well as length of time in the business, client retention, and philanthropic work. Critically important, we carefully check the

only *Barron's*-ranked advisors—to publish their phone numbers, email addresses, and website URLs. Advisors pay a fee to be listed in this section, but their participation has no bearing on their place in our rankings, nor does it guarantee that they will be ranked in future years. In our advisor rankings, as in all *Barron's* journalism, the readers' interests come first.

We want to thank all *Barron's*-ranked advisors and their firms for helping make our rankings successful. We also want to thank these advisors for setting the highest standards for their profession and for sharing their investing insights on a regular basis with *Barron's* readers. ■

**Jack Otter, Associate Publisher**



Joel Arabe

regulatory record of each advisor we rank. Every year, readers ask us how to get in touch with advisors who are ranked in *Barron's*. This special section, published four times a year in *Barron's* and also available online, is an effort to make that easier. This section allows *Barron's*-ranked advisors—and

*Joel Arabe*

## ADVERTISEMENT

THE BARRON'S

# Advisor Directory

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**\$1,746m Team Assets**  
**\$3.0m Typical Account Size**  
**\$5.0m Typical Net Worth**

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**\$5.0m Typical Account Size**  
**\$25.0m Typical Net Worth**

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**\$2,214m Team Assets**  
**\$0.7m Typical Account Size**  
**\$4.0m Typical Net Worth**

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**\$9,961m Team Assets**  
**\$20.0m Typical Account Size**  
**\$25.0m Typical Net Worth**

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**\$821m Team Assets**  
**\$4.0m Typical Account Size**  
**\$10.0m Typical Net Worth**

## ARIZONA



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[www.wildewealth.com](http://www.wildewealth.com)  
**\$682m Team Assets**  
**\$0.4m Typical Account Size**  
**\$1.5m Typical Net Worth**

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[www.fa.morganstanley.com/chudomhayeswealthmanagement](http://www.fa.morganstanley.com/chudomhayeswealthmanagement)  
**\$797m Team Assets**  
**\$1.0m Typical Account Size**  
**\$3.0m Typical Net Worth**

## MICHIGAN



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**\$2.0m Typical Account Size**  
**\$3.0m Typical Net Worth**

## OHIO



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[randy.carver@raymondjames.com](mailto:randy.carver@raymondjames.com)  
[www.carverfinancialservices.com](http://www.carverfinancialservices.com)  
**\$1,306m Team Assets**  
**\$1.0m Typical Account Size**  
**\$1.0m Typical Net Worth**

## TEXAS



**Alexander Ladage**  
UBS  
Austin  
(512) 479-5287  
[alex.ladage@ubs.com](mailto:alex.ladage@ubs.com)  
[www.financialservicesinc.ubs.com/fa/alexladage](http://www.financialservicesinc.ubs.com/fa/alexladage)  
**\$609m Team Assets**  
**\$10.0m Typical Account Size**  
**\$20.0m Typical Net Worth**

## CALIFORNIA



**Brian Holmes** MS, CFP, AIF, CMFC  
Signature Estate and  
Investment Advisors, LLC  
Los Angeles  
(310) 712-2326  
[bholmes@seia.com](mailto:bholmes@seia.com)  
[www.seia.com](http://www.seia.com)  
**\$7,356m Team Assets**  
**\$8.0m Typical Account Size**  
**\$15.0m Typical Net Worth**

## ILLINOIS



**Sharon Oberlander** WMA  
Merrill Lynch  
Chicago  
(312) 696-7620  
[s\\_oberlander@ml.com](mailto:s_oberlander@ml.com)  
[www.fa.ml.com/oberlandergroup](http://www.fa.ml.com/oberlandergroup)  
**\$1,175m Team Assets**  
**\$5.7m Typical Account Size**  
**\$12.0m Typical Net Worth**

## NEVADA



**Randy Garcia** CIMA, AIFA  
The Investment Counsel Company  
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(702) 871-8510  
[randy@iccnv.com](mailto:randy@iccnv.com)  
[www.iccnv.com](http://www.iccnv.com)  
**\$992m Team Assets**  
**\$4.0m Typical Account Size**  
**\$10.0m Typical Net Worth**

## OHIO



**Charles Dankworth** CFP, CIMA  
UBS Financial Services, Inc.  
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[charles.dankworth@ubs.com](mailto:charles.dankworth@ubs.com)  
[ubs.com/team/theonecolumbusgroup](http://ubs.com/team/theonecolumbusgroup)  
**\$1,014m Team Assets**  
**\$6.0m Typical Account Size**  
**\$25.0m Typical Net Worth**

## TEXAS



**John Merrill**  
Tanglewood Total Wealth Management  
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[jmerrill@tanglewoodwealth.com](mailto:jmerrill@tanglewoodwealth.com)  
[www.tanglewoodwealth.com](http://www.tanglewoodwealth.com)  
**\$871m Team Assets**  
**\$2.5m Typical Account Size**  
**\$5.0m Typical Net Worth**

## COLORADO



**Mark Smith** CFP, CPA, CIMA, PFS  
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[mark.smith@raymondjames.com](mailto:mark.smith@raymondjames.com)  
[www.mj-smith.com](http://www.mj-smith.com)  
**\$762m Team Assets**  
**\$1.6m Typical Account Size**  
**\$2.0m Typical Net Worth**

## IOWA



**Matt Fryar** CFP  
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[www.home.wellsfargoadvisors.com/mattew.f.fryar](http://www.home.wellsfargoadvisors.com/mattew.f.fryar)  
**\$700m Team Assets**  
**\$5.0m Typical Account Size**  
**\$7.0m Typical Net Worth**

## NEW JERSEY



**Elliott Kugel** CFP, CRPC  
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[www.fa.ml.com/kugelbriggs](http://www.fa.ml.com/kugelbriggs)  
**\$1,422m Team Assets**  
**\$2.5m Typical Account Size**  
**\$4.0m Typical Net Worth**

## OHIO



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[www.ncafincial.com](http://www.ncafincial.com)  
**\$1,500m Team Assets**  
**\$2.5m Typical Account Size**  
**\$3.0m Typical Net Worth**

## TEXAS



**Scott Tiras** CPA, CFP, MBA  
Tiras Wealth Management  
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[www.ameripriseadvisors.com/team/tiras-wealth-management/](http://www.ameripriseadvisors.com/team/tiras-wealth-management/)  
**\$1,822m Team Assets**  
**\$2.0m Typical Account Size**  
**\$4.0m Typical Net Worth**

## FLORIDA



**Eric Glasband**  
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[www.fa.ml.com/gs](http://www.fa.ml.com/gs)  
**\$859m Team Assets**  
**\$4.2m Typical Account Size**  
**\$10.0m Typical Net Worth**

## MASSACHUSETTS



**Susan Kaplan** MBA, CFA  
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[www.kaplan-financial.com](http://www.kaplan-financial.com)  
**\$1,862m Team Assets**  
**\$3.5m Typical Account Size**  
**\$11.0m Typical Net Worth**

## NEW JERSEY



**Andy Schwartz** CFP  
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[andy.schwartz@bleakley.com](mailto:andy.schwartz@bleakley.com)  
[www.bleakley.com](http://www.bleakley.com)  
**\$1,247m Team Assets**  
**\$2.5m Typical Account Size**  
**\$3.5m Typical Net Worth**

## PENNSYLVANIA



**Robb Boland**  
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[www.rbcwealthmanagement.com/thebolandinvestmentgroup](http://www.rbcwealthmanagement.com/thebolandinvestmentgroup)  
**\$1,054m Team Assets**  
**\$5.0m Typical Account Size**  
**\$20.0m Typical Net Worth**

## WISCONSIN



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[www.ubs.com/team/burishgroup](http://www.ubs.com/team/burishgroup)  
**\$2,490m Team Assets**  
**\$2.0m Typical Account Size**  
**\$3.0m Typical Net Worth**

## FLORIDA



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[www.wateroak.com](http://www.wateroak.com)  
**\$1,846m Team Assets**  
**\$3.0m Typical Account Size**  
**\$6.0m Typical Net Worth**

## MASSACHUSETTS



**Mary Mullin** CFP, CPWA, CIMA, CRPC  
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[www.fa.ml.com/mullinberiau](http://www.fa.ml.com/mullinberiau)  
**\$1,896m Team Assets**  
**\$5.0m Typical Account Size**  
**\$12.0m Typical Net Worth**

## NEW MEXICO



**John Moore** CIMA, CKA  
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[www.johnmoore.com](http://www.johnmoore.com)  
**\$513m Team Assets**  
**\$1.5m Typical Account Size**  
**\$3.0m Typical Net Worth**

## PENNSYLVANIA



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[www.keyfinancialinc.com](http://www.keyfinancialinc.com)  
**\$915m Team Assets**  
**\$1.0m Typical Account Size**  
**\$2.5m Typical Net Worth**

## About Barron's Rankings

Advisors who wish to be ranked in Barron's fill out a 102-question survey about their practices. We then apply a formula to that data to generate a ranking. The formula features three major categories of data: **assets**, **revenue**, and **quality of practice**.

Barron's overall goal in publishing these rankings is to shine a spotlight on the best advisors, with an eye toward raising standards in the industry.

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